NEW ISSUE - BOOK ENTRY-ONLY

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

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Authority and the Institution with their representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Series M Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code; the Series M Bonds are not "private activity bonds" and interest on the Series M Bonds is not treated as a preference item for purposes of calculating the federal alternative minimum tax; but in the case of corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax; interest on the Series M Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Series M Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

$34,060,000
State of Connecticut Health and Educational Facilities Authority
Revenue Bonds, Connecticut State University System Issue, Series M

Dated: Date of Delivery **Due:** as shown on inside cover

The $34,060,000 Revenue Bonds, Connecticut State University System Issue, Series M (the "Series M Bonds") of the State of Connecticut Health and Educational Facilities Authority (the "Authority") are issuable only as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series M Bonds. Purchases of beneficial interests in the Series M Bonds will be made in book-entry-only form in denominations of $5,000 or multiples thereof. Purchasers of beneficial interests will not receive certificates representing their interest in the Series M Bonds. So long as Cede & Co., as nominee of DTC, is the Bondowner, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid and shall not mean the Beneficial Owners (as defined herein) of the Series M Bonds. See "The Series M Bonds – Book Entry-Only-System" herein.

Principal of, premium, if any, and interest (payable May 1 and November 1, of each year, commencing May 1, 2013) on the Series M Bonds will be paid directly to DTC by U.S. Bank National Association, Hartford, Connecticut, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC, the Direct Participants and the Indirect Participants, as more fully described herein.

The Series M Bonds are subject to redemption prior to maturity as set forth in this Official Statement. See "The Series M Bonds – Redemption Provisions" herein.

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

The Series M Bonds will be special obligations of the State of Connecticut Health and Educational Facilities Authority (the "Authority"), equally and ratably secured with Bonds heretofore and hereafter issued under the Trust Indenture, by and between the Authority and U.S. Bank National Association, Hartford, Connecticut (the "Trustee"), dated as of November 1, 1995, as amended and supplemented by supplemental trust indentures dated as of March 15, 1997, July 1, 1998, November 15, 1999, March 15, 2002, May 15, 2003, February 1, 2004, June 1, 2005 and April 1, 2007, as restated and amended as of May 1, 2011, and by a Ninth Supplemental Trust Indenture, dated as of May 1, 2011, a Tenth Supplemental Trust Indenture, dated as of May 1, 2011, an Eleventh Supplemental Trust Indenture, dated as of March 1, 2012 and a Twelfth Supplemental Trust Indenture, dated as of December 1, 2012 (as amended and supplemented, the "Indenture"), and secured by and payable from a pledge of and lien on, to the extent provided in the Indenture, the revenues payable to the Authority or to the Trustee for the account of the Authority by the Board of Regents for Higher Education serving as the

BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY SYSTEM

(the "Institution") in accordance with the provisions of the Loan Agreement, dated as of November 1, 1995, as amended and supplemented by supplemental loan agreements, dated as of March 15, 1997, November 15, 1999, March 15, 2002, May 15, 2003, February 1, 2004, June 1, 2005, and April 1, 2007, as restated and amended as of May 1, 2011, and by a Ninth Supplemental Loan Agreement, dated as of May 1, 2011, a Tenth Supplemental Loan Agreement, dated as of May 1, 2011, an Eleventh Supplemental Loan Agreement, dated as of March 1, 2012 and a Twelfth Supplemental Loan Agreement, dated as of December 1, 2012 (as amended and supplemented, the "Loan Agreement"), by and between the Authority and the Institution, and the Series M Note, and the amounts, if any, certified by the Chairman or Vice Chairman of the Authority as necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement and deemed appropriated from the general fund of the State of Connecticut (the "State") and paid to the Authority pursuant to the Act, all as more fully described herein. The Series M Bonds are not and shall not be deemed to constitute a debt or liability of the State or any political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of the State. Neither the State nor any political subdivision thereof is obligated to pay, and neither the faith and credit nor the taxing power of the State or any such political subdivision is pledged to the payment of the principal of or interest on the Series M Bonds. The issuance of the Series M Bonds does not directly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment except as provided in the Act to restore the Special Capital Reserve Fund. The Authority has no taxing power.

The Series M Bonds are offered when, as, and if issued and received by the Underwriter subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of the Series M Bonds by Day Pitney LLP, Hartford, Connecticut, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Institution by its counsel, the Attorney General of the State of Connecticut. It is expected that the Series M Bonds will be available for delivery to DTC in New York, New York, on or about January 10, 2013.

Dated: December 19, 2012

$34,060,000
State of Connecticut Health and Educational Facilities Authority
Revenue Bonds, Connecticut State University System Issue, Series M

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Due November 1	Amount	Interest Rate	Yield	CUSIP[1]
2013	$ 865,000	3.00%	0.33%	20774YLQ8
2014	1,095,000	4.00	0.81	20774YLR6
2015	1,140,000	5.00	0.99	20774YLS4
2016	1,195,000	5.00	1.22	20774YLT2
2017	1,260,000	5.00	1.48	20774YLU9
2018	1,320,000	5.00	1.69	20774YLV7
2019	1,385,000	5.00	1.93	20774YLW5
2020	1,455,000	5.00	2.18	20774YLX3
2021	1,525,000	5.00	2.39	20774YLY1
2022	1,605,000	5.00	2.57	20774YLZ8
2023*	1,685,000	5.00	2.74	20774YMA2
2024*	1,770,000	5.00	2.80	20774YMB0
2025*	1,860,000	5.00	2.85	20774YMC8
2026*	1,955,000	5.00	2.90	20774YMD6
2027*	2,050,000	5.00	2.95	20774YME4
2028*	2,155,000	5.00	3.01	20774YMF1
2029*	2,260,000	5.00	3.07	20774YMG9
2030*	2,375,000	5.00	3.13	20774YMH7
2031*	2,490,000	5.00	3.19	20774YMJ3
2032*	2,615,000	5.00	3.25	20774YMK0

* Priced at the stated yield to the November 1, 2022 optional redemption date at a redemption price of 100%; however, any such redemption is at the option of the Authority, at the discretion of the Institution. See "**THE SERIES M BONDS – Redemption Provisions**" herein.

[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 Authority and are included solely for the convenience of the holders of the Series M Bonds. Neither the Authority nor U.S. Bank National Association are responsible for the selection or use of the CUSIP numbers, undertake any responsibility for their accuracy, or make any representation as to the correctness of the CUSIP numbers set forth on the Series M Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after issuance of the Series M 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 Series M Bonds.

No dealer, broker, salesman or other person has been authorized by the Authority, the Institution or the Underwriter to give any information or to make any representation with respect to the Series M Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Institution, The Depository Trust Company ("DTC"), the State of Connecticut and other sources. **THE AUTHORITY HAS RELIED ENTIRELY ON THE INSTITUTION, DTC AND THE STATE FOR SUCH INFORMATION, INCLUDING THE INFORMATION PERTAINING TO DTC, THE INFORMATION INCLUDED IN APPENDICES I-A, I-B, PARTS II AND III AND THE OTHER INFORMATION HEREIN PERTAINING TO THE INSTITUTION AND ITS FINANCIAL CONDITION.** The Authority makes no representation as to the accuracy or completeness of such information. The information and expressions of opinions 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 parties referred to above since the date hereof.

The Series M Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

$34,060,000 REVENUE BONDS
CONNECTICUT STATE UNIVERSITY SYSTEM ISSUE, SERIES M

INTRODUCTION

This Official Statement, including the cover pages, this Introduction, Part I, the Introduction to Parts II and III, Part II, and Part III and the Appendices thereto, of the State of Connecticut Health and Educational Facilities Authority (the "Authority") is provided for the purpose of presenting certain information relating to the Authority, the Board of Regents for Higher Education (the "Board of Regents") serving as the Board of Trustees for the Connecticut State University System (the "Institution") and the State of Connecticut (the "State") in connection with the sale of $34,060,000 aggregate principal amount of the Authority's Revenue Bonds Connecticut State University System Issue, Series M Bonds (the "Series M Bonds").

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

PART I
INFORMATION CONCERNING THE AUTHORITY, THE INSTITUTION AND THE SERIES M BONDS

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PART I

INFORMATION CONCERNING THE AUTHORITY, THE INSTITUTION AND THE SERIES M BONDS

The State of Connecticut Health and Educational Facilities Authority (the "Authority") is issuing $34,060,000 aggregate principal amount of its Revenue Bonds, Connecticut State University System Issue, Series M Bonds (the "Series M Bonds"). The Series M Bonds are authorized by resolutions adopted by the Authority. The Series M Bonds will be secured and issued on a parity with the Authority's $49,475,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series F (the "Series F Bonds"), $50,595,000 Revenue Bonds, Connecticut State University System Issue, Series G (the "Series G Bonds"), $48,515,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series H (the "Series H Bonds"), $62,760,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series I (the "Series I Bonds"), $27,035,000 Revenue Bonds, Connecticut State University System Issue, Series J (the "Series J Bonds"), $14,010,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series K (the "Series K Bonds"), $49,040,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series L (the "Series L Bonds") and any future Additional Bonds issued in accordance with the provisions of the Trust Indenture by and between the Authority and U.S. Bank National Association, as Trustee ("the Trustee"), dated as of November 1, 1995, as amended and supplemented by supplemental trust indentures, dated as of March 15, 1997, July 1, 1998, November 15, 1999, March 15, 2002, May 15, 2003, February 1, 2004, June 1, 2005 and April 1, 2007, as restated and amended as of May 1, 2011, (the "Restated Indenture") and as supplemented and amended by a Ninth Supplemental Trust Indenture, dated as of May 1, 2011, a Tenth Supplemental Trust Indenture, dated as of May 1, 2011 and an Eleventh Supplemental Trust Indenture, dated as of March 1, 2012 (as amended and supplemented, the "Indenture") and the State of Connecticut Health and Educational Facilities Authority Act, Chapter 187 of the Connecticut General Statutes, Section 10a-176 et seq., as amended (the "Act"), as herein described. The amounts of the Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds and Series L Bonds outstanding as of December 1, 2012 were $15,960,000, $30,425,000, $48,300,000, $62,335,000, $26,010,000, $14,005,000 and $47,260,000 respectively. The Series M Bonds are payable solely from the Revenues derived by the Authority pursuant to the Loan Agreement by and between the Authority and the Institution, dated as of November 1, 1995, as amended and supplemented by supplemental loan agreements, dated as of March 15, 1997, November 15, 1999, March 15, 2002, May 15, 2003, February 1, 2004, June 1, 2005 and April 1, 2007, as restated and amended as of May 1, 2011 (the "Restated Loan Agreement"), and supplemented and amended by a Ninth Supplemental Loan Agreement, dated as of May 1, 2011, a Tenth Supplemental Loan Agreement, dated as of May 1, 2011, an Eleventh Supplemental Loan Agreement, dated as of March 1, 2012 (the "Eleventh Supplemental Loan Agreement") and a Twelfth Supplemental Loan Agreement, dated as of December 1, 2012 (the "Twelfth Supplemental Loan Agreement") (as amended and supplemented, the "Loan Agreement") and the Series M Note of the Institution to the Authority dated the date of the Series M Bonds (the "Series M Note") in an amount equal to the principal amount of the Series M Bonds together with all other moneys legally available therefor including the amounts, if any, certified by the Chairman or Vice Chairman of the Authority as necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement. Any amounts so certified by the Chairman or Vice Chairman of the Authority shall be deemed appropriated from the State's general fund and paid to the Authority pursuant to the Act, all as more fully described herein.

For information concerning the State of Connecticut (the "State"), see **"Introduction to Parts II and III"**, **Part II – "Information Supplement of the State of Connecticut" and Part III - "Annual Information Statement of the State of Connecticut." Capitalized terms used in this Official Statement but not defined herein shall have the meanings ascribed thereto in *Appendix I-C* hereto.**

The Institution, part of the 17 Connecticut State Colleges and Universities governed by the Board of Regents, was established by the State of Connecticut as a constituent unit of the State's system of higher education, and it includes Central Connecticut State University, Eastern Connecticut State University, Southern Connecticut State University, and Western Connecticut State University and the Institution's offices located in Hartford, Connecticut. For a further description of the Institution, see ***Appendix I-A***.

The proceeds from the sale of the Series M Bonds, together with certain other moneys, will be used: (i) to finance various additions and improvements to residential and other facilities of the Institution and related expenses (the "Series M Project"); (ii) to fund, if necessary, the Special Capital Reserve Fund so that the amount therein equals the Required Minimum Capital Reserve Requirement; and (iii) to pay the estimated Costs of Issuance incurred in connection with the issuance of the Series M Bonds. The Series M Project is further described under "THE SERIES M PROJECT" herein.

This Official Statement includes summaries of the terms of the Series M Bonds, the Indenture, the Loan Agreement, a description of The Depository Trust Company ("DTC") book-entry-only system and a description of the Institution. Such summaries of and references to any documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The agreements of the Authority with the Bondowners are fully set forth in the Indenture, and neither any advertisement of the Series M Bonds nor this Official Statement are to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Official Statement involving matters of opinion or forecasts, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the Act, the Indenture, the Loan Agreement and the Series M Note are on file at the offices of the State of Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106-1978, Attention: Executive Director.

THE AUTHORITY

The Authority is a body politic and corporate of the State of Connecticut, (the "State"), constituting a public instrumentality organized and existing under and by virtue of the Act. The purpose of the Authority, as stated in the Act, is essentially to assist certain health care institutions, institutions of secondary or higher education, nursing homes, child care and child development facilities and other qualified nonprofit organizations in the construction and financing of eligible projects.

Authority Membership and Organization

The Act provides that the Board of Directors of the Authority shall consist of ten members, two of whom shall be the Treasurer of the State of Connecticut, *ex-officio*, and the Secretary of the Office of Policy and Management of the State of Connecticut, *ex-officio*, and eight of whom shall be residents of the State appointed by the Governor, provided not more than four of such appointed members may be members of the same political party. Three of the appointed members shall be associated with institutions of higher education, two members shall be associated with health care institutions, and one member shall be experienced in and knowledgeable of (by virtue of business or other activities) state and municipal securities. The terms of the members of the Authority, other than the State Treasurer and the Secretary of the Office of Policy and Management, are for five years, but the members continue to serve until their successors have been appointed and qualified. Each *ex-officio* member may designate a deputy or any staff member to represent the State Treasurer or the Secretary of the Office of Policy and Management, as the case may be, as a member of the Board of Directors at meetings of the Authority with full power to act and vote on behalf of such *ex-officio* member. All Authority members serve without compensation, but are entitled to reimbursement for expenses incurred in the performance of their duties in relation to the Authority. The Governor, with the advice and consent of both houses of the General Assembly, has power to appoint the Chairperson of the Board of Directors of the Authority from among its members. The Board of Directors annually elects one of its members to serve as Vice Chairperson.

The members of the Board of Directors of the Authority are as follows:

Barbara Rubin, Chairperson, term as member expires June 30, 2016

Ms. Rubin, a resident of Glastonbury, is Executive Vice President of iStar Financial. Ms. Rubin has over 30 years experience in commercial real estate investments. Prior to joining iStar, Ms. Rubin was an investment professional with Phoenix Home Life Mutual Insurance Company. She is currently a member of the Board of Hartford Stage.

Patrick A. Colangelo, Vice Chairman, term as member expires February 10, 2013

Mr. Colangelo, a resident of Stamford, is the former Senior Vice President, Finance, and Treasurer of Stamford Health System, joining the executive staff in 1981 and retiring in 2002. Previously, Mr. Colangelo was the Chief Financial Officer of The Greenwich Hospital and Audit Manager with Peat Marwick Mitchell & Co. in New York City. Mr. Colangelo is past president of the Healthcare Association, Connecticut chapter, and currently is a member of the Board of Directors of St. Vincent's College.

Denise L. Nappier, *ex-officio*

Ms. Nappier, a resident of Hartford, became Treasurer of the State of Connecticut on January 6, 1999. Prior to her election as Treasurer in November 1998, for nearly ten years, Ms. Nappier was Treasurer of the City of Hartford. Previously she served as consultant in the Connecticut Office of Policy and Management, Director of Institutional Relations for the UConn Health Center, and Executive Director of Riverfront Recapture, Inc. She was a member of the Hartford Redevelopment Agency for seven years, including five as Chairwoman. She also serves on the boards of The Millstein

Center for Corporate Governance and Performance at Yale University, the Connecticut Chapter of the National Association of Corporate Directors, and is a corporator for the Village for Families and Children. She is also an ex-officio member of several quasi-state boards, including the Connecticut Airport Authority, the Clean Energy Finance Investment Authority, Connecticut's Teachers Retirement Board, and Connecticut Innovations, Incorporated.

Benjamin Barnes, *ex-officio*

Mr. Barnes, a resident of Stratford, is the Secretary of the Office of Policy and Management of the State of Connecticut. Prior to his appointment, effective January 5, 2011, Mr. Barnes was the Operating Officer for the Bridgeport Public Schools. Previously, Mr. Barnes was the Director of Operations for the City of Stamford and also served as Director of Administration and as Director of Public Safety, Health and Welfare for the City of Stamford. He has also worked as the Government Finance Director for the Connecticut Conference of Municipalities and as a planner for the Cities of Hartford, Connecticut and St. Petersburg, Florida. Mr. Barnes has served on the Boards of Directors of the Housing Development Fund and the Childcare Learning Centers.

John M. Biancamano, term as member expires June 30, 2015

Mr. Biancamano, a resident of Wethersfield, is the Chief Financial Officer of The University of Connecticut Health Center. Prior to joining The University of Connecticut Health Center in November 2008, he served as Vice President, Finance and Chief Financial Officer of Hartford Health Care Corporation and Hartford Hospital from 1990-2008, and as Vice President and Treasurer of Mount Sinai Hospital in Hartford from 1984 to 1990. Previous to 1984, Mr. Biancamano was an Audit Manager with Ernst & Whinney. Mr. Biancamano is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and Connecticut Society of Certified Public Accountants.

Benson R. Cohn, term as member expires June 30, 2014

Mr. Cohn, a resident of East Windsor, is retired from a 31-year career with the State of Connecticut. His most recent positions were as Assistant State Treasurer for Debt Management from July 1987 through March 1994 and as the State's Executive Finance Officer in the Office of Policy and Management thereafter until his retirement in November 2001.

Peter W. Lisi, term as member expires June 30, 2015

Mr. Lisi, a resident of West Hartford, is the Director of Institutional Partnerships and Sponsored Research for the University of Hartford. Prior to joining the University in November 2004, he served as the Director of External Affairs for the Connecticut Historical Society Museum and at Choate Rosemary Hall as Director of Planning and Budgeting and also as Associate Director of Development. Mr. Lisi serves as President and Board Member for Watkinson School, is a member of the West Hartford Chamber of Commerce, a member of the Board of Deacons at Asylum Hill Congregational Church and a member of the Board of the Salvation Army.

Estela R. Lopez, Ph.D., term as member expires February 10, 2013.

Dr. Lopez, a resident of East Hartford, is the former Director of the Latino Policy Institute of the Hispanic Health Council. She is also the former Vice Chancellor of Academic Affairs of the Connecticut State University System, a position which she held from April 2002 to April 2007. Prior to her association with CSU, Dr. Lopez served as Provost and Vice President for Academic Affairs at Northeastern Illinois University, as a Senior Associate at the American Association for Higher Education, as a Senior Fellow at the American Council on Education, and as Vice President for Academic Affairs and Planning at the Inter American University of Puerto Rico. She is a board member of the Fund for Greater Hartford, The Village, United Way of Connecticut and the Latino Endowment Fund of the Hartford Foundation. She is also a member of the Judicial Review Council and the Sustinet Board.

Paul Mutone, term as member expires June 30, 2015

Mr. Mutone, a resident of West Hartford, is Vice President of Finance and Operations and Treasurer at Trinity College. Prior to joining Trinity in October 2008, he served as Vice President for Business and Financial Affairs at Marist College, as Controller and then as Associate Vice President and Controller at Vassar College, and as Supervising Senior Auditor at KPMG Peat Marwick. Mr. Mutone is a member of NACUBO and EACUBO and is a board member and executive committee member of the Southside Institutions Neighborhood Alliance.

Bryan K. Pollard, term as member expires June 30, 2015

Mr. Pollard, a resident of Middletown, is Associate Counsel - Commercial at Otis Elevator Company. Prior to joining Otis, Mr. Pollard held various positions at United Technologies Corporation, Hamilton Standard, Day, Berry & Howard, and Crowell & Moring. He is currently a member of the Board of Directors of St. Vincent DePaul Middletown,

member of the Board of Directors of the Office for Black Catholic Ministries of the Archdiocese of Hartford, a member of the Insurance Committee and the Committee on Diversity and Opportunity of the University of Connecticut Alumni Association. His former positions include: President of the Board of Directors of the University of Connecticut Alumni Association; Finance Committee Chairperson of St. Justin Parish, Hartford; a Member and Chairperson of the City of Middletown Board of Ethics; Member of the Board of Directors of The Connection, Inc.; a member of the Board of Directors of The Rushford Center, Inc. and a member of the Board of Directors of the YMCA of Northern Middlesex County.

Jeffrey A. Asher is Executive Director of the Authority. The Executive Director is appointed by, and serves at the pleasure of, the Board of Directors. In the performance of his duties as Executive Director, Mr. Asher is responsible for the general management of the Authority's affairs. Jeanette W. Weldon is Managing Director, Paula Lacey Herman is General Counsel, and Michael F. Morris and Cynthia D. Peoples-H. are Assistant Directors of the Authority.

Day Pitney LLP of Hartford, Connecticut is serving as Bond Counsel to the Authority and will submit its approving opinion with regard to the legality of the Series M Bonds on the date of delivery of the Series M Bonds in substantially the form attached hereto as ***Appendix I-G***.

Public Financial Management, Inc. of Boston, Massachusetts, has been retained as Financial Advisor to the Authority with respect to this financing.

In addition to the mentioned individuals, counsel and advisor, the Act provides that the Authority may appoint, retain, hire or employ such other staff, counsel, consultants, engineers, architects, accountants, construction companies or others as the Authority deems necessary in order to implement projects or to assist in the performance of its duties.

Powers of the Authority

Under the Act, the Authority is authorized and empowered with respect to health care institutions and nursing homes, institutions of secondary or higher education, child care and child development facilities and other qualified nonprofit organizations, among other things: to acquire real and personal property; to issue bonds, bond anticipation notes and other obligations and to refund the same; to acquire federally guaranteed securities or to make loans to acquire such securities in order to finance, refinance or refund projects; to charge and collect rentals for the use of projects or for services furnished in relation thereto; to construct, reconstruct, renovate, replace, maintain, repair, operate, lease, or regulate projects and to enter into contracts in order to provide, manage or operate such projects; to establish or cause to be established rules and regulations for the use of projects provided by the Authority; to receive, in relation to projects, loans or grants from any public agency or other source; to make loans for the cost of projects, including the refunding of obligations, mortgages or advances thereof; to finance or refinance certain items of equipment; to mortgage any project and the site thereof for the benefit of the owners of bonds issued to finance such project; to accept mortgages as security for project loans; and to do all things necessary to carry out the purposes of the Act.

Indebtedness of the Authority

The Authority as of October 31, 2012, had authorized and issued certain series of its general obligation and revenue bonds for eligible institutions under the Act in an aggregate principal amount of $15,066,830,500 of which $7,768,790,470 was outstanding as of October 31, 2012.

Appendix I-F annexed hereto contains a complete tabulation of all series of the Authority's bonds issued, retired and outstanding as of October 31, 2012. In addition, the Authority has issued Revenue Bonds: University of Bridgeport Issue, Series D in the principal amount of $12,000,000 on November 1, 2012; and Taft School Issue, Series I in the principal amount of $18,060,000 on November 11, 2012 and has Board approval to issue Revenue Bonds: Day Kimball Hospital Issue, Series B in a principal amount not to exceed $33,000,000; Canterbury School Issue, Series C in a principal amount not to exceed $22,000,000; Ethel Walker School Issue, Series C in a principal amount not to exceed $9,900,000; and Washington Montessori School Issue, Series B in a principal amount not to exceed $6,500,000.

With respect to subsequent bond or note issues, the Authority intends to enter into separate agreements with institutions of secondary or higher education, health care institutions, nursing homes, child care and child development facilities and other qualified nonprofit institutions in the State for the purpose of financing projects for such institutions, and each such series so issued will be issued pursuant to a resolution, a trust agreement or a bond indenture other than the Indenture.

The Authority has never defaulted in the payment of principal of or interest on its bonds or notes.

THE SERIES M BONDS

Description of the Series M Bonds

The Series M Bonds will be issued in the aggregate principal amount of $34,060,000, and will be dated and will bear interest from the date of delivery, payable on May 1, 2013 and semiannually thereafter on November 1, and May 1, of each year at the rates per annum and will be payable in the principal amounts and on the dates as set forth on the inside cover page of this Official Statement.

Initially, one fully registered bond for each maturity will be issued in the aggregate principal amount for such maturity as set forth on the cover page of this Official Statement and shall be delivered to and initially registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial ownership interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their respective interests in the Series M Bonds purchased. So long as Cede & Co., as nominee of DTC, is the Bondowner, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series M Bonds. The principal of, premium, if any, and interest, on the Bonds will be paid by the Paying Agent. As long as DTC or its nominee, Cede & Co., is the registered owner of the Series M Bonds, such payments will be made directly to Cede & Co.

Redemption Provisions

Optional Redemption. The Series M Bonds maturing on or before November 1, 2022 are not subject to optional redemption prior to maturity. The Series M Bonds maturing after November 1, 2022 are subject to redemption prior to maturity, commencing November 1, 2022, in whole or in part at any time, at the option of the Authority and in any order of maturity or sinking fund redemption selected by the Authority, at the direction of the Institution, at a Redemption Price of par plus accrued interest thereon to the redemption date.

Special Redemption. The Series M Bonds shall be subject to mandatory redemption in the event (i) insurance or condemnation proceeds of $25,000 or more shall be on deposit in the Redemption Fund or (ii) Series M Bond proceeds of $25,000 or more shall be on deposit in the Redemption Fund 75 days prior to any Interest Payment Date (including any Interest Payment Date prior to November 1, 2022) in which case the Trustee shall apply, at the direction of the Authority, such proceeds to the redemption of Series M Bonds at par, plus accrued interest due, on such Interest Payment Date.

Manner of Redemption. If less than all of the Series M Bonds of any maturity are to be redeemed, the Series M Bonds (or portions thereof) to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee. Redemption of any of the Series M Bonds in addition to the provisions set forth in the Indenture shall be effected in accordance with Article IV of the Indenture.

Notice of Redemption. If the Series M Bonds are called for redemption, the Trustee shall mail a copy of a notice of redemption, postage prepaid, not more than forty-five (45) days nor less than thirty (30) days prior to the redemption date, to the Bondowners of any the Series M Bonds which are to be redeemed, at their last known addresses appearing on the registration books. However, failure by a Bondowner to receive any such notice or any defect therein shall not affect the redemption or the validity of the proceedings for the redemption of the Series M Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series M Bonds, all notices of redemption will be sent only to Cede & Co. and delivery of notice of redemption to the DTC Participants is solely the responsibility of DTC (see "THE SERIES M BONDS – Book-Entry-Only System"). Interest will cease to accrue on the Series M Bonds called for redemption after the redemption date if sufficient moneys shall be held by the Trustee to pay the principal of and interest on the Series M Bonds to be redeemed on the redemption date.

Book-Entry-Only System

UNLESS OTHERWISE NOTED, THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD-KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES M BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE SERIES M BONDS TO DTC PARTICIPANTS OR BENEFICIAL OWNERS OF THE SERIES M BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES M BONDS AND OTHER BOND-RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES M BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE AUTHORITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE AUTHORITY, THE INSTITUTION, THE TRUSTEE, THE PAYING AGENT,

THE STATE AND THE UNDERWRITER DO NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series M Bonds. The Series M 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 Series M Bond certificate will be issued for each maturity of the Series M 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** and **www.dtc.org**.

Purchases of Series M Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series M 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 confirmation 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 Series M 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 Series M Bonds, except in the event that use of the book-entry system for the Series M Bonds is discontinued.

To facilitate subsequent transfers, all Series M 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 Series M 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 Series M Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series M Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series M 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 Series M Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Series M 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 nor its nominee, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series M Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series M Bond certificates will be printed and delivered.

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

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE BONDOWNER, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES M BONDS.

NONE OF THE AUTHORITY, THE INSTITUTION, THE TRUSTEE, THE PAYING AGENT, THE STATE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES M BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES M BONDOWNERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS SERIES M BONDOWNER; OR (V) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES M BONDS.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES M BONDS

General

The Series M Bonds shall be special obligations of the Authority, equally and ratably secured with Bonds heretofore and hereafter issued under the Indenture, and secured by and payable from a pledge of and lien on, to the extent provided by the Indenture, the Revenues payable to the Authority or to the Trustee for the account of the Authority in accordance with the provisions of the Loan Agreement and the Note, and the amounts, if any, certified by an Authorized Officer of the Authority as necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve and deemed appropriated from the State's general fund and paid to the Authority pursuant to the Act, as more fully described herein.

THE SERIES M BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR BONDS ISSUED OR GUARANTEED BY THE STATE WITHIN THE MEANING OF SECTION 3-21 OF THE GENERAL STATUTES OF THE STATE. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY SUCH POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM OR INTEREST ON THE SERIES M BONDS. THE ISSUANCE OF THE SERIES M BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT, EXCEPT AS PROVIDED IN THE ACT TO RESTORE THE SPECIAL CAPITAL RESERVE FUND. THE AUTHORITY HAS NO TAXING POWER.

The Loan Agreement and the Note

The Authority and the Institution will enter into the Twelfth Supplemental Loan Agreement and the Institution will execute the Series M Note on or prior to the delivery of the Series M Bonds. The Institution is obligated under the Twelfth Supplemental Loan Agreement to make payments in amounts sufficient to pay principal and interest on the Series M Bonds,

as the same may become due, and certain other payments. Such payments under the Twelfth Supplemental Loan Agreement and the Series M Note will be assigned by the Authority to the Trustee pursuant to the Indenture. The Loan Agreement and the Series M Note will remain in full force and effect until such time as the Series M Bonds and the interest thereon have been paid or otherwise discharged. The Loan Agreement provides that all covenants and agreements on the part of the Institution and the Authority are to be for the benefit of the owners of the Series M Bonds.

The Institution agrees that it shall make payments to the Trustee for deposit in the Revenue Fund as scheduled in the Series M Note. The Institution further agrees to pay the Authority's Annual Administration Fee, any expenditures of the Authority for fees and expenses of auditing its books in connection with the Series M Bonds, the fees and expenses of the Trustee and the Paying Agent, any rebate amounts, any amounts owed to the Authority to repay advances to the Special Capital Reserve Fund by the State, and any other amounts required to be paid by the Loan Agreement, unless otherwise paid or caused to be paid by the Institution.

As provided by the Loan Agreement, the Institution is required to make payments to the Trustee for deposit in the Revenue Fund as follows: (i) on or before April 1 and October 1 of each year (beginning April 1, 2013), the interest becoming due on the next succeeding Interest Payment Date on the Series M Bonds after crediting to such amount coming due any amount on deposit in the Interest Account available therefor, (ii) on or before April 1 and October 1 of each year, the amount equal to one-half of the principal or Sinking Fund Installment, as the case may be, of the Series M Bonds becoming due on the November 1 immediately succeeding the expiration of such Bond Year, after crediting to such amount coming due any amount on deposit in the Principal Account or the Sinking Fund Account, as the case may be, and available therefor; and (iii) immediately, in the event a deficiency results from a withdrawal from the Special Capital Reserve Fund, and within ninety (90) days, in the event a deficiency results from a decrease in the market value of permitted investments on deposit in the Special Capital Reserve Fund, the amount of any deficiency (as defined in the Indenture), and any advances by the State to make up any deficiency in the Special Capital Reserve Fund.

The Series M Bonds will be issued on a parity with the Authority's outstanding Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds and Series L Bonds. In connection with the issue of the Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds and Series L Bonds, the Institution executed a Series F Note, a Series G Note, a Series H Note, a Series I Note, a Series J Note, a Series K Note, a Series L Note and the Original Loan Agreement or an amendment and supplement, whereby the Institution agreed to make payments sufficient to pay debt service when due on the Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds and Series L Bonds and to make up deficiencies in the Special Capital Reserve Fund.

Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts

The Institution's obligation to make payments under the Loan Agreement will be absolute and unconditional and will constitute a general obligation of the Institution and will be secured by a pledge of the University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts of the Institution. University Fee Receipts are derived from the University Fee, which is an annual charge to full-time students enrolled at any one of the four campuses comprising the Institution, but not charges for tuition or the University General Fee or Student Activity Fee. Parking Fee Receipts are derived from the Student Parking Fee, which is the portion of fees (other than the University Fee) charged to full-time and part-time students enrolled at Southern Connecticut State University, Eastern Connecticut State University, Central Connecticut State University and Western Connecticut State University, which are the four campuses comprising the Institution, and allocated on the books of the Institution as student parking fees. Housing Fee Receipts are derived from the Student Housing Fee, which is the portion of fees (other than the University Fee) charged to students enrolled at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, which are three of the four campuses comprising the Institution, and allocated on the books of the Institution as housing fees.

The pledge of Parking Fee Receipts charged at any of the campuses of the Institution will terminate when the bonds issued to finance any costs of the parking garage at that particular campus, and any bonds which refunded the prior bonds, have been paid and are no longer outstanding. The pledge of Housing Fee Receipts charged at any of the campuses of the Institution will terminate when the bonds issued to finance any costs of the residence halls at that particular campus, and any bonds which refunded the prior bonds, have been paid and are no longer outstanding.

As further security for its obligations under the Loan Agreement and the Bonds, the Institution covenants under the Loan Agreement that if an Event of Default exists and certain required payments are not made when due, the Institution will transfer its University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts to the Trustee for deposit in the Revenue Fund until such Event of Default has been cured and amounts on deposit in the Debt Service Fund and the Special Capital Reserve Fund are at least equal to the requirements of the Debt Service Fund and the Special Capital Reserve Fund.

Additional Debt

The Institution agrees that the Institution shall not issue, incur, assume, create or have outstanding any Indebtedness without the prior written consent of the Authority, the Treasurer of the State and the Secretary of the Office of Policy and Management of the State, or their successors, *provided, however,* that the Institution retains the right to pledge the University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts to secure Indebtedness of the Institution for which such consents have been obtained and which is incurred with respect to any other bonds issued through the Authority or its successors, on a parity with, or subordinate to, any Indebtedness of the Institution with respect to the Bonds or any other bonds issued through the Authority or its successors.

The Indenture

The Indenture provides, among other things, that: (i) the Indenture shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the owners of the Bonds; (ii) the pledge made and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the owners of any and all the Bonds, which, regardless of the times of issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bond, except as expressly provided or permitted under the Indenture; (iii) the pledge made by the Indenture is valid and binding from the time when such pledge is made and the Revenues received by the Trustee and all income and receipts earned on funds held by the Trustee (other than the Rebate Fund) shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof; and (iv) the Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the Revenues and certain moneys and funds as provided by the Indenture.

Except as otherwise specified in the Indenture, all Series M Bonds are entitled to the benefits of the Indenture equally and ratably both as to principal and interest with all other Bonds issued under the Indenture, to which reference is made for a description of the rights of the owners of the Bonds, the rights and obligations of the Authority, the rights, duties, and obligations of the Trustee, and the provisions relating to amendments to and modifications of the Indenture.

Special Capital Reserve Fund

The Act authorizes the Authority to establish special capital reserve funds for certain of its bonds. Pursuant to the Act and the Indenture, there shall be deposited in the Special Capital Reserve Fund sufficient funds or investments so that the amount therein equals the Required Minimum Capital Reserve Requirement for the outstanding Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds, Series L Bonds and Series M Bonds ("SCRF Bonds"), which is equal to the greatest amount required in the then current or any future Bond Year to pay the sum of: (i) interest on the SCRF Bonds payable on May 1, of such Bond Year and on November 1, of the next succeeding Bond Year, and (ii) the principal or the Sinking Fund Installment, as the case may be, of the SCRF Bonds payable on November 1, of the next succeeding Bond Year. If at any time any interest on the SCRF Bonds or the principal of the SCRF Bonds or any Sinking Fund Installment has become due and payment thereof in full has not been made or provided for, the Trustee is required to withdraw from the Special Capital Reserve Fund an amount which together with other amounts available for such payment shall be sufficient to provide for such payment in full.

The Act provides that prior to the issuance of bonds to finance a project secured by a special capital reserve fund, the Authority shall be of the opinion and determine that the revenues to be derived from the project shall be sufficient to pay the principal of and interest on such bonds, to establish, increase and maintain any reserves deemed advisable by the Authority to secure the payment of such bonds, to pay the cost of maintaining the project in good repair and keeping it properly insured, and to pay such other costs of the project as may be required. The Authority has made such a determination in connection with the Series M Bonds.

The Act states that:

"On or before December first, annually, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the chairman or vice chairman of the authority to the secretary of the Office of Policy and Management and the Treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the authority."

In the opinion of Bond Counsel, such appropriation and payment from the general fund of the State does not require further legislative approval. The Indenture provides that it will be an Event of Default if the Authority fails to comply with

the provisions of the Act regarding such certification or if the amounts so certified have not been paid by the State fifteen (15) days prior to the next succeeding Interest Payment Date following such certification.

In addition to the Authority, the Connecticut Housing Finance Authority, the Connecticut Innovations, Incorporated, the Connecticut Resources Recovery Authority, the Connecticut Airport Authority, the University of Connecticut, the Capital Region Development Authority, and the Connecticut Higher Education Supplemental Loan Authority, among others, are authorized to issue, and some have issued, bonds secured by special capital reserve funds for which amounts may be deemed appropriated from the State's general fund under similar circumstances. See ***Introduction to Parts II and III, Part II*** and ***Part III*** of this Official Statement for further information concerning the State of Connecticut, including other contingent liabilities of the State.

The Indenture provides that the Special Capital Reserve Fund will be established and held by the Trustee. The Special Capital Reserve Fund may be drawn upon by the Trustee to pay principal of and interest on the Series M Bonds to the extent there are insufficient funds available therefor in the Debt Service Fund. See ***"Application of Moneys in the Special Capital Reserve Fund"*** under the caption ***"Summary of Certain Provisions of the Indenture"*** attached hereto as ***Appendix I-D***.

THE SERIES M PROJECT

The Institution's capital plan and the Series M Project are described in ***Appendix I-A***.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of the proceeds of the Series M Bonds (exclusive of accrued interest).

Estimated Sources of Funds:	**Series M**
Principal Amount of Series M Bonds	$34,060,000.00
Net Original Issue Discount/Premium	$ 5,595,289.00
Total Estimated Sources of Funds	$39,655,289.00
Estimated Uses of Funds:	
Deposit to the Construction Fund	$36,559,000.00
Deposit to the Special Capital Reserve Fund	$ 2,410,887.50
Costs of Issuance	$ 294,396.11
Underwriter's Discount	$ 391,005.39
Total Estimated Uses of Funds	$39,655,289.00

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each annual period ending November 1, the amounts required in such annual period for the payment of principal or mandatory sinking fund redemption, interest, and total debt service on the Series M Bonds. The table also sets forth for each such annual period the combined debt service on each of the outstanding Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds and Series L Bonds (the "Prior Bonds"), as well as the total aggregate debt service on all outstanding Prior Bonds and the Series M Bonds.

	Series M Bonds				
Annual Period Ending November 1	Principal	Interest	Total Debt Service	Total Debt Service on Prior Bonds	Total Debt Service on Series M Bonds and Prior Bonds
2013	$ 865,000	$1,353,756	$2,218,756	$ 25,740,890	$27,959,646
2014	1,095,000	1,648,800	2,743,800	25,407,978	28,151,778
2015	1,140,000	1,605,000	2,745,000	24,927,183	27,672,183
2016	1,195,000	1,548,000	2,743,000	22,363,038	25,106,038
2017	1,260,000	1,488,250	2,748,250	21,651,563	24,399,813
2018	1,320,000	1,425,250	2,745,250	19,686,850	22,432,100
2019	1,385,000	1,359,250	2,744,250	19,429,550	22,173,800
2020	1,455,000	1,290,000	2,745,000	18,257,950	21,002,950
2021	1,525,000	1,217,250	2,742,250	18,176,200	20,918,450
2022	1,605,000	1,141,000	2,746,000	17,979,650	20,725,650
2023	1,685,000	1,060,750	2,745,750	14,186,800	16,932,550
2024	1,770,000	976,500	2,746,500	13,027,675	15,774,175
2025	1,860,000	888,000	2,748,000	13,029,700	15,777,700
2026	1,955,000	795,000	2,750,000	10,669,963	13,419,963
2027	2,050,000	697,250	2,747,250	10,676,450	13,423,700
2028	2,155,000	594,750	2,749,750	10,679,238	13,428,988
2029	2,260,000	487,000	2,747,000	10,671,513	13,418,513
2030	2,375,000	374,000	2,749,000	10,973,350	13,722,350
2031	2,490,000	255,250	2,745,250	10,965,888	13,711,138
2032	2,615,000	130,750	2,745,750	9,035,600	11,781,350
2033				9,023,550	9,023,550
2034				1,108,600	1,108,600
2035				1,107,600	1,107,600

TAX STATUS

Federal Income Tax—Exclusion of Interest

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance of the Series M Bonds in order that interest on the Series M 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 the interest on the Series M Bonds to be includable 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 Trust Indenture, the Loan Agreement, and the Tax Certificate among the Authority, the Institution, and the Trustee, and accompanying documents, exhibits, and certificates, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations designed to assure compliance with such requirements of the Code.

In the opinion of Day Pitney LLP, Hartford, Connecticut ("Bond Counsel"), based upon and assuming continuing compliance by the Authority and the Institution (and their successors) with the covenants, and the accuracy of the representations, discussed above, under existing statutes and court decisions, the interest on the Series M Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not treated as a preference item for purposes of the federal alternative minimum tax; however, interest on the Series M Bonds is included in adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of calculating the federal alternative minimum tax imposed on certain corporations.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the Series M 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 Series M Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Prospective owners of the Series M Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Series M Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Series M Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts, and estates, and may affect the net Connecticut minimum tax of such taxpayers who are also required to pay the federal alternative minimum tax.

Original Issue Premium

The initial public offering price of certain of the Series M Bonds may be greater than the amount payable on such Series M Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Series M Bonds is sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Series M Bonds was ultimately sold to the public.

The discussion in this paragraph applies to those Series M Bonds having original issue premium. Under the Code, the amount of original issue premium treated as having amortized with respect to any such bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a Series M Bond acquired with original issue premium may realize a taxable gain upon disposition of such bond even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a Series M Bond is not allowed as a deduction from gross income for federal income tax purposes. Amortized original issue premium on a Series M Bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts, and estates required to pay the federal alternative minimum tax. Owners of Series M Bonds having original issue premium, and especially any owners who are not an original owner of such a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such Series M Bonds.

Certain Additional Federal Tax Consequences

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

General

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

Legislation affecting state and municipal bonds is regularly under consideration by the United States Congress. For example, the President of the United States has submitted proposals to Congress that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. Such proposals, or other proposals, could affect the tax exemption of interest on, or the market price or marketability of tax-exempt bonds, such as the Series M Bonds. No assurance can be given with respect to the impact of future legislation on the Series M Bonds. Prospective purchasers of the Series M Bonds should consult their own tax and financial advisers 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 Series M Bond. Prospective owners of the Series M 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 Series M Bonds.

LEGALITY OF THE SERIES M BONDS FOR INVESTMENT AND DEPOSIT

Under the Act, the Series M Bonds are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, State banks and trust companies, national banking associations, savings banks, savings and loan associations, investment companies, executors, administrators, trustees and other fiduciaries in the State may properly and legally invest funds, including capital in their control or belonging to them.

The Series M Bonds, under the Act, may be deposited with and received by the State or any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State may be authorized by law.

STATE NOT LIABLE ON THE SERIES M BONDS

The Series M Bonds are special obligations of the Authority payable solely from the sources therefor as set forth in the Indenture, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Series M Bonds. The Act does not in any way create a so-called moral obligation of the State to pay debt service in the event of default by the Institution. The Authority has no taxing power.

NON-IMPAIRMENT PLEDGE OF THE STATE

Pursuant to the Act, the Authority has included in the Indenture the State's pledge and agreement for the benefit of the Bondowners that the State will not limit or alter the rights vested in the Authority until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the owners of such obligations.

RATINGS

Standard & Poor's Rating Services ("S&P"), a division of the McGraw-Hill Companies, Inc., and Moody's Investors Service ("Moody's") have assigned ratings of "AA" and "Aa3", respectively, to the Series M Bonds. Such ratings reflect only the respective view of each organization. An explanation of the significance of such ratings may be obtained only from the rating agencies furnishing them. There is no assurance that the ratings mentioned above will continue for any given period of time or that any rating may not be lowered or withdrawn if in the judgment of a rating agency circumstances

so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the market prices of the Series M Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series M Bonds, and the Authority will not provide any such information. The Institution has undertaken all responsibilities for any continuing disclosure for the benefit of the beneficial owners of the Series M Bonds as described below, and the Authority shall have no liability to the beneficial owners of the Series M Bonds or any other person with respect to such disclosures.

The Institution and the State of Connecticut will each enter into a Continuing Disclosure Agreement with respect to the Series M Bonds for the benefit of the beneficial owners of the Series M Bonds, substantially in the forms attached as ***Appendix I-H*** to this Official Statement (the "Continuing Disclosure Agreements"), to provide or cause to be provided, in accordance with requirements of SEC Rule 15c2-12 (i) within no later than eight months after the end of each fiscal year, 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 Series M Bonds, and (iii) timely notice of a failure by the Institution or the State to provide the required annual financial information on or before the date specified in the respective Continuing Disclosure Agreement. The underwriter's obligation to purchase the Series M Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Series M Bonds, an executed copy of each of the Continuing Disclosure Agreements.

The following is based on recent disclosures by the State in its most recent Official Statements. 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 in connection with the sale of any other bonds except the State recently discovered that it inadvertently did not file notices of certain bond insurer rating downgrades in 2008, which downgrades caused the ratings on the bonds insured by such bond insurers to be downgraded. The State has since filed all such notices.

To its knowledge, in the last five years the Institution has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the Institution in connection with the sale of any other bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series M Bonds by the Authority are subject to the approval of legality by Day Pitney LLP, Hartford, Connecticut, Bond Counsel, whose approving opinion will be delivered with the Series M Bonds in substantially the form set forth in ***Appendix I-G***. Certain legal matters will be passed upon for the Institution by its counsel, the Attorney General of the State of Connecticut.

LITIGATION

Authority

There is not now pending or, to the knowledge of the Authority, threatened, any litigation restraining or enjoining the issuance or delivery of the Series M Bonds or questioning or affecting the validity of the Series M Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence nor the title of the present members or other officers of the Authority to their respective offices is being contested. There is no litigation pending which in any manner questions the right of the Authority to make the loan to the Institution in accordance with the provisions of the Act and the Indenture.

Institution

A description of the litigation, if any, affecting the Institution's ability to fulfill its obligations has been furnished by the Institution and is described in ***Appendix I-A*** hereto.

MISCELLANEOUS

The references in this Official Statement to the Act, the Series M Bonds, the Indenture, the Loan Agreement, the Series M Note and the Continuing Disclosure Agreements are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Series M Bonds, the Indenture, the Loan Agreement, the Series M Note and the Continuing Disclosure Agreements for full and complete statements of such and all

provisions contained therein. The agreements of the Authority with the Bondowners are fully set forth in the Indenture, and neither any advertisement of the Series M Bonds nor this Official Statement are to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Official Statement involving matters of opinion or forecasts, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents referenced in this paragraph are on file at the office of the Authority.

Attached hereto as Appendix I-A is a letter from the Institution to the Authority, which contains selected information relating to the Institution, which information has been prepared by the Institution, for inclusion in this Official Statement. Attached hereto as Appendix I-B are the financial statements of the Institution. Attached hereto as Parts II and III is information concerning the State of Connecticut. With respect to Appendices I-A, I-B and Parts II and III, and any other information contained herein pertaining to the Institution and its financial condition and the State and its financial condition, the Authority makes no representations or warranties whatsoever with respect to the information contained herein or therein or whether there has been any change in the information presented therein since their respective dates. The Authority has relied entirely on the Institution for the information contained in Appendix I-A and Appendix I-B and the information pertaining to the Institution and its financial condition. The Authority has relied entirely on the State for the information contained in Parts II and III.

Appendix I-C – Definitions of Certain Terms, ***Appendix I-D*** – Summary of Certain Provisions of the Indenture, ***Appendix I-E*** – Summary of Certain Provisions of the Loan Agreement, ***Appendix I-F*** – Indebtedness of the Authority, and ***Appendix I-H*** – Forms of the Continuing Disclosure Agreements have been prepared by or on behalf of the Authority. ***Appendix I-G*** – Proposed Form of Opinion of Bond Counsel has been provided by Bond Counsel. All Appendices are incorporated herein as an integral part of the Official Statement. The Authority has authorized the execution and delivery of this Official Statement by one of its Authorized Officers.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Jeffrey A. Asher
Jeffrey A. Asher
Executive Director

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Connecticut State University System
39 Woodland Street • Hartford, CT 06105-2337 • 860-493-0000 • www.ctstateu.edu

December 19, 2012

We are pleased to submit this information with respect to the Connecticut State University System (the "System") in connection with the issuance by the Connecticut Health and Educational Facilities Authority of its Revenue Bonds, Connecticut State University Issue, Series M.

As used hereinafter and unless otherwise indicated by the context, all statistics and financial data for any year refer to the Fiscal Year ending June 30, 2012.

General Background

The System is established as a constituent unit of the State's system of higher education, created and existing pursuant to Section 10a-87 to 10a-101 of the Connecticut General Statutes. The System is composed of four degree-granting institutions, Central Connecticut State University, Eastern Connecticut State University, Southern Connecticut State University and Western Connecticut State University (the "Members"). The oldest Member was established in 1849 and the newest in 1903. From 1849 through 1965 the Members were governed by the State Board of Education. In 1965, the Board of Trustees for the Connecticut State Colleges was established as an independent governing board. In 1983, university status was conferred, and today the System is the largest unit of higher education by enrollment in the State. On June 13, 2011, the Governor signed legislation that consolidated the governance of the System, the Community-Technical College System ("CTC") and Charter Oak State College ("Charter Oak") under a single Board of Regents for Higher Education ("BOR"). The BOR serves as the board of trustees for the System and CTC and as the Board of State Academic Awards ("BSAA") (which governs Charter Oak) and assumes their existing powers and duties for the operation of the constituent units.

During the fall of 2012 the System enrolled 34,824 students who were enrolled in one of 101 non-duplicative undergraduate programs and 81 non-duplicative graduate programs.

The System offers two- and four-year undergraduate degree programs, as well as master's degrees and sixth year certificates in certain programs. In June 2001, the Governor signed a law authorizing the System to begin offering applied doctoral degrees in education (Ed.D.).

The Members, their locations, founding dates and fall 2012 enrollment are shown below:

Member of the System	Location	Founded	Fall 2012 Enrollment
Central Connecticut State University	New Britain	1849	12,091
Eastern Connecticut State University	Windham	1889	5,440
Southern Connecticut State University	New Haven	1893	11,117
Western Connecticut State University	Danbury	1903	6,176
Total:			34,824

Source: System Records.

Central Connecticut State University ("CCSU"), founded in 1849 is the oldest Member of the System and the State's oldest public institution of higher education. Founded as the New Britain Normal School, it provided a two-year program to train teachers for the "common schools." In 1933, the Normal School became the Teachers College of Connecticut and received authorization to grant four-year baccalaureate degrees. In 1959, the school's name was changed to Central Connecticut State College, and changed to CCSU in 1983 with the granting of

university status. Located in New Britain, just 15 minutes from the State Capitol in Hartford, CCSU has a comprehensive set of programs in the arts, humanities, business, science, technology and education. CCSU was designated a Center of Excellence in International Education by the former Board of Governors for Higher Education and offers many opportunities for study and experience abroad. Many students from other countries study at CCSU as well. Most programs are infused with an international perspective–a sense that very little about today's world can be understood in a narrow, provincial context. CCSU is the home of the State's largest and most sophisticated School of Engineering and Technology, which emphasizes computer-integrated design and manufacturing in a state-of-the-art facility. A strong cooperative education program links students from every academic division to careers in government, business, industry and education. In December 2000, the Association of American Colleges and Universities named CCSU as one of 16 "Leadership Institutions" for its visionary campus-wide innovations in undergraduate education. In 2001, CCSU received approval to award the Ed.D. in Educational Leadership. In January 2011, CCSU was named by the Carnegie Foundation as a Community Engagement Institution for its commitment to and demonstration of community engagement. CCSU was reaccredited for a ten-year period by the New England Association of Schools and Colleges ("NEASC") in 2009.

Eastern Connecticut State University ("Eastern"), founded in 1889 as a teacher training institution, is the State's public liberal arts university and is located in Willimantic. Eastern's 182-acre campus in historic Windham County is located among rolling hills, Victorian homes, farms, forests and state parks. Even so, Eastern is less than an hour from metropolitan areas for shopping and cultural attractions and is approximately an hour and forty minutes from Boston. Eastern offers a broad range of academic programs, which combined with the fact that a majority of students live on campus, creates a small college atmosphere. Eastern is predominantly an undergraduate institution and strives to develop students who will integrate learning from a sequenced, interdisciplinary core liberal arts curriculum with expertise in their chosen fields of study for both civic and career success. Eastern offers a wide range of undergraduate majors in the arts and sciences and professional studies, and selected graduate programs encompassing interdisciplinary and integrated approaches to teaching and learning. Eastern offers degree programs at the associate, baccalaureate and master's levels. Internships, creative endeavors and research are a regular part of most majors. Cooperative education, international study, service learning and a competitive Honors program are other opportunities available to Eastern's approximately 4,500 full-time undergraduate students. Eastern was reaccredited by NEASC for a ten-year period in spring 2011.

Southern Connecticut State University ("SCSU"), founded in 1893, is located in New Haven and Hamden. Originally founded as the New Haven State Normal School with a two-year program, SCSU became a four-year college in 1937. In 1954, when it was known as the New Haven State Teachers College, the institution assumed responsibility for a program of graduate studies. The school expanded its degree-granting powers to liberal arts and became known as Southern Connecticut State College in 1959. In 1983, the institution was granted university status, and in 2002, the university launched its first doctoral program in educational leadership. Today SCSU is a comprehensive university serving almost 12,000 students in 115 disciplines. It has the largest graduate enrollment of all Members and its School of Graduate Studies is now among the 10 largest in New England. SCSU continues to enhance its traditional strengths in teacher preparation, community services, and innovative approaches to the core arts and sciences. Recently, the university received approval to offer its second doctoral program, an Ed.D. in nursing education (a collaborative program with Western Connecticut State University). SCSU has also developed an array of professional programs in health and human services, ranging from nursing and social work to public health and communication disorders. SCSU also offers programs in business administration and computer and library sciences – its master's degree in library science is also available fully online. The university takes pride in its many partnerships with the community. Recently, for example, SCSU obtained more than $2 million in grants to support initiatives ranging from a sweeping program to address violence against women to a National Science Foundation-funded interdisciplinary effort providing scholarship support for students entering the STEM (Science, Technology, Engineering and Mathematics) disciplines. The university's 172 acre campus has 43 buildings. Major renovations are in progress for several buildings, including Buley library and the former Student Center building which will be the new home of the School of Business. In addition, pre-design for a new academic science building

has been completed with construction planned for early 2013. SCSU was reaccredited by NEASC for a ten-year period in Spring, 2012.

Western Connecticut State University ("WCSU"), founded in 1903 as a teacher's college, is located in Danbury, a major city in Fairfield County in the foothills of the Berkshire Mountains, 65 miles north of Manhattan and 50 miles west of Hartford. WCSU's rural 364-acre Westside campus complements its 35-acre Midtown Campus in the heart of downtown Danbury. WCSU is comprised of five academic units: the Ancell School of Business, the School of Arts and Sciences, the School of Professional Studies, the School of Visual and Performing Arts, and the Division of Graduate Studies. WCSU has a varied range of academic offerings, including degree programs in education, business and law administration, the arts and sciences, music and theatre arts. The university has professionally accredited programs in chemistry, counseling, nursing, music, social work and education. In 2003, the Connecticut Board of Governors for Higher Education confirmed the licensure of its first doctoral program, an Ed.D. in Instructional Leadership, and approved an M.F.A. in Professional Writing. WCSU is one of only five schools in Connecticut to offer the terminal degree of Master of Fine Arts. In 2009, a Master of Arts in teaching was approved and an RN to BSN program at Danbury Hospital was established. In 2011, a doctoral program in Nursing Education offered in collaboration with Southern Connecticut State University was approved. In response to the expressed need for affordable, convenient higher education, WCSU offers courses in nursing, management and liberal arts in Waterbury, on the campus of Naugatuck Valley Community College ("NVCC") and also affords NVCC space for non-competing courses at its Danbury campus. WCSU works with, and is supported by, the local business community and collaborates with several local, state and regional community agencies and educational institutions, as well as local public school districts. In spring 2004, WCSU was reaccredited by NEASC for a ten-year period.

Board of Regents

Passed during the 2011 legislative session, Public Act 11-48 consolidated the governance of the state universities, community colleges and Charter Oak State College under a single Board of Regents. The legislation eliminated the former Board of Governors and Department of Higher Education. It authorizes the new Board of Regents to serve in the same capacity as the former Board of Trustees as the governing body for the State University System. The Board of Regents consists of 15 voting members with nine appointed by the Governor and four appointed by legislative leadership, of whom one is a specialist in K-12 education and the three remaining are alumni of CTC, the System, and Charter Oak. Also serving on the Board as full voting members are the chair and vice-chair of a new Student Advisory Committee. On the Board as non-voting, ex-officio members are the Commissioners of Education, Economic and Community Development, Labor and Public Health.

Initially, the regents appointed by the Governor have terms as follows: three have two-year terms; three have four-year terms; and three have six-year terms. Thereafter, the gubernatorial appointments have six-year terms. Of the four regents appointed by legislative leadership, initially two will have four-year terms and two will have three-year terms. Thereafter, the legislative appointments will have four-year terms. The student trustees will serve two-year terms. The Chairman of the Board is appointed by the Governor, and the remaining officers of the Board are elected by the regents.

The Board provides for the administration of the System and plans for the expansion and development of the Members. The Board is responsible for establishing policies for the System and its Members and for coordinating the programs and services of its Members. The Board may through fundraising efforts provide funds for scholarships or direct student financial aid, and programs, services or activities at one or more of its Members.

The Board is responsible for reviewing Member budget requests and for preparing a Regent-wide request to the Office of Policy and Management (see "System Budgeting Procedures").

Current regents of the Board, their principal affiliation, residence and year of initial appointment are shown below:

Member	**Principal Affiliation**	**Residence**	**Year of Initial Appointment**
Lewis J. Robinson, Jr. *Chair*	Retired General Counsel of Travelers Property Casualty (Personal Lines)	Hartford	2011
Yvette Meléndez *Vice Chair*	Vice President of Government and Community Alliances for Hartford Healthcare and Hartford Hospital	South Glastonbury	2011
Richard J. Balducci	Vice President, Doyle, D'Amore & Balducci	Deep River	2011
Naomi K. Cohen	Chair of the Bloomfield Elementary Schools Building Committee and the Hartford Jewish Coalition for Literacy	Bloomfield	2011
Dr. Lawrence J. DeNardis	President Emeritus of the University of New Haven and former United States Congressman from Connecticut	Hamden	2011
Nicholas M. Donofrio	Retired Executive Vice President of Innovation and Technology, IBM	Ridgefield	2011
Matt Fleury	President and Chief Executive Officer of the Connecticut Science Center	Hartford	2011
Michael Fraser*	Student, Western Connecticut State University	Brookfield	2011
Dr. Merle W. Harris	Former Executive Director of the Board for State Academic Awards and President, Charter Oak State College	West Hartford	2011
Gary Holloway	Founder of Five Mile Capital Partners LLC	New Canaan	2011
Craig S. Lappen	President, 21st Century Financial Advisors	Manchester	2011
Dr. René Lerer	Chairman and Chief Executive Officer, Magellan Health Services	Avon	2011
Sharon Palmer**	Commissioner, Connecticut Department of Labor	Milford	2011
Dr. Jewel Mullen**	Commissioner, Connecticut Department of Public Health	Guilford	2011
Michael E. Pollard	Co-founder of Optul Global Services, a small business enterprise delivering business development support and budget management technology for private and public sector clients	Stamford	2011

Stefan Pryor**	Commissioner, Connecticut State Department of Education	New Haven	2011
Catherine H. Smith**	Commissioner, Connecticut Department of Economic and Community Development	North Branford	2011
Alex Tettey, Jr.*	Student, Manchester Community College	New Haven	2011
Zac Zeitlin	Former partner of Silver Point Capital	Westport	2011

* *Student Trustees*
***Ex-Officio*

System Administration

The Board is served by a staff under the direction of the President of the Board of Regents for Higher Education. The President is assisted in this effort by the Vice President for Connecticut Community Colleges, the Vice President for Connecticut State Universities, the Chief of Staff, the Chief Financial Officer, the Vice President for Human Resources, and the Chief Information Officer. The names, positions and brief biographies of certain key financial, administrative officers are listed below.

Philip E. Austin, Ph.D. Dr. Austin was recommended by the Board of Regents for Higher Education to Governor Dannel P. Malloy to serve as Interim President of the Board on October 12, 2012, following the resignation of Dr. Robert A. Kennedy. Prior to his time at the Board of Regents, Dr. Austin was appointed as the thirteenth President of the University of Connecticut with the academic rank of Professor of Economics on October 1, 1996. In August 2007, after stepping down from the presidency, he returned to the faculty. In July 2010, the UConn Board of Trustees asked Dr. Austin to return as Interim President of the University while they searched for a new permanent president. In August 2011, the new President and the Board asked him to assume the position of Interim Vice President of Health Affairs. In May 2012, he completed that assignment and returned to the faculty.

Prior to his appointment at UConn, Dr. Austin served for seven years as Chancellor of The University of Alabama System. The System included campuses based in Tuscaloosa (UA), Birmingham (UAB), and Huntsville (UAH). The three-campus System, each headed by a president, had a student enrollment of over 43,000 students with a budget of $1.3 billion.

Before assuming the Alabama position, Dr. Austin was President of Colorado State University. He was concurrently Chancellor of the Colorado State University System that included the University of Southern Colorado in Pueblo, and Fort Lewis College in Durango. He held the academic rank of Professor in the Department of Economics and the Department of Finance.

From 1978 to 1984, Dr. Austin served as Provost and Vice President for Academic Affairs and Professor of Economics and Finance at Bernard Baruch College in New York City. He was previously Director of the Interdisciplinary Doctoral Program in Public Policy at George Washington University in Washington, D.C.

From 1974 to 1977, Dr. Austin was HEW Deputy Assistant Secretary for Education in Washington, D.C. During the latter part of this assignment, he also served as Acting Assistant Secretary for Education. He served as an Economist in the Director's Office of the U.S. Office of Management and Budget from 1971 to 1974. He was the U.S. delegate to several international conferences on education and economic policy (e.g., Iran, Romania, France,

Saudi Arabia) and was a member of a three-person team invited by the Government of Denmark to evaluate that country's educational programs and policies.

Dr. Austin's service in the United States Army extended from 1969-1971. He was an Economist with the rank of Army Captain in the Office of the Deputy Chief of Staff for Economic Affairs at U. S. Military Headquarters in Saigon, Vietnam. He was awarded the Bronze Star, the Joint Service Commendation Medal, and the Army Commendation Medal during his military duty.

He holds an MA and PhD in Economics from Michigan State University, and BS and MS degrees in Agricultural Economics from North Dakota State University.

Dennis Murphy, J.D Dennis Murphy was appointed by Interim President Philip Austin to serve as Chief of Staff during the transition to a permanent president. A graduate of Fairfield University and Boston University School of Law, Mr. Murphy also serves as Deputy Commissioner of the Connecticut State Department of Labor. Prior to his appointment at the Labor Department, Deputy Commissioner Murphy served as a Neutral Labor Arbitrator with the American Arbitration Association; prior to that as Director of Human Resources for the City of Stamford and Director of Labor Relations and then as Chief Administrative Officer for the City of Bridgeport.

As Stamford's Director of Human Resources from 2004 to 2008, he worked closely with then-Mayor, and now Governor Dannel P. Malloy.

With more than 30 years of experience in the labor employment field, Commissioner Murphy has represented both unions and management, including the National Association of Government Employees and the International Brotherhood of Police Officers. He managed a human resource role for Blue Cross of California and represented several clients in his private law practice.

William R. Bowes, M.S. Mr. Bowes joined the Board of Regents for Higher Education as Chief Financial Officer ("CFO") on March 1, 2012. Prior to his appointment as CFO for the Board, he was the Vice President for Finance (2008-2009) and Senior Vice President for Finance and Administration (2009-2012) at Georgia Health Sciences University, the state of Georgia's public health sciences university. From 1995 through 2008, Mr. Bowes served first as Associate Vice Chancellor for Fiscal Affairs and then as Vice Chancellor for Fiscal Affairs and Treasurer with the University System of Georgia's governing Board of Regents. Earlier in his career, he worked as a Senior Budget Analyst at the Office of Fiscal Analysis in the Connecticut General Assembly and later joined the Connecticut Department of Higher Education becoming the Assistant Commissioner for Financial Affairs in 1986, after serving in several different roles within the department. From 1988 to 1995, he was the Vice President for Finance and Administration at SCSU. Mr. Bowes has a M.S. degree from the W. Averill Harriman School for Management and Policy, State University of New York at Stony Brook, and a bachelor's degree from Hofstra University.

Elaine Clark , J.D. Elaine Clark was appointed Vice President for Real Estate, Facilities and Infrastructure Planning for the Board of Regents for Higher Education in March 2012. Elaine and her staff oversee real estate transactions as well as capital planning and construction for the 17 Connecticut State Colleges and Universities. Prior to her arrival in Connecticut, Elaine served on the President's Cabinet at the University of Maine in Orono, as Executive Director for Facilities and Real Estate Planning (March 2006-February 2012). Ms. Clark was responsible for the main campus (600 acres of land and 4.5 million square feet of buildings), as well as eleven satellite facilities that included research farms, marine research centers and experimental forests throughout the state. From 1998 through February 2006, Elaine served as Director of the State of Maine's Bureau of General Services which oversaw facilities for all state agencies and managed construction of all governmental facilities, including public schools throughout the State of Maine (1998 through February 2006). Prior to that, she headed the Property Law section of the Maine Department of Transportation's legal division, handling property issues for all

state agencies, and construction issues for MDOT. Elaine is a magna cum laude graduate of Mount Holyoke College and a cum laude graduate of Western New England University School of Law, and is licensed as an attorney in three states.

Presidents of Members

The President of each Member serves as the chief executive officer of each university and is responsible for all aspects of the operation and development of the campus. The Member Presidents report to the System Board through the President of the Board of Regents.

The names and brief biographies of each of the Presidents of the Members are listed below:

John W. Miller, Ph.D. Dr. Miller was appointed as President of CCSU in 2005. Prior to coming to Connecticut, he served as Chancellor at the University of Wisconsin – Whitewater since 1999. Dr. Miller served as Dean of the School of Education at Florida State University from 1993 to 1999. From 1986 through 1993, Dr. Miller was Dean of the School of Education at Georgia Southern University. Dr. Miller began his academic career at Wichita State University in 1974, where he rose through the faculty ranks in Education, serving as Associate Dean from 1981 to 1986. Before earning his Ph.D. in Education, Linguistics and Research Design at Purdue University, Dr. Miller received a master's degree in Education at Northern Illinois University and a bachelor's degree in Journalism from Ohio University. Dr Miller has also taught students in public education from the elementary to doctoral degree levels in the United States, Costa Rica, England and South Africa, and has lectured in many other countries, including Ireland and Sweden. A national leader in education, Dr. Miller has served as Chair of the Board of Governors of the Renaissance Group, an affiliation of 35 universities involved in teacher education. He serves on numerous local boards including the Community Foundation of Greater New Britain and the Central Connecticut Senior Health Services Board.

Elsa M. Núñez, Ph.D. Dr. Núñez was named President of Eastern Connecticut State University on May 18, 2006, and assumed the Office of the President on August 4, 2006. From 2003 to 2006 she served as Vice Chancellor at the University of Maine System where she oversaw all academic matters related to the System's seven universities. Prior to joining the Maine System, Dr. Núñez served as provost and vice president for academic affairs at Lesley University from 1999 to 2003, and as vice president for academic affairs at Wheelock College from 1997 to 1999. From 1993 to 1997, Dr. Núñez was the dean for academic affairs and vice chancellor for student affairs at The City University of New York. Her administrative career was launched at the College of Staten Island of The City University of New York where she was Dean of the Faculty from 1986 to 1992. Dr. Núñez began her academic career as a tenured faculty member at Ramapo State University, where she taught English from 1973 to 1980. She also has held faculty positions at the College of Staten Island of the City University of New York, and Lehman College of the City University of New York. Dr. Núñez received a bachelor's degree from Montclair State College in 1970, a master's degree in English from Fairleigh Dickinson University in 1973, and a doctorate in linguistics from Rutgers University in 1979. Dr. Núñez was named vice chair of the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges; she became chair in June 2008, serving in that capacity until June 2010. She has received several fellowships during her career, including the American Council on Education Fellow in Academic Administration at the College of Staten Island and Hispanic Leadership Fellow in Academic Administration in New Jersey. Dr. Núñez was selected as one of three Outstanding Women of the Year by Governor Thomas Kean of New Jersey in 1987. She also serves on the boards of The Village for Children, Leadership Greater Hartford, Girl Scouts of Connecticut, Camp Horizon, Hartford Healthcare, and the Council for Higher Education Accreditation. Dr. Núñez is the author of *Pursuing Diversity* (1992) and has published articles in the areas of language acquisition, diversity, retention and student success in higher education, and cultural differences in education.

Mary A. Papazian, Ph.D. Dr. Mary A. Papazian was appointed President of SCSU on December 8, 2011 and assumed leadership of the university on February 1, 2012. Prior to her appointment at SCSU, Dr. Papazian served as provost and senior vice president for Academic Affairs at Lehman College, part of the City University of New York (CUNY) system, since 2007; as Dean of the College of Humanities and Social Sciences and Professor of English at Montclair State University from 2004 to 2007; and Associate Dean of the College of Arts and Sciences at Oakland University in Rochester, Michigan, from 1999 to 2004, where she had been on the faculty of the English Department since 1988. Dr. Papazian received her B.A., M.A. and Ph.D in English literature from the University of California, Los Angeles. Dr. Papazian has published a number of books, articles and reviews, including her most recent book, Sacred and Profane in English Renaissance Literature. In 2009, Dr. Papazian presented to the "University Education for the 21st Century" conference in Armenia, focusing on the future of teaching and learning in the new millennium.

James W. Schmotter, Ph.D. Dr. Schmotter became President of WCSU on August 1, 2004, after having served as dean of the Haworth College of Business and a professor of management at Western Michigan University since 1997. He served from 1992 until 1997 as dean of the College of Business and Economics at Lehigh University and from 1979 through 1992 as both assistant and associate dean at Cornell University's Johnson Graduate School of Management. He began his administrative career at SUNY Binghamton. Dr. Schmotter received a Ph.D. in Colonial-American History at Northwestern University and a bachelor's degree in History from Muskingum College in Ohio. He also studied higher education administration at Columbia University. Dr. Schmotter has consulted for a variety of organizations, including IBM, the Institute for International Education, the Cleveland Foundation, the Graduate Management Admission Council, the Educational Testing Service, United States Agency for International Development and a number of universities in the U.S., Asia and Europe. He has served as Chairman of the Board of Trustees of the Graduate Management Admission Council, was the founding Vice Chair of the board of the MBA Enterprise Corps, and has been a member of many committees of AACSB International: the Association to Advance Collegiate Schools of Business. He serves as a Corporator of the Savings Bank of Danbury and as member of Danbury Health Systems, as well as a member of the boards of directors of the United Way of Western Connecticut, the Greater Danbury Chamber of Commerce, the Danbury Savings Bank Foundation and Ethan Allen Interiors, Inc. He is president of the Little East Athletic Conference and chair of the NCAA Division III Presidents Council.

Faculty and Staff

During fall 2011, the Members employed 1,295 full-time teaching faculty as part of a total of 2,098 full-time equivalent ("FTE") faculty, including approximately 2,279 part-time faculty.[1] Approximately 68.8% of the full-time faculty are tenured and 81.8% have terminal degrees. The System has a collective bargaining agreement with teaching faculty through August 23, 2012, which has been extended to August 25, 2016, by an agreement between the union and the Board. Also included in this bargaining unit are 137 full-time coaches, counselors, librarians and trainers.

In addition to its faculty, the System has a full-time workforce of 1,792. Approximately 1,629 of the System's non-faculty, full-time employees are represented by seven collective bargaining units. The System has a collective bargaining agreement with administrative faculty through June 30, 2012, which has been extended to June 30, 2016, by an agreement between the union and the Board. There are labor contracts for administrative and residual employees covering the period from July 1, 2007, to June 30, 2011; for protective services employees covering the period from July 1, 2008, to June 30, 2012; for professional health care employees covering the period from July 1, 2009, to June 30, 2012; for administrative clerical employees covering the period from July 1, 2006, to June 30, 2009; for the engineering, scientific and technical employees covering the period from July 1, 2006, to June 30, 2009; and for maintenance employees covering the period from July 1, 2008, to June 30, 2012. Each of

[1] Data are not yet available for Fiscal Year 2012.

these contracts has been extended by agreements between the union and the State of Connecticut through June 30, 2016.

Since 1977, when collective bargaining began at the System, there have been no work stoppages at the System. Management believes its relationship with its employees to be good.

The State maintains a series of retirement options for its employees. In addition, it permits faculty and non-teaching professionals to elect membership in the Alternate Retirement Plan similar to other higher education institutions. All employees supported by the State's General Fund have costs associated with retirement funded from the State General Fund. Retirement contributions and other benefits costs for those employees outside of the State General Fund are paid to the Office of the State Comptroller from other System income. The System has no further obligation to fund retirement benefits (such as pension and medical benefits) for a retired employee subsequent to his/her retirement from the System.

Student Body

Admission to the System is open to residents and non-residents of the State on a competitive basis. More than 89% of the 18,979 applications received by the System for full-time admission in fall 2012 were residents. Residents accounted for 94% of the state universities' total fall 2012 enrollment. The average combined math and verbal Scholastic Aptitude Test score of entering System freshmen was 985 in fall 2012. In fall 2012, approximately 16% of the total System student body was enrolled in graduate programs and 84% was enrolled in undergraduate programs.

The following tables set forth certain information with respect to student applications, acceptances and enrollments of the Member institutions for the past five years.

Fall Freshmen Admissions

	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
CCSU					
Number of Applicants	6,061	6,759	6,806	6,428	5,656
Number Accepted	3,608	3,687	4,098	4,068	3,626
Number Enrolled	1,303	1,281	1,350	1,374	1,340
Percent Accepted	59.5%	54.5%	60.2%	63.3%	64.1%
Percent Enrolled	36.1%	34.7%	32.9%	33.8%	37.0%
ECSU					
Number of Applicants	3,383	3,785	3,493	3,051	4,329
Number Accepted	2,146	2,355	2,253	2,155	2,918
Number Enrolled	954	944	915	927	979
Percent Accepted	63.4%	62.2%	64.5%	70.6%	67.4%
Percent Enrolled	44.5%	40.1%	40.6%	43.0%	33.6%
SCSU					
Number of Applicants	5,912	5,561	5,674	5,332	4,978
Number Accepted	3,708	3,809	3,779	3,831	3,756
Number Enrolled	1,288	1,237	1,248	1,319	1,360
Percent Accepted	62.7%	68.5%	66.6%	71.8%	75.5%
Percent Enrolled	34.7%	32.5%	33.0%	34.4%	36.2%

WCSU					
Number of Applicants	4,221	4,175	4,200	4,157	4,016
Number Accepted	2,315	2,596	2,662	2,593	2,368
Number Enrolled	930	1,008	979	876	842
Percent Accepted	54.8%	62.2%	63.4%	62.4%	59.0%
Percent Enrolled	40.2%	38.8%	36.8%	33.8%	35.6%

Data Source: CSU Semi-Annual Statistical Reports
Prepared by the CT BOR Office of Policy and Research, 11/29/2012

Average Combined SAT Scores
For Matriculated Students
Academic Year

	2008-09	2009-10	2010-11	2011-12	2012-2013
CCSU	1022	1025	1023	1015	1012
ECSU	1009	1032	1023	1008	1018
SCSU	955	962	959	938	933
WCSU	986	1004	997	994	986
United States Average*	1017	1016	1015	1011	1010

Data Source: CSU Semi-Annual Statistical Reports, U.S. Average from College Bound Seniors (College Board)
Prepared by the CT BOR Office of Policy and Research, 11/29/2012

Opening Fall Enrollment*

Academic Year

	2007-08	2008-09	2009-10	2010-11	2011-12
CCSU	12,106	12,233	12,461	12,477	12,133
ECSU	5,137	5,427	5,610	5,606	5,447
SCSU	11,930	11,769	11,815	11,964	11,167
WCSU	6,211	6,462	6,617	6,582	6,200
Total:	35,384	35,891	36,503	36,629	36,047
Part-time - Total CSU	10,666	10,596	10,426	10,091	9,379

Includes full-time and part-time students, as of 3rd week fall census date
Data Source: CSU Semi-Annual Statistical Reports
Prepared by the CT BOR Office of Policy and Research, 11/29/2012

Number of Full-Time Equivalent Students*

	Academic Year				
	2007-08	2008-09	2009-10	2010-11	2011-12
CCSU	9,010	9,153	9,454	9,468	9,364
ECSU	4,233	4,463	4,645	4,663	4,640
SCSU	8,841	9,003	9,122	9,229	9,017
WCSU	4,838	5,024	5,252	5,271	5,109
Total:	26,922	27,643	28,473	28,631	28,130
Part-time – Total CSU	4,074	4,045	4,033	3,956	3,812

**Annualized FTE , as of 3rd week fall census date, has historically been calculated by CSU as the sum of fall and spring undergraduate credit hours divided by 30 plus the sum of fall and spring graduate credit hours divided by 24; this method for calculating FTE differs from the 12-month credit hour method used by the National Center for Education Statistics*

Data Source: CSU Semi-Annual Statistical Reports

Prepared by the CT BOR Office of Policy and Research, 11/29/2012

Degrees Awarded

All campuses in the System are authorized to award Associates, Bachelors and Masters degrees as well as sixth year certificates in certain programs. The System also has awarded applied doctoral degrees in education (Ed.D.) since 2006. Trends in the degrees and certificates awarded for the five years ended with the 2011-12 academic year are shown in the table below:

Trends in Degrees Awarded

	Academic Year					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-2012
Associate's	19	16	33	18	25	34
Bachelor's	4,485	4,830	4,815	5,121	5,308	5,520
Master's	1,654	1,733	1,586	1,562	1,578	1,650
Sixth Year Certificate	245	225	251	212	232	180
Doctorate's	22	20	16	27	10	28
Total:	6,425	6,824	6,701	6,940	7,153	7,412

Table does not include undergraduate certificates or post-baccalaureate certificates

Source: Board of Regents State Completions Database (used as source of IPEDS submission)

Prepared by the CT BOR Office of Policy and Research, 11/29/2012

Tuition and Fees

The System operates its programs on a two-semester per year basis. The System sets different tuition rates for Connecticut and out-of-state students for each campus. Out-of-state undergraduate tuition rates have been approximately 3.2 times in-state undergraduate tuition rates. Out-of-state graduate tuition rates have been approximately 2.8 times in-state graduate tuition rates. In 2013, tuition and fees increased by 3.9% for in-state and out-of-state students. The System also sets a University Fee for full-time Connecticut students and full-time out-of-state students. The fee for Connecticut residents has been programmatically established at 40% of the rate for out-of-state students.

In Fiscal Year 2010, a change was made within the System to charge part-time students enrolled in the fall and spring semester part-time tuition and a general university fee on a per-credit-hour basis. Part-time students

within the System continue to be charged Extension Fees in lieu of part-time tuition and general university fee for the winter and summer sessions. Extension Fees are charged on a per-credit-hour basis and differ by campus.

The following table illustrates the System's Tuition and University Fee per academic year for resident and non-resident students for Fiscal Years 2009 through 2013.

Annual Full-time Undergraduate Tuition and University Fee

	Resident				Non-Resident			
Fiscal Year	Tuition	University Fee	Total	Annual Percentage Increase	Tuition	University Fee	Total	Annual Percentage Increase
2009	$3,514	$879	$4,393	4.7	$11,373	$2,157	$13,530	4.8
2010	$3,742	$910	$4,652	5.9	$12,112	$2,232	$14,344	6.0
2011	$4,023	$942	$4,965	6.7	$13,020	$2,310	$15,330	6.9
2012	$4,124	$966	$5,090	2.5	$13,346	$2,368	$15,714	2.5
2013	$4,285	$1,000	$5,285	3.8	$13,866	$2,451	$16,317	3.8

The following table lists the Members' fees and total tuition and fees, including the University Fee, charged and to be charged to full-time students for Fiscal Years 2009 through 2013:

Annual Full-time Undergraduate Tuition and Fees

			Resident		Non-Resident	
	Fiscal Year	Member Fees*	Total Tuition and Fees**	Annual Percentage Increase	Total Tuition and Fees**	Annual Percentage Increase
CCSU	2009	$2,426	$7,042	4.6	$16,179	4.7
	2010	$2,762	$7,414	5.3	$17,106	5.7
	2011	$2,896	$7,861	6.0	$18,226	6.5
	2012	$2,965	$8,055	2.5	$18,679	2.5
	2013	$3,036	$8,321	3.3	$19,353	3.6
ECSU	2009	$2,763	$7,406	6.4	$16,543	5.5
	2010	$3,161	$7,813	5.5	$17,505	5.8
	2011	$3,385	$8,350	6.9	$18,715	6.9
	2012	$3,465	$8,555	2.5	$19,179	2.5
	2013	$3,626	$8,911	4.2	$19,943	4.0
SCSU	2009	$2,556	$7,179	8.4	$16,316	6.3
	2010	$2,926	$7,578	5.6	$17,270	5.8
	2011	$3,085	$8,050	6.2	$18,415	6.6
	2012	$3,158	$8,248	2.5	$18,872	2.5
	2013	$3,256	$8,541	3.6	$19,573	3.7
WCSU	2009	$2,472	$7,088	7.0	$16,225	5.7
	2010	$2,810	$7,462	5.3	$17,154	5.7
	2011	$2,944	$7,909	6.0	$18,274	6.5
	2012	$3,014	$8,104	2.5	$18,728	2.5
	2013	$3,164	$8,449	4.3	$19,481	4.0

* *Member Fees include each Member's University General Fee and Student Activity Fee (including Media Fee, where applicable). The 2013 University General Fee includes a Parking Fee component for full-time students as follows: CCSU ($125), ECSU ($240), SCSU ($165.50), and WCSU ($267). For part-time Students a parking fee component is included in the extension fee and/or registration fee.*

** *Includes System Tuition Charges, University Fee, Member's University General Fee, Student Activity Fee and an Information Technology Fee (note: Information Technology Fee discontinued in Fiscal Year 2010).*

The System's tuition and fees remain low compared to its competitor universities (those universities to which students attending a Member university had also considered attending). The following table lists System tuition and required fees for 2012, compared with comparable numbers for competitor universities:

In-State Undergraduate Tuition & Required Fees
Comparison with Competitor Universities

		Tuition & Required Fees FY2012
1	Fairfield University	$40,580
2	Quinnipiac University	$36,130
3	Sacred Heart University	$32,724
4	University of New Haven	$31,750
5	Western New England University	$30,844
6	University of Hartford	$30,674
7	Roger Williams University	$30,582
8	University of Massachusetts (Amherst)	$12,612
9	Keene State College	$11,800
10	University of Rhode Island	$11,366
11	University of Connecticut	$10,670
12	**Connecticut State University System (average)**	**$8,241**

CSUS Rank - Tuition and Req. Fees - Highest to Lowest (1 to 12) **Lowest (out of 12)**

Source: University web sites

In addition, the System and its Members have articulation agreements with the Connecticut Community College System which state that graduates of an associate's degree program, who agree to a *Transfer Compact* before earning 15 college credits at the Community College, and complete their degree from the Connecticut Community College System with a GPA of 2.0 or higher are guaranteed admission to the Member university of their choice. There is no guarantee that all course credits earned at a Connecticut Community College will be accepted for transfer to a Member university; however, all Guaranteed Admission students are guaranteed Junior status and guaranteed that a minimum of 60 transfer credits will be applied toward a baccalaureate degree at the Member university. Graduates of a Community College who meet the requirements for guaranteed admissions must still make application by the date and on the forms prescribed by each Member, including the submission of all the required transcripts, documents, and fees.

Financial Aid

Enrolled students are eligible for three major categories of financial aid: scholarships, grants and loans. In addition, many undergraduate and graduate students participate in university student employment programs.

The following table sets forth information concerning financial assistance the System has made available to students for the five Fiscal Years ended June 30, 2012. A substantial number of these funds are provided by federal, State and private programs in which the System participates. All programs under the aegis of the federal and State governments are subject to appropriation and funding by the respective legislative bodies.

Student Financial Aid by Type of Aid
(in millions)

	Academic Year				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Fellowships/Grant/Scholarships					
Institutional Funds	$21.84	$23.71	$27.51	$30.92	$31.29
State Funds	10.54	10.54	10.36	9.95	9.82
Federal Funds	17.13	19.28	29.56	36.04	36.70
Private Sources	2.54	3.31	3.33	3.62	3.06
Other States' Funds	2.82	2.66	2.76	2.53	1.85
Total	$54.87	$59.50	$73.52	$83.06	$82.72
Loans Made to Students					
Federal Loans	$108.97	$133.82	$162.26	$175.18	$178.79
Private Loans	23.20	22.08	16.11	15.35	16.62
Total	$132.17	$155.90	$178.37	$190.53	$195.41
Student Employment					
Institutional	$7.82	$8.27	$9.11	$9.81	$9.19
Federal Work/Study	.83	.87	1.09	.84	.98
Total	$8.65	$9.14	$10.20	$10.65	$10.17
Tuition and Fee Benefits					
Employee/Dependent Tuition Credits	$3.34	$3.61	$3.90	$4.76	$4.80
Student Waivers/Benefits	4.68	4.90	4.94	5.22	5.08
Other (Senior, Disabled)	3.06	2.74	2.30	1.79	2.21
Total	$11.08	$11.25	$11.14	$11.77	$12.09
Total Financial Aid	$206.77	$235.79	$273.23	$296.01	$300.39

Source: System records

Grants and Contracts

The System receives funds from the federal government in the form of appropriations, grants and contracts. In 2012, $222.1 million was received from federal sources. The majority of this funding is from Pell and other grants; $177.5 million of the total of $222.1 million represents funds received by the System in connection with the Federal Direct Loan Program (which are no longer included in the financial statements as revenue and expense).

In addition to revenues derived from federal sources, the System had current revenues in 2012 from other contracts and grants that totaled $22.2 million or approximately 5.2% of total operating revenues.

Auxiliary Facilities

In addition to University General and Student Activity Fees, each Member imposes room and food service fees in connection with the use of residential facilities. Room and food service fees vary among the Members. The room and food service fees for academic year 2012-13 are summarized as follows:

Room and Food Services Fees

	Room Fees*	Food Service Fee	Total
CCSU	$5,806	$4,206	$10,012
ECSU	$6,067	$4,567	$10,634
SCSU	$5,859	$4,782	$10,641
WCSU	$6,214	$4,576	$10,735

** Fee for a double room.*
Source: System records.

The housing availability for the 2012-13 academic year is listed below:

Housing Availability

	Number of Beds
Central Connecticut State University	2,140
Eastern Connecticut State University	2,588
Southern Connecticut State University	2,613
Western Connecticut State University	1,675
TOTAL	9,063

Source: System records

Financial Operations

The accounting of the System and its Members is maintained on an accrual basis. Since 1996 PricewaterhouseCoopers, LLP has audited the System's financial statements. The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB).

The combined financial statements of the System as of June 30, 2012 and 2011 and for the years then ended, have been audited by PricewaterhouseCoopers, LLP, independent accountants, as stated in their report thereon.

Revenues and Expenditures

Summary information regarding the System's revenues and expenditures, derived from the System's financial statements during the last five Fiscal Years is presented utilizing the AICPA Industry Audit Guide, *Audits of State and Local Governments (GASB 34 Edition)* and are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

During the Fiscal Year ended June 30, 2004, the System adopted the provisions of Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*, and retroactively applied the provisions as of July 1, 2002, to include the System's legally separate, tax-exempt, affiliated University Foundations as component units of the System.

Shown below are the "Combined Statements of Revenues, Expenses and Changes in Net Assets" for the last five Fiscal Years ended June 30, 2012 excluding the component units.

Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30
(in thousands)

	2008	2009	2010	2011	2012
Operating revenues:					
Tuition and fees:					
Tuition and fees, gross	$233,062	$250,744	$275,248	$291,056	$290,506
Less:					
Waivers	10,252	10,705	10,420	11,046	11,262
Scholarships allowance	17,278	17,978	21,128	25,018	24,451
Tuition and fees, net of scholarship allowances and waivers	205,532	222,061	243,700	254,992	254,793
Federal grants and contracts	31,352	33,896	41,761	46,791	44,551
State and local grants and contracts	15,267	16,073	16,025	15,240	14,419
Nongovernment grants and contracts	2,705	3,044	2,708	2,918	3,092
Indirect cost recoveries	689	1,180	1,108	1,319	978
Ancillary revenues	74,814	80,701	87,155	91,099	90,559
Other operating revenues	15,532	12,526	16,472	15,639	17,096
Total operating revenues	345,891	369,481	408,929	427,998	425,488
Operating expenses:					
Personnel service and fringe benefits	379,750	402,336	387,416	409,427	406,853
Professional services and fees	24,537	24,750	26,710	25,964	25,871
Educational services and support	69,340	71,351	83,394	89,454	86,621
Travel expenses	7,125	5,938	5,295	5,716	6,351
Operation of facilities	44,647	43,282	48,688	50,469	41,336
Other operating supplies and expenses	22,735	22,288	21,235	20,541	22,939
Depreciation and amortization expense	42,653	50,375	49,839	51,471	51,764
Total operating expenses	590,787	620,320	622,577	653,042	641,736
Operating loss	(244,896)	(250,839)	(213,648)	(225,044)	(216,248)
Nonoperating revenues:					
State appropriations	241,293	238,315	242,055	245,057	209,202
Gifts	835	702	985	1,500	1,601
Investment income	11,658	4,533	1,562	1,295	1,107
Interest Expense	(13,606)	(12,874)	(11,876)	(11,471)	(10,356)
State financed plant facilities	25,364	49,537	4,990	17,263	2,856
Transfers to the State of Connecticut			(15,000)	0	0
Other nonoperating revenues	2,794	2,552	2,558	2,248	1,973
Net nonoperating revenues	268,338	282,765	225,274	255,892	206,383
Income (loss) before other revenues, expenses, gains and losses	23,442	31,926	11,626	30,848	(9,865)
State appropriations restricted for capital purposes	24,839	10,098	12,753	25,417	49,348
Gain (loss) on disposal of capital assets	(2,290)	(2,052)	(1,631)	(786)	(946)
Net other changes in net assets	22,549	8,046	11,122	24,631	48,402

Net increase in net assets	45,991	39,972	22,748	55,479	38,537
Net assets:					
Net assets - beginning of year	708,053	732,391	772,363	795,111	850,590
Cumulative effect of change in accounting principles:					
Adoption of depreciation for library materials	(21,653)				
Net assets - beginning of year, as adjusted	686,400				
Net assets - end of year	$732,391	$772,363	$795,111	$850,590	$889,126

Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the System's revenues, including State appropriations, gifts, and investment income or loss are considered nonoperating, as defined by GASB 35.

In Fiscal Year 2011, the reporting of revenues and operating expenses were changed to display interest expense and loss on disposal of capital assets as non-operating expenses in accordance with GASB 35 guidelines. This resulted in a corresponding reduction in operations of facilities where these expenses were displayed in prior years. There is no impact on cash or net assets.

Fiscal Year 2012

Fiscal Year 2012 operating revenues of $425.5 million decreased by $2.5 million or 0.6% from 2011, primarily due to decreases in ancillary revenue and grants. Tuition and fees remain about level with the prior year primarily due to an average 2.5% increase in tuition and required fee rates and offset by a decrease in total enrollment for Fiscal Year 2012. The System had operating expenses of $641.7 million, which included $51.8 million of depreciation and amortization expense for the current year, and accordingly experienced a net operating deficit of $216.2 million for the year. The classification as non-operating revenues of State appropriations of $209.2 million and investment income of $1.1 million, and the inclusion of depreciation expense as an operating expense will result in the System incurring an operating deficit annually. Other non-operating revenues of net ($3.9) million and $9.5 million in Fiscal Years 2012 and 2011, respectively, are primarily a result of the receipt of title to plant facilities during the year from the Department of Construction Services in Fiscal Year 2012; and Fiscal Year 2011 offset by interest expense.

Student tuition and fees net of allowances for scholarships, fellowships, and waivers decreased $0.2 million or 0.1% to $254.8 million in 2012. State appropriation support of $258.5 million for Fiscal Year 2012 decreased by $12.0 million, or 4.4% from the prior year. This amount includes $49.3 million (up $23.9 million from Fiscal Year 2011) for capital purposes and $209.2 million (down $35.9 million) for operating purposes.

Operating expenses for 2012 decreased $11.3 million or 1.7% over 2011. The decrease was primarily due to decreases in personal services and fringe benefits of $2.6 million due to no salary increase and position reductions, educational and support services of $2.8 million, and operation of facilities of $9.1 million.

System Budgeting Procedures

According to statute, the Board fixes tuition and fees for the System. Based on a detailed analysis of market data, projected expenditures and enrollments for the upcoming academic year, each Member annually submits fee requests to the President of the Board of Regents. The Board of Regents reviews and approves Member requests. At its January 2012 meeting, the Board approved a resolution increasing tuition and fees for Fiscal Year 2012-13 by 3.8%.

Each year, all Members present individual spending plans to the Board for approval. The Board President gives the Member Presidents guidelines, policy issues and System initiatives that need to be considered. Past practice had been for each Member to submit its plans to Board finance staff and then meet with the Board's Finance and Administration Committee and other Board members to discuss its plans. The Committee's recommendations are passed on to the Board for approval at its June meeting. This practice was modified slightly in 2012. Each member met with former System President Robert Kennedy and the senior leadership and finance staff at the System to review and discuss budget plans. Recommendations were developed from these plans, approved by the former System President and submitted to the Board's Finance and Administration Committee for action. Board approval of the budget plans followed at the regular June meeting. With the change in governance structure, specific procedures will continue to evolve but approval of annual budgets and state university spending plans by the board will remain an ongoing requirement. There is no assurance that some procedures will not be revised by future legislation.

During recent months, compensation changes for a select group of professional staff were implemented without prior approval by the Board of Regents in violation of State Statute. This led to the resignation of the former President and former Executive Vice President in October 2012. The compensation increases were rescinded and an *Ad Hoc* Committee of the Board of Regents was created to review the action that resulted in the decision to grant increases. The Board also approved the creation of a new standing committee to oversee personnel matters and to develop new policies and procedures to guide future personnel actions consistent with State law.

State Appropriations Cash Basis

The System received State appropriation (General Fund) support of $142 million for Fiscal Year 2012. In addition, the State provided another $77.1 million for the payment of fringe benefits. The State budget for Fiscal Year 2013 contains an appropriation for the System in the amount of $142.7 million. The Board was notified in November 2012 of a 5% budget rescission of Fiscal Year 2013 state appropriations. For the System, this represents a $7.1 million reduction in state funding, which will be managed through budget reductions across the System. The State is also anticipated to provide fringe benefit funding of $73.4 million.

Foundations and Endowments

The System and each Member has a foundation. The foundations and the funds raised by them are solely for the benefit of the respective Member. Neither the System Board of Trustees nor the System's Foundation Board has any direct control over any Member foundation, although System staff reviews foundation expenditures.

These foundations had revenues of $13.0 million, operating expenses of $7.5 million, and a cumulative fund balance of $89.6 million as of June 30, 2012. Each foundation or Member alumni association has an annual giving campaign. These campaigns often target specific programs as part of the Member's overall development plan.

CSUS 2020 Program

In November of 2007, the Legislature passed and the Governor approved Public Act 07-7, which authorized bonding levels for capital projects for Fiscal Years 2007-08 and 2008-09. In addition to providing $80 million in authorizations to the System for Fiscal Year 2007-08, it established an historic $950 million, 10-year general obligation bond fund program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems for the Members and ongoing capital initiatives administered by the System Office. This program, known as "CSUS 2020", provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. Projects anticipated during the 10-year program include new Fine Arts Instructional Centers at three universities, the complete renovation and expansion of library facilities at the System's oldest university,

and the construction, expansion or renovation of several academic and support facilities System-wide. It also includes funds for the purchase of new and replacement equipment and continues to support the System's auxiliary service capital program by providing $5 million annually in general obligation bonds to finance auxiliary service projects involving residence halls, student centers, dining halls and student parking facilities, which otherwise would be financed by the System from bonds issued through the Authority. During Fiscal Year 2009, $95 million was provided from State general obligation bonds to fund the first year of the CSUS 2020 Program. In Fiscal Year 2010, Governor Rell deferred funding of the second year of the program, due to the fiscal condition of the state. In Fiscal Year 2011, CSUS received the $95 million that had been deferred in Fiscal Year 2010, and in Fiscal Year received $95 million that had been originally designated for Fiscal Year 2011.

Strategic Planning

As the governing body for the Connecticut State Universities, the Board of Regents holds broad responsibilities for strategic planning, coordination, and systematization. Title 10a-6b of the Connecticut General Statutes, as amended by Public Act 11-48 provides for BOR to assess institutional progress toward meeting six broad goals to: (1) enhance student learning and promote academic excellence; (2) join with elementary and secondary schools to improve teaching and learning at all levels; (3) ensure access to and affordability of higher education; (4) promote the economic development of the state to help business and industry sustain strong economic growth; (5) respond to the needs and problems of society; and (6) ensure the efficient use of resources. An annual report on progress toward strategic priorities at the institution and system level is required under 10a-6b, aligned with the state's accountability system.

To accomplish this planning and coordination within a framework for accountability, BOR has established a planning process that will outline a direction for reform and innovation in higher education as well as be cyclical in nature to ensure that expected results fall within parameters set forth in the plan. This process includes 1) identification, refinement and ongoing review of a shared set of goals for higher education, 2) use of metrics to evaluate progress toward goals with corresponding targets and timeframes, 3) development and application of policies to make progress toward goals, 4) a roadmap for implementation, and 5) review of results to evaluate the extent to which strategic goals have been realized.

BOR is implementing this planning process in conjunction with a grant received through the National Governors Association that includes individual Regents, BOR staff, and other stakeholders. The Board of Regents adopted a strategic plan that included a vision, mission and goals in September 2012. A committee has been convened and initiated work to identify metrics for the new accountability framework that is a cornerstone of the plan.

Capital Assets

The following table shows capital assets of the System as of June 30, 2007 to June 30, 2012:

Capital Assets of System
(in thousands)

	June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
Land and Site Improvements	$ 94,602	$ 95,003	$ 99,828	$ 104,123	$ 109,934
Buildings and Building Improvements	1,023,208	1,086,253	1,099,374	1,137,585	1,191,108
Furnishings and Equipment	125,417	132,535	134,218	137,021	137,373
Books, Maps, and Records	58,218	55,684	58,779	62,165	64,416
Total	$1,301,445	$1,369,475	$1,392,199	$1,440,894	$1,502,830

Source: System Records.

Outstanding Debt

Based on its audited financial statement for Fiscal Year ended June 30, 2012, the System had approximately $6.3 million in outstanding principal in the form of seven self-liquidating general obligation bond issues and refundings, which had been issued by the State since March 1993. As of June 30, 2012, the System had $257.8 million in obligations in the form of the Authority's Revenue Bonds, Connecticut State University System Issue, Series F, Series G, Series H, Series I, Series J, Series K and Series L.

The Series F bonds, issued in 2004, advance refunded certain portions of the Series A, Series B, Series C and Series D bond issues. The Series H bonds, issued in 2005, advance refunded certain portions of the Series B, Series C, Series D and Series E bond issues. The Series I bonds, issued in 2007, advance refunded certain portions of the Series D, Series E and Series G bond issues. The Series K bonds, issued in 2011, advance refunded certain portions of the Series E bond issue. The Series L Bonds, issued in 2012, have been used to refund the Series B Bonds and the remainder of the Series E Bonds. The Series A bonds, Series B bonds, Series C bonds, Series D bonds and Series E bonds are completely repaid.

Additional Capital Projects

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is continuing to develop and modify plans for its auxiliary services facilities. The most recent five-year plan for auxiliary services capital projects was approved in 2011. This plan is currently undergoing review by Board of Regents management and is expected to be subsequently modified by Board of Regents action.

The following table provides a summary of the significant projects previously financed from proceeds of the Series A, Series B, Series C, Series D, Series E, Series G and Series J bond issues:

Summary of Capital Projects Financed From Authority Bond Proceeds
(in millions)

Project Title and University	Prior Authority Bond Issues
Construct Pinney Residence Hall at WCSU	$ 21.7
Construct Two Residence Halls (North) at ECSU	23.8
Renovate and Expand Student Centers at CCSU and WCSU	16.9
Renovate and Expand Student Center and Dining Hall at ECSU	27.7
Construct a New Student Center at SCSU	35.0
Renovate Schwartz Residence Hall at SCSU	5.1
Renovate the High Rise Apartments at ECSU	4.2
Construct Parking Garages at CCSU, ECSU, SCSU and WCSU	52.7
Install Sprinklers and Upgrade Electrical System in Dorms at SCSU	7.6
Renovate Beecher, Sheridan and Gallaudet Residence Halls at CCSU	3.2
New Residence Halls and Parking Garages at ECSU, SCSU and WCSU	113.7

Construct Westside Student Center at WCSU	17.2
Replace Residence Hall Roofs, Windows and Doors at SCSU	4.2
Renovations to Newbury and Fairfield Residence Halls at WCSU	3.4
Various Infrastructure and Code Improvements at all Universities	28.6
Total:	$365.0

Litigation

There is no litigation pending or, to the knowledge of the System, threatened, which seeks to restrain or enjoin the System from entering into the Loan Agreement or the transactions contemplated thereby or wherein any unfavorable decision would adversely affect the ability of the System to carry out its obligations under the Loan Agreement or which, in the opinion of the System, will materially adversely affect the financial condition of the System.

CONNECTICUT STATE UNIVERSITY SYSTEM

By: /s/ Philip E. Austin
Philip E. Austin
Interim President
Board of Regents for Higher Education

Connecticut State University System

(The System Office, Central Connecticut State University, Eastern Connecticut State University, Southern Connecticut State University, Western Connecticut State University, and Component Units)

Financial Statements

June 30, 2012 with Summarized Financial Information for the Year Ended June 30, 2011

Connecticut State University System
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June 30, 2012 and 2011

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Report of Independent Auditors

Report of Independent Auditors

To the Board of Regents of
Connecticut State University System

In our opinion, based on our audits and the report of other auditors, the financial statements listed in the accompanying index, present fairly, in all material respects, the respective financial position of the Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University; and Western Connecticut State University) ("CSUS") and its aggregate discretely presented component units (affiliated foundations) ("Foundations") at June 30, 2012 and 2011, and the respective revenues, expenses and changes in net assets and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of CSUS's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundations, which statements reflect total assets of $90.5 million and $85.1 million and total net assets of $89.6 million and $84.1 million as of June 30, 2012 and 2011, respectively, and total revenues, gains and other support of $13.0 million and $23.7 million for the years then ended. Those 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 Foundations, is based on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

The accompanying Management's Discussion and Analysis on pages 3 through 17 is required by accounting principles generally accepted in the United States of America 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 the 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 our audits 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.

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise CSUS's basic financial statements. The supplementary information listed in the accompanying index on pages S-1 to S-8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the supplementary information, based on our audit, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 10, 2012

Fiscal Year 2012
Members of the Board of Regents for Higher Education

- *Thirteen appointed by the governor and legislative leaders*
- *Two students chosen by their peers*
- *Four non-voting ex-officio members – CT commissioners appointed by the Governor*

Lewis J. Robinson, Jr., Chair

Yvette Meléndez, Vice Chair

Richard J. Balducci

Naomi K. Cohen

Lawrence DeNardis

Nicholas M. Donofrio

Matt Fleury

Michael Fraser (CSU student)

Merle W. Harris

Gary F. Holloway

Craig Lappen

René Lerer

Michael E. Pollard

Alex Tettey Jr. (CCC Student)

Zac Zeitlin

Jewel Mullen – Commissioner of the CT Department of Public Health

Stefan Pryor - Commissioner of the State Board of Education

Sharon Palmer – Commissioner of the CT Department of Labor

Catherine Smith – Commissioner of the CT Department of Economic and Community Development

Connecticut State Universities

Central Connecticut State University
1615 Stanley Street
New Britain, CT 06050
Dr. John W. Miller, President

Eastern Connecticut State University
83 Windham Street
Willimantic, CT 06226
Dr. Elsa Nunez, President

Southern Connecticut State University
501 Crescent Street
New Haven, CT 06515
Dr. Mary Papazian, President

Western Connecticut State University
181 White Street
Danbury, CT 06810
Dr. James Schmotter, President

System Office, Connecticut State Colleges & Universities
39 Woodland Street
Hartford, CT 06105
Dr. Philip Austin, Interim President

Introduction

Management's Discussion and Analysis provides an overview of the comparative financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2012 with comparative information for the fiscal years ended June 30, 2011 and 2010. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section. The discussion immediately following also reflects the System as it existed during fiscal year 2012.

State of Connecticut Public Act 11-48 created a new governance structure, effective July 1, 2011, to manage the operations of the state universities. The new organization replaced the former Board of Governors for Higher Education and three separate constituent unit boards effective January 1, 2012, with responsibility for a merged four-year state university, community college and on-line (Charter Oak) college system (excluding the University of Connecticut). During a six-month transition period from July 1 through December 31, 2011, the existing boards remained in place but all actions taken were subject to ratification by the new Board of Regents, which held its first meeting in October 2011.

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately more than 36,000 enrolled students. The System's four Universities are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury; (collectively the "Universities"). The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 182 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed more than 3,100 full time employees at June 30, 2012.

As comprehensive, fully accredited Universities, CSUS institutions are Connecticut's universities of choice for students of all ages, backgrounds, races and ethnicities. CSUS provides affordable and high quality, active learning opportunities, which are geographically and technologically accessible. CSUS graduates think critically, acquire enduring problem-solving skills and meet outcome standards that embody the competencies necessary for success in the workplace and in life.

Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board Statement No.39, *Determining Whether Certain Organizations are Component Units*, the financial report includes CSUS and certain other organizations that have a significant related party relationship with CSUS (the "component units"). The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The Foundations are related tax-exempt organizations founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments. However, it is important to note that the assets of these component units are not available to CSUS for use at its discretion.

Financial Highlights

At June 30, 2012, total assets of the System were $1,461.9 million, an increase of $15.6 million or 1.1% over the prior year amount of $1,446.3 million, primarily due to increases in cash and cash equivalents of $9.0 million, net student receivables of $3.9 million, and net investment in plant of $23.9 million, offset by decreases in investments of $10.3 million and Due from the State Of Connecticut of $11.6 million. At June 30, 2011, total assets of the System were $1,446.3 million, an increase of $55.4 million or 4.0% over the prior year amount of $1,390.9 million, primarily due to increases in cash and cash equivalents of $17.7 million, investments of $25.5 million, net student receivables of $5.2 million, and net investment in plant of $6.0 million.

Total liabilities at June 30, 2012, of $572.8 million, a decrease of $22.9 million, primarily due to a decrease in Bonds Payable of $20.2 million. Total liabilities at June 30, 2011, of $595.7 million were roughly equivalent to the prior year's level of $595.8 million.

At June 30, 2012, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were $889.1 million, an increase of $38.5 million or 4.5% over last fiscal year's net assets of $850.6 million. In fiscal year 2012, the System had a decrease in the amount of change in net assets of $17.0 million compared to fiscal year 2011. This decrease was primarily due to a net decrease in state appropriations of $12.0 million, as well as $14.4 million decrease in state financed Plant Facilities.

At June 30, 2011, total net assets were $850.6 million, an increase of $55.5 million or 7.0 % over last fiscal year's net assets of $795.1 million. In fiscal year 2011, the System had an increase in the amount of change in net assets of $32.8 million compared to fiscal year 2010. This increase was primarily due to an increase in state appropriations of $15.7 million, as well as $15 million in savings related to a transfer to the State of Connecticut which took place in the prior year and did not recur.

Statement of Net Assets

SUMMARY OF NET ASSETS June 30, 2012, 2011 and 2010 ($ In millions)					
				$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Current Assets	$424.2	$438.5	$401.2	($14.3)	(3.3)
Non-Current Assets:					
Capital Assets, net	876.8	852.9	846.9	23.9	2.8
Other	160.9	154.9	142.8	6.0	3.9
Total Assets	**1461.9**	**1446.3**	**1390.9**	**15.6**	**1.1**

Current Liabilities	273.6	279.0	288.0	(5.4)	(1.9)
Non-current liabilities	299.2	316.7	307.8	(17.5)	(5.5)
Total Liabilities	**572.8**	**595.7**	**595.8**	**(22.9)**	**(3.8)**
Net Assets					
Investment in Plant – Net of Related Debt	712.2	686.8	664.7	25.4	3.7
Restricted					
Nonexpendable	.4	.6	.9	(.2)	(33.3)
Expendable	50.4	41.4	28.6	9.0	21.7
Total Restricted	**50.8**	**42.0**	**29.5**	**8.8**	**21.0**
Unrestricted	126.1	121.8	100.9	4.3	3.5
Total Net Assets	**$889.1**	**$850.6**	**$795.1**	**$ 38.5**	**4.5**

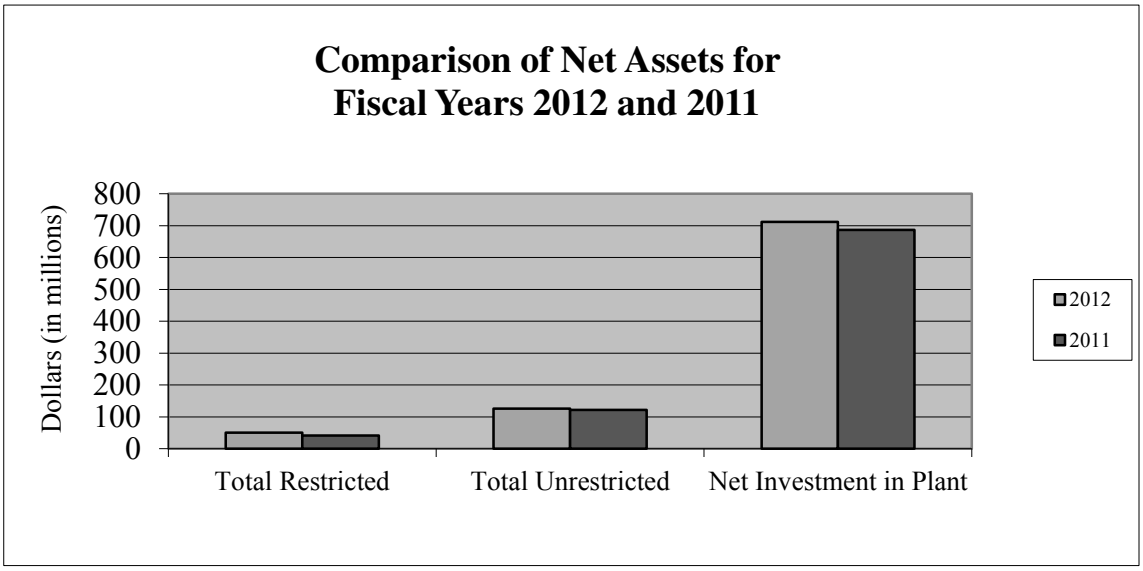
Current assets at June 30, 2012 of $424.2 million decreased by $14.3 million or 3.3% primarily due to decrease in investments of $10.3 million and Due from the State of Connecticut of $11.6 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately eight months. The System's current ratio of 1.6:1 at the end of the fiscal year is the same as the prior fiscal year.

Current assets at June 30, 2011 of $438.5 million increased by $37.3 million or 9.3% primarily due to increases in cash and cash equivalents of $6.8 million, investments of $24.7 million and net student receivables of $5.2 million. Total current assets represented coverage of current operating expenses excluding depreciation and amortization of approximately nine months. The System's current ratio of 1.6:1 at the end of the fiscal year was slightly better than the previous fiscal year.

Total non-current assets at June 30, 2012, of $1,037.7 million increased by $29.9 million or 3.0% from the fiscal year 2011 level of $1,007.8 million primarily due to increases in net investment in plant of $23.9 million and cash and equivalents of $6.3 million. Total non-current assets at June 30, 2011, of $1,007.8 million increased by $18.1 million or 1.8% from the fiscal year 2010 level of $989.7 million primarily due to increase in net investment in plant of $6.0 million and cash and cash equivelants of $10.9 million.

Net assets invested in capital assets, net of related debt, represent the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets are divided into two classifications, expendable and nonexpendable. Restricted expendable net assets are subject to externally imposed restrictions governing their use. In the System, they represent the residual balances of the System's bond funds and unexpended grant funds. Restricted nonexpendable net assets comprise the System's permanent funds such as the Endowment Fund.



NET INVESTMENT IN PLANT June 30, 2012, 2011 and 2010 ($ In millions)					
				$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Land	$19.8	$19.8	$18.4	-	-
Buildings & Improvements	1133.6	1,114.5	1,085.1	19.1	1.7
Land Improvements	90.1	84.4	81.4	5.7	6.8
Furniture, Fixtures & Equipment	137.2	137.0	134.2	.2	.1
Library books and materials	64.4	62.2	58.8	2.2	3.5
Construction in progress	57.7	23.0	14.3	34.7	150.9
Total Investment in Plant	**1,502.8**	**1,440.9**	**1,392.2**	**61.9**	**4.3**
Less Accumulated Depreciation	626.0	588.0	545.3	38.0	6.5
Investment in Plant, Net of Depreciation	**$876.8**	**$852.9**	**$846.9**	**$23.9**	**2.8**

At fiscal year end June 30, 2012, the System had total investment in plant assets of $1,502.8 million, an increase of $61.9 million or 4.3% over the fiscal year end 2011 level of $1,440.9 million. This increase was primarily due to the increase in construction in progress for more CSUS 2020 projects that are at

various stages of completion. Total additions to depreciable capital assets of $42.0 million during the fiscal year reflect the System's continued commitment to provide its students with state-of-art buildings and equipment, as more CSUS 2020 projects are started and/or completed.

At fiscal year end June 30, 2011, the System had total investment in plant assets of $1,440.9 million, an increase of $48.7 million or 3.5% over the fiscal year end 2010 level of $1,392.2 million. This increase was primarily due to the completion of a parking garage at one of our universities and other projects that are in various stages of completion. Total additions to depreciable capital assets of $47.7 million during the fiscal year reflects the System's continued commitment to provide its students with state-of-art buildings and equipment.

In 1997, Governor John Rowland committed to support $320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. Between July 1, 1997 and June 30, 2002, approximately $352.2 million was allocated by the State Bond Commission specifically for capital projects and information technology equipment for the System. In 2001, Governor Rowland announced his support to extend his commitment to the System for an additional five-year period during which the State would commit to support $400 million in general obligation bonding. During fiscal years 2003 and 2004, under Governor Rowland's administration, and during fiscal years 2005, 2006 and 2007, under Governor M. Jodi Rell's administration, an additional $279.2 million was allocated by the Bond Commission for CSUS capital projects. In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized $80 million for CSUS capital projects. Of that amount, $41.7 million was allocated by the Bond Commission during 2008, $19.3 million was allocated by the Bond Commission during 2009, $2.0 million was allocated by the Bond Commission during 2010, and $12.8 million was allocated by the Bond Commission during 2011, bringing the total amount of allocations to CSUS between 1997 and 2012 to $707.3 million.

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. Effective July 1, 2008, this program, known as "CSUS 2020", provides CSUS with additional flexibility in the allocation of bond funds, through the one time allocation of $950 million, with allotments approved annually by the Governor, thus allowing for more timely completion of major university construction projects. During FY 2009, the CSU System received $95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011, CSUS received the $95 million that had been deferred in FY 2010 and received an additional $95 million in 2012 for FY 2011.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the sixteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from seven Connecticut Health and Educational Facilities Authority ("CHEFA") bond issues totaled $402.4 million. In addition, $49.5 million was issued in February 2004, $48.5 million was issued in June 2005, $62.8 million was issued in April 2007, $14.0 million was issued in June 2011 and $49 million was issued in March 2012 to refund selected maturities from prior CHEFA bond issues. The Board of Regents has decided to suspend further action on the long range auxiliary service capital plan pending completion of the new system strategic plan, a comprehensive review of all capital facilities needs and a reevaluation of enrollment trends. The board has approved 13 projects at a total estimated cost of $118.5 million to move forward for financing under CHEFA this year.

Non-current liabilities at June 30, 2012 of $299.2 million decreased by $17.5 million, mainly due to the decrease in Bonds Payable of $17.7 million for the current year's payment of principal.

Statement of Revenues, Expenses and Changes in Net Assets

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS June 30, 2012, 2011 and 2010 ($ In millions)					
				$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Operating Revenues					
Tuition and fees	$254.8	$255.0	$243.7	($.2)	(.1)
Auxiliary revenues	90.6	91.1	87.1	(.5)	(.5)
Grants & Indirect Cost Recoveries	63.0	66.3	61.6	(3.3)	(5.0)
Other	17.1	15.6	16.5	1.5	9.6
Total Operating Revenues	**425.5**	**428.0**	**408.9**	**(2.5)**	**(.6)**
Less: Operating Expenses before depreciation and amortization	**589.9**	**601.5**	**572.7**	**(11.6)**	**(1.9)**
Depreciation	51.7	51.4	49.4	.3	.6
Amortization	.1	.1	.4	-	-
Operating Loss	**(216.2)**	**(225.0)**	**(213.6)**	**(8.8)**	**(3.9)**
Non-Operating Revenues (Expenses)					
State Appropriations	258.5	270.5	254.8	(12.0)	(4.4)
Investment Income	1.1	1.3	1.5	(.2)	(15.4)
Other	(4.9)	8.7	(20.0)	(13.6)	(156.3)
Total Non-Operating Revenues					
(Expenses)	**254.7**	**280.5**	**236.3**	**(25.8)**	**(9.2)**
Increase in Net Assets	38.5	55.5	22.7	(17.0)	(30.6)
Net Assets, beginning of year	850.6	795.1	772.4	55.5	7.0
Net Assets, end of year	**$889.1**	**$850.6**	**$795.1**	**38.5**	**4.5**

In fiscal year 2011, CSUS changed its policy to record interest expense and loss on disposal of capital assets as non-operating expenses. In prior years, these expenses were included in operations of facilities under operating expenses.

Total net revenues of $680.2 million for the fiscal year decreased by $28.3 million or 4.0% compared to the fiscal year 2011 level of $708.5 million. The decrease in total net revenues was primarily due to a decrease in state appropriations of $12.0 million and State financed plant facilities of $14.4 million,

offset by an increase in other operating revenues of $1.5 million. Operating revenues of $425.5 million at June 30, 2012 decreased by $2.5 million or .6% from the previous year value of $428.0 million, primarily due to decreases in auxiliary revenues of $.5 million and grants and indirect cost recoveries of $3.3 million. Tuition and fees remained about level with the prior year due to an average 2.5% increase in tuition and required fees, which was offset by a decrease in enrollment for FY12.

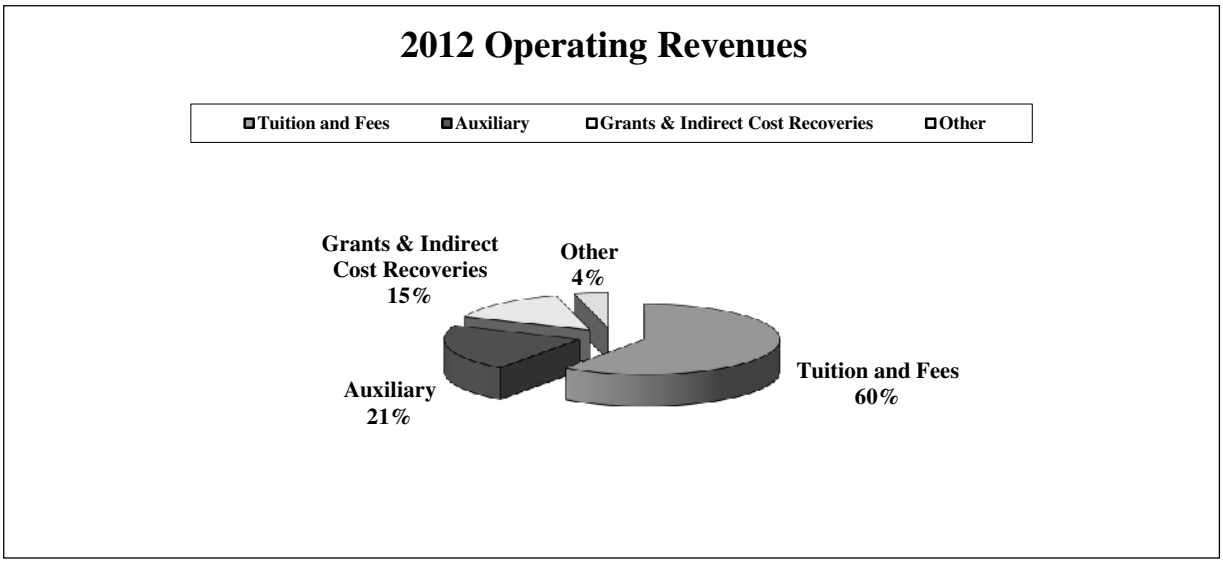
In fiscal year 2011, total net revenues of $708.5 million increased by $63.3 million or 9.8% compared to the revised fiscal year 2010 level of $645.2 million. The increase in total net revenues was primarily due to an increase in state appropriations of $15.7 million, State financed plant facilities of $12.3 million, tuition and auxiliary revenues of $15.3 million, Federal grants of $5.0 million and no transfers to the State of Connecticut in 2011, resulting in a savings of $15.0 million. Operating revenues of $428.0 million at June 30, 2011 increased by $19.1 million or 4.7% from the revised previous year value of $408.9 million, primarily due to increases in tuition and fees of $11.3 million, auxiliary revenues of $4.0 million and grants of $4.5 million. The increase in tuition and fees over the prior year is due to an average 6.3% increase in tuition and required fees coupled with a .6% increase in total annualized FTE enrollment.

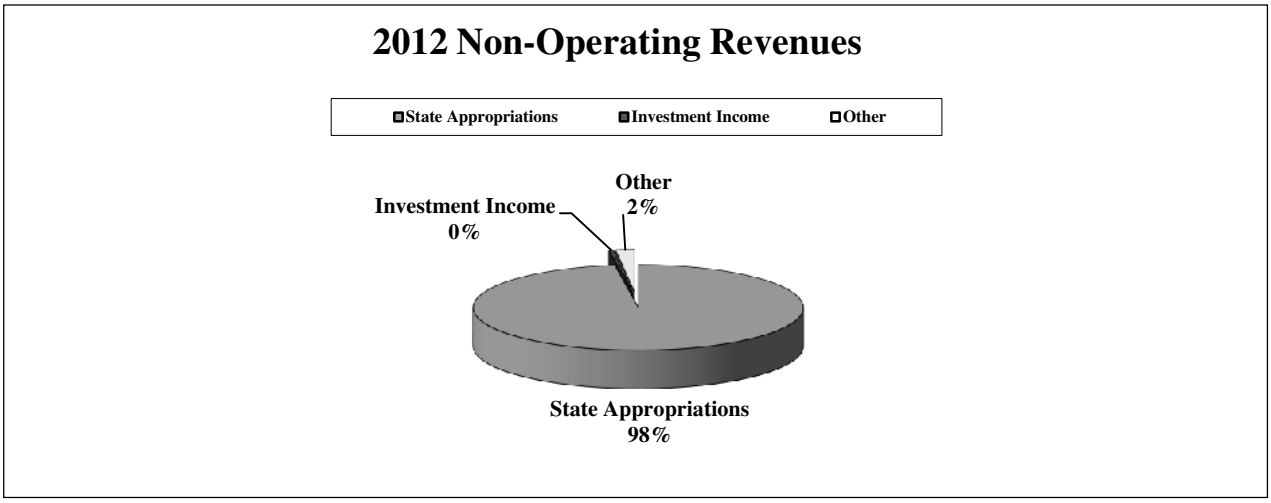
In fiscal year 2012, state appropriations of $258.5 million, representing 37.2% of the System's total net revenues, were $12.0 million or 4.4% below fiscal year 2011. State appropriations are received for both operating and capital purposes. In the current year the System was allotted $209.2 million for operating purposes and $49.3 million for capital purposes. These allotments were 14.6% below and 94.1% above the prior year levels, respectively. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 51% of the System's full time salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of $2.9 million during the fiscal year decreased by $14.4 million or 83.2% from the prior year's level of $17.3 million.

Investment income of $1.1 million decreased by $.2 million or 18.2% below fiscal year 2011. This decrease in investment income was due to a continuing decrease in interest rates during fiscal year 2012.

The following graphs display the components of the System's revenues:

Revenue by Source





OPERATING EXPENSES June 30, 2012, 2011 and 2010 ($ In millions)					
				$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Operating Expenses					
Personnel service and fringes	$406.9	$409.4	$387.4	($2.5)	(.6)
Professional services and contracts	25.9	26.0	26.7	(.1)	(.4)
Educational and support services	86.6	89.4	83.4	(2.8)	(3.1)
Facilities	41.3	50.5	48.7	(9.2)	(18.2)
Other	29.2	26.2	26.5	3.0	11.5
Depreciation	51.7	51.4	49.5	.3	.6
Amortization	.1	.1	.4	-	-
Total Operating Expenses	**$641.7**	**$653.0**	**$622.6**	**$(11.3)**	**(1.7)**

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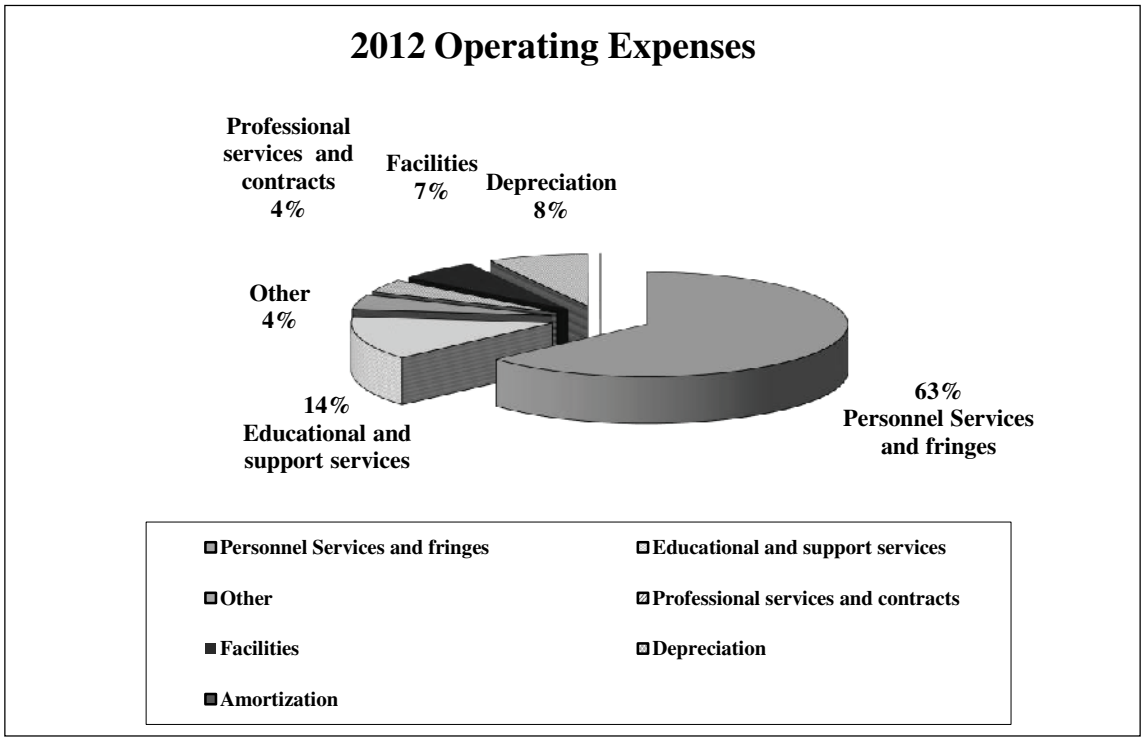
In fiscal year ended June 30, 2012, total operating expenses less depreciation and amortization of $603.8 million increased by $2.3 million or 0.4% from the prior fiscal year. The increase was primarily due to an increase in operation of facilities of $5.2 million.

In fiscal year ended June 30, 2011, total operating expenses less depreciation and amortization of $601.5 million increased by $28.8 million or 5.0% from the revised prior fiscal year. The increase was primarily due to increases in educational and support services of $6.0 million due to increases in Federal and institutional need-based financial aid and personnel service and fringes of $22.0 million due to salary increases and retirement payouts.

Note 13 to the financial statements details operating expenses by function. The pie chart below illustrates operating expenses by natural classification.



Statement of Cash Flows

STATEMENT OF CASH FLOWS June 30, 2012, 2011 and 2010 ($ In millions)					
				$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Cash provided (used) by					
Operating Activities	$(173.5)	$(173.4)	$(161.4)	(.1)	(.1)
Non-Capital Financing Activities	224.2	236.2	244.6	(12.0)	(5.1)
Capital & Related Financing Activities	(53.7)	(20.9)	(42.9)	(32.8)	(156.9)
Investing Activities	12.0	(24.2)	2.4	36.2	149.6
Net Increase (Decrease) in Cash	9.0	17.7	42.7	(8.7)	(49.2)
Cash, beginning of year	**293.2**	**275.5**	**232.8**	**17.7**	**6.4**
Cash, end of year	**$302.2**	**$293.2**	**$275.5**	**9.0**	**3.1**

The System's change in its net decrease in cash and cash equivalents at June 30, 2012 of $(8.7) million or 49.2% is primarily due to a decrease in state appropriations receipts of $13.9 million, and decreases in cash due to the purchase of capital assets of $15.9 million and the repayment of debt service of $36.5 million, offset by an increase in tuition and fees revenues of $4.0 million and a reduction in transfer to state of $13.3 million and investings activities of $35.6 million.

Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2007-2008 through 2011-2012 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Annual Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Annual Full Time Equivalent	% Change
2012	29,308	(2.7%)	5,516	(15.2%)	34,824	(4.9%)	28,494	(0.5%)
2011	30,122	1.4%	6,507	(4.4%)	36,629	0.3%	28,631	0.6%
2010	29,695	1.5%	6,808	2.7%	36,503	1.7%	28,473	3.0%
2009	29,263	2.5%	6,628	(2.8%)	35,891	1.4%	27,641	2.7%
2008	28,564	.2%	6,820	(6.5%)	35,384	(1.2%)	26,922	1.4%

Student Admissions

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2008 through 2012.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2012	18,968	66.7%	12,647	35.5%	4,496
2011	20,173	63.4%	12,792	35.1%	4,492
2010	20,280	61.4%	12,447	35.9%	4,471
2009	19,587	60.1%	11,777	38.1%	4,489
2008	19,907	57.1%	11,360	40.0%	4,539

Economic Outlook

The Connecticut State Universities will confront significant challenges and opportunities in the years ahead. The factors that will have the greatest financial impact on the state universities are flattening and

declining enrollment and the current fiscal condition of the state of Connecticut, which continues to lag behind the nation in its recovery from the recent recession.

Enrollments for the fall 2012 are down after years of continued growth. Headcount enrollment declined by 2.3%, from 29,224 students to 28,544 students as compared to fall 2011. Full time undergraduate enrollment dropped by 2.6% from fall 2011, and full time graduate enrollment declined by more than 6.3%. Southern CSU and Western CSU experienced sharper declines in overall enrollment. The drop in enrollment may be an early sign of a projected reduction in the numbers of Connecticut high school graduates, a primary source of enrollment for all of the state universities. In the absence of efforts to increase student demand from other sources, the state universities will see a decline in enrollment in the short term, if projections of high school graduations are realized.

The impact of these reduced enrollments is a projected reduction in tuition and fee revenues for the current fiscal year. Despite an overall increase in tuition and fee rates for FY 2013 of 3.9%, tuition and fee revenues are projected to increase only slightly in FY 2013- less than 1% - over FY 2012. Operating revenues are expected to increase by only 1.4% in FY 2013.

The state of Connecticut continues to face fiscal issues, with state tax revenues continuing to be lower than projections. State appropriations accounted for 36% of the total revenues of the System in 2012, down from 38% in FY 2011. The System received $216.8 million, on a cash basis, in State appropriations for operating activities in fiscal year 2012. State appropriations for fiscal year 2013 were originally budgeted to be up 1% from FY 2012 to $219.9 million. However, in November 2013 the appropriations for operating expenses were reduced 5% to $209.0 million. With the state's tax revenues falling below projections in FY 2013, further reductions in funding, ranging from 2-5%, may be needed to close the state's budget gap. It is highly unlikely that the state universities will see state support rebound to pre-2008 levels in the near term.

During fiscal year 2009 the Bond Commission approved funding for "CSUS 2020", an historic $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. This program provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. CSUS 2020 is structured to provide $95 million per year for each of the ten years of the program; funding for any individual year of the program may be deferred by the Governor in whole or in part. During FY 2009, the CSU System received $95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011 CSUS received the $95 million that had been deferred in FY 2010, and received the $95 million expected for FY 2012. The system fully expects to receive the entire $950 million in program funding over the course of the next eight years.

In addition, the Board received approval to refinance debt under the Connecticut Health and Educational Facilities Authority (CHEFA) in the amount of $49 million. This helped lower current payments under the program and yielded a net present value return to the system of more than $3 million over the life of existing bonds. The Board also approved a plan to finance 13 new projects under CHEFA at a total estimated project cost of $130 million. Most of these projects will be funded with university fee revenue balances and future revenues that remain strong, despite recent enrollment decline. Central Connecticut State University will help finance with housing revenues a new residence hall that is expected to increase overall enrollment and provide an opportunity for that institution to upgrade its residence hall facilities over the next several years.

During fiscal year 2012, at Central Connecticut State University construction was completed on a new copper roof installation at a classroom building, fire code improvements to an administration building, Phase I window replacement to another administration building, a new locker facility and bleachers at the intercollegiate soccer field, an engineering laboratory facility, and a salt shed/maintenance facility. Construction on a new police station commenced while construction of a new academic/classroom building remains in process. In addition, design of a new residence life facility commenced. Projects completed at Eastern Connecticut State University included structural repairs to the boiler plant foundation walls, exterior structural repairs to a residence facility and a new intercollegiate softball field. Designs of a new warehouse, Phase II interior renovations to an administration building, and construction of a new athletic locker facility were completed. The design of a new fine arts facility remains in process. Construction projects completed at Southern Connecticut State University included renovation and conversion of a building into the School of Business, two roof replacements, renovations and upgrades to one residential life facility, athletic field turf replacement, and renovations to the field house locker rooms. Construction of a new 1,200 vehicle parking garage and designs for a new science building and renovations to the university library remained ongoing. Projects completed at Western Connecticut State University included HVAC improvements to a classroom building, IT network upgrades between the West Side and Main Campus, central boiler plant improvements, renovation of a former lecture hall into a classroom, Phases I & II comprehensive exterior renovations to a classroom building, and interior improvements in a residence facility. Construction of a new fine and performing arts facility commenced.

Since its official formation in January, 2012, the Board of Regents has initiated a number of actions to address some of these issues facing the state universities. The establishment of a new policy on transfer articulation between the community colleges and the state universities will assist students enrolling in the community colleges who aspire to complete a four-year degree within the state universities. This is expected to have a positive impact on enrollment throughout the system. For the first time, the Board last year looked at modifying its tuition practices. Western CSU's out-of-state graduate tuition rate was lowered to target populations of students in neighboring New York. This may become a more common policy approach if successful in attracting more students to state university programs.

The Board also has engaged consulting support to review current enrollment management policies and practices with the goal of formulating new strategies to increase recruitment and retention of students. With the passage of Public Act 12-40, a move strongly supported by board leadership, the system also is examining its policies for the delivery of remedial and developmental programs in order to improve the success rates of students. While this may have a short term negative effect on enrollment, the longer term benefit will be to strengthen student retention throughout the system.

As the integration of the community colleges, state universities and Charter Oak State College moves forward, the Board anticipates opportunities to streamline policies and procedures, increase efficiencies through collaborative programs and initiatives, and reduce cost at the system and institutional level through joint procurement, consolidation of information technology services and better and more effective use of capital facilities. One of the first areas where savings has been achieved is system office operations, where more than $5 million in savings has been realized to date due to position consolidation and elimination.

The state university system is not unlike other systems in the nation that have witnessed erosion in state resources over the last few years. The decision by state leadership to integrate the three systems will, over the long term, help strengthen higher education in Connecticut and lead to a state university system

that will be better able to meet the needs of students, support the state's economic development goals and cope with a more constrained state fiscal environment.

Connecticut State University System
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	$ 179,586,917	$ 176,958,414
Investments (Note 2)	27,810,288	38,382,287
Student receivables	177,317,348	172,834,307
Allowance-doubtful student receivables	(3,466,003)	(2,910,292)
Student receivables, net (Note 3)	173,851,345	169,924,015
Student loans receivable (Notes 3 and 4)	2,805,148	1,566,837
Grants receivable, net (Note 3)	2,431,699	2,224,987
Miscellaneous receivables, net (Note 3)	1,197,906	1,546,414
Due from the State of Connecticut (Notes 1 and 5)	32,764,441	44,390,895
Prepaid expenses and other current assets	3,794,656	3,462,361
Total current assets	424,242,400	438,456,210
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	122,559,183	116,227,270
Investments (Note 2)	26,826,621	26,566,294
Student loans receivable	12,187,685	12,667,346
Allowance-doubtful loan receivables	(2,934,572)	(2,803,270)
Loans receivable, net (Notes 3 and 4)	9,253,113	9,864,076
Other assets	2,171,183	2,266,325
Investment in plant	1,502,830,345	1,440,894,327
Accumulated depreciation	(626,013,593)	(587,962,680)
Investment in plant, net of accumulated depreciation (Note 6)	876,816,752	852,931,647
Total noncurrent assets	1,037,626,852	1,007,855,612
Total assets	$ 1,461,869,252	$ 1,446,311,822

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

Connecticut State University System
Statements of Net Assets
June 30, 2012 and 2011 (Continued)

	2012	2011
Liabilities		
Current liabilities		
Accounts payable	$ 11,770,751	$ 9,334,906
Accrued salaries and benefits	37,959,908	51,500,176
Accrued compensated absences (Note 7)	2,168,837	2,148,016
Due to the State of Connecticut	3,382,103	3,261,082
Deferred revenue (Note 9)	189,977,908	185,058,393
Bonds payable (Note 8)	15,842,193	18,350,340
Accrued bond interest payable	1,824,960	1,899,900
Capital lease obligation (Note 8)	5,874	8,102
Other liabilities	7,145,430	3,697,762
Depository accounts	3,501,047	3,715,280
Total current liabilities	273,579,011	278,973,957
Noncurrent liabilities		
Accrued compensated absences (Note 7)	34,172,144	31,966,609
Bonds payable (Note 8)	250,893,275	268,565,197
Federal loan program advances	9,777,097	9,777,097
Deferred compensation	190,362	190,057
Other liabilities (Note 7)	4,130,879	6,243,329
Capital lease obligation (Note 8)	-	5,874
Total noncurrent liabilities	299,163,757	316,748,163
Total liabilities	572,742,768	595,722,120
Net Assets		
Invested in capital assets, net of related debt	712,214,588	686,810,624
Restricted		
Nonexpendable	400,569	560,409
Expendable	50,403,929	41,413,695
Unrestricted	126,107,398	121,804,974
Total net assets	889,126,484	850,589,702
Total liabilities and net assets	$ 1,461,869,252	$ 1,446,311,822

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

Connecticut State University System
Combined Statements of Net Assets – Component Units
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents (Note 2)	$ 5,261,436	$ 5,170,730
Investments (Note 2)	73,526,865	69,839,095
Contributions and other receivables (Note 3)	5,168,348	4,880,574
Prepaid expenses and other assets	989,514	987,295
Investment in plant, net (Note 6)	5,598,727	4,256,980
Total assets	$ 90,544,890	$ 85,134,674
Liabilities		
Accounts payable	$ 169,272	$ 125,229
Custodial obligation payable	39,350	43,350
Other liabilities	714,622	909,577
	923,244	1,078,156
Net assets		
Permanently restricted	65,486,519	60,976,047
Temporarily restricted	22,982,335	22,183,083
Unrestricted	1,152,792	897,388
Total net assets	89,621,646	84,056,518
Total liabilities and net assets	$ 90,544,890	$ 85,134,674

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

Connecticut State University System
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Tuition and fees		
Tuition and fees	$ 290,506,402	$ 291,055,926
Less		
Scholarships allowance	24,451,191	25,017,499
Waivers	11,262,138	11,046,307
Tuition and fees, net of scholarship allowances and waivers	254,793,073	254,992,120
Federal grants and contracts	44,550,863	46,790,937
State and local grants and contracts	14,419,323	15,240,478
Nongovernment grants and contracts	3,092,044	2,917,831
Indirect cost recoveries	977,655	1,318,578
Auxiliary revenues	90,559,061	91,098,883
Other operating revenues	17,096,195	15,638,746
Total operating revenues	425,488,214	427,997,573
Operating expenses (Note 13)		
Personnel service and fringe benefits	406,853,351	409,427,481
Professional services and fees	25,870,585	25,964,115
Educational services and support	86,620,847	89,453,429
Travel expenses	6,351,076	5,716,171
Operation of facilities (Note 1)	41,336,484	50,468,708
Other operating supplies and expenses	22,939,328	20,540,961
Depreciation expense	51,676,986	51,375,553
Amortization expense	87,292	95,017
Total operating expenses	641,735,949	653,041,435
Operating loss	(216,247,735)	(225,043,862)
Nonoperating revenues (expenses)		
State appropriations	209,201,643	245,057,506
Gifts	1,601,300	1,499,845
Investment income	1,106,741	1,295,335
Interest expense (Note 1)	(10,355,924)	(11,471,317)
State financed plant facilities (Note 1)	2,855,528	17,262,848
Other nonoperating revenues	1,973,314	2,247,727
Net nonoperating revenues	206,382,602	255,891,944
Income (loss) before other changes in net assets	(9,865,133)	30,848,082
Other changes in net assets		
State appropriations restricted for capital purposes	49,348,227	25,417,098
Gain (loss) on disposal of capital assets (Note 1)	(946,312)	(786,444)
Net other changes in net assets	48,401,915	24,630,654
Net increase in net assets	38,536,782	55,478,736
Net assets		
Net assets - beginning of year	850,589,702	795,110,966
Net assets - end of year	$ 889,126,484	$ 850,589,702

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

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units
Years Ended June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	2011
Revenues, gains and other support					
Contributions	$ 3,052,781	$ 3,582,629	$ 4,838,710	$ 11,474,120	$ 11,481,184
Program income	22,458	479,000	5,925	507,383	411,967
Investment income	345,001	1,266,727	692	1,612,420	1,542,288
Gain (loss) on investments	(141,256)	(944,511)	(12,003)	(1,097,770)	10,041,749
Other income	551,829	-	-	551,829	233,931
Net assets released from restrictions	3,351,831	(2,998,872)	(352,959)	-	-
Total revenues, gains and other support	7,182,644	1,384,973	4,480,365	13,047,982	23,711,119
Operating expenses					
Scholarships and awards	774,907	-	-	774,907	519,546
University support	4,025,657	-	-	4,025,657	3,245,146
Auxiliary services	650,449	-	-	650,449	484,136
Academic enrichment	900,929	-	-	900,929	799,226
Fundraising	815,893	-	-	815,893	664,624
Management and general	315,019	-	-	315,019	303,861
Total operating expenses	7,482,854	-	-	7,482,854	6,016,539
Transfers between funds	219,176	(247,282)	28,106	-	-
Changes in net assets	(81,034)	1,137,691	4,508,471	5,565,128	17,694,580
Net assets					
Beginning of year	897,388	22,183,083	60,976,047	84,056,518	66,361,938
End of year	$ 816,354	$ 23,320,774	$ 65,484,518	$ 89,621,646	$ 84,056,518

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

Connecticut State University System
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Tuition and fees	$ 231,245,603	$ 226,792,658
Grants and contracts	61,563,273	64,987,658
Auxiliary revenues	87,817,824	89,119,148
Other operating revenues	19,642,622	18,336,657
Payments to employees for salaries and benefits	(418,208,587)	(407,086,521)
Payments to suppliers	(6,060,960)	(6,805,347)
Professional services and fees	(26,121,038)	(25,925,948)
Educational services and support	(87,091,759)	(89,401,643)
Travel expenses	(6,351,897)	(5,721,756)
Operation of facilities	(40,557,439)	(48,735,031)
Other operating supplies and expenses	(15,088,726)	(14,543,926)
University fee receipts	25,634,145	25,609,208
Net cash used in operating activities	(173,576,939)	(173,374,843)
Cash flows from noncapital financing activities		
State appropriations	220,546,184	245,785,962
Gifts for other than capital purposes	1,601,299	1,499,846
Nonoperating revenue other	2,008,269	2,247,147
Nonoperating revenue other - transfer to state	-	(13,329,588)
Net cash provided by noncapital financing activities	224,155,752	236,203,367
Cash flows from investing activities		
Proceeds from sales and maturities of investments	34,791,598	5,256,143
Purchases of investments	(23,893,086)	(30,739,160)
Interest and dividends received on investments	1,132,470	1,315,280
Net cash provided by (used in) investing activities	12,030,982	(24,167,737)
Cash flows from capital and related financing activities		
Cash paid for capital assets	(73,260,502)	(57,440,968)
State capital appropriations received	52,240,001	40,995,173
Proceeds of new bond issuance	49,040,000	41,045,000
Repayments of capital debt and leases	(69,525,892)	(32,986,510)
Interest paid on capital debt and leases	(11,571,946)	(11,850,820)
Payments on bond issuance costs	(586,840)	(735,039)
Proceeds from the sale of equipment	15,800	24,920
Net cash used in capital and related financing activities	(53,649,379)	(20,948,244)
Net increase in cash and cash equivalents	8,960,416	17,712,543
Cash and cash equivalents, beginning of year	293,185,684	275,473,141
Cash and cash equivalents, end of year	$ 302,146,100	$ 293,185,684

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

Connecticut State University System
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (216,247,735)	$ (225,043,862)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	51,676,986	51,375,553
Bad debt write-offs	32	21,211
Amortization	87,292	95,017
Changes in assets and liabilities:		
Receivables	(4,412,916)	(4,921,493)
Prepaid expenses and other	(272,797)	56,292
Accounts payable	315,549	(609,199)
Accrued salaries	(13,540,270)	2,199,947
Other liabilities	2,690,035	1,306,903
Due to/from the State of Connecticut	121,021	372,799
Deferred revenues	4,919,518	1,810,962
Deferred compensation	305	(208,370)
Deposit accounts	(214,233)	136,817
Accrued bond interest payable	(74,940)	(16,710)
Accrued compensated absences	1,375,214	49,290
Net cash used in operating activities	$ (173,576,939)	$ (173,374,843)
Noncash financing activity		
Fixed assets acquired by incurring capital lease obligations	$ -	$ 87,169
Fixed assets included in accounts payable	$ 4,458,076	$ 2,305,272
State financed plant facilities	$ 2,855,528	$ 17,262,848
Reconciliation of cash and cash equivalents to the combined statements of net assets		
Cash and cash equivalents classified as current assets	$ 179,586,917	$ 176,958,414
Cash and cash equivalents classified as noncurrent assets	122,559,183	116,227,270
	$ 302,146,100	$ 293,185,684

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

1. Summary of Significant Accounting Policies

Organization

The Connecticut State University System ("CSUS") was established by the State of Connecticut (the "State") as a constituent unit of the State's system of higher education. The statutory responsibility of CSUS, as reflected in Connecticut General Statutes Section 10a-87, is to offer, through each of its Universities, curricula that "prepare persons to teach in the schools of the state" and that support the pursuit of "academic and career fields," and to confer degrees in such areas of study. Until January 1, 2012, responsibility for CSUS was vested in the Trustees of Connecticut State University System (the "Trustees") who, in turn, appointed the Chancellor and the Presidents of the Universities.

On June 13, 2011, the Governor signed legislation that consolidated the governance of the Connecticut State University System ("CSUS"), the Community-Technical College System ("CTC") and Charter Oak State College ("Charter Oak") under a single Board of Regents for Higher Education ("BOR"). The BOR became effective July 1, 2011, but the existing college and University System boards of trustees remained in place until January 1, 2012. Effective January 1, 2012, the BOR serves as the CSUS and CTC boards of trustees and as the Board of State Academic Awards ("BSAA", which governs Charter Oak) and assumed their existing powers and duties for the operation of the constituent units.

CSUS provides instruction for baccalaureate, graduate and certificate programs, including applied doctoral degree programs in education, and operates various auxiliary enterprises, such as student residences, dining halls and parking facilities. In addition, CSUS administers a variety of financial aid programs which are funded by institutional operating funds and contributions from state and federal sources.

Basis of Presentation

Effective July 1, 2001, the CSUS elected to apply all Governmental Accounting Standards Board ("GASB") pronouncements and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements, under the provisions of GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting".

The financial statements include the statements of CSUS and its aggregate discretely presented component units. The statements of CSUS present the financial position of the four Universities (Central, Eastern, Southern and Western; collectively the "Universities") and the central administrative organization (the System Office) of CSUS, after the elimination of inter-university accounts and transactions among the four Universities and the System Office. These statements have been presented utilizing the AICPA Industry Audit Guide, *Audits of State and Local Governments (GASB 34 Edition)* and are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the GASB.

CSUS's financial statements include three statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets and the statement of cash flows.

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

- The statement of revenues, expenses and changes in net assets presents information showing how CSUS's net assets changed during the most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

- The statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent expended or in the case of fixed price contracts, when the contract terms are completed.

Student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as financial aid expense and included in educational services and support expense.

CSUS determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. However, CSUS generally encourages the use of restricted resources first.

Revenues and expenses are categorized as either operating or non-operating. Operating revenues and expenses generally result from exchange transactions such as payments for providing services and payments made for services or goods received. Nearly all of CSUS's expenses are from exchange transactions. Certain significant recurring sources of CSUS's revenues relied upon for operations, including state appropriations, gifts and investment income and losses are recorded as non-operating revenues, as defined by GASB Statement No. 35, and interest expense and loss on disposal of capital assets are recorded as non-operating revenues (expenses).

In accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units",* several legally separate, tax-exempt, affiliated university foundations (the "Foundations") must be considered component units of CSUS and are presented discretely in CSUS's financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Universities in support of their programs. Although the Universities do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Universities by the donors**.** Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Universities, the Foundations are considered component units of CSUS.

The Foundations are private nonprofit organizations that report under FASB standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in CSUS's financial reporting entity for these differences.

Net Assets
Resources are classified for reporting purposes into the following four net asset categories:

- **Invested in Capital Assets, Net of Related Debt**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

- **Restricted Nonexpendable**
  Net assets subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.

- **Restricted Expendable**
  Net assets whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**
  Net assets that are not subject to externally imposed stipulations are considered unrestricted. Unrestricted net assets may be designated for the specific purpose by actions of management or the Board of Higher Education or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net assets will be utilized for support for academic and research programs and initiatives, and capital programs.

Classification of Assets and Liabilities
CSUS presents short-term and long-term assets and liabilities in the statement of net assets. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2012 and 2011. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30, 2012 and 2011. Cash and cash equivalents and investments presented as short-term in the statement of net assets include balances with a maturity of one year or less from June 30, 2012 and 2011. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2012 and 2011 and balances that have externally imposed restrictions as to use.

Short-term liabilities include balances that are expected to be paid in one year or less from June 30, 2012 and 2011. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2012 and 2011.

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. Investments are carried at fair value, based upon quoted market prices.The fair value of bonds payable is estimated using discounted cash flow analyses, based on current borrowing rates for similar types of borrowing arrangements and approximate carrying value at June 30, 2012 and 2011.

Cash, Cash Equivalents and Investments
Cash and cash equivalents consist of petty cash, checking accounts and a Short-Term Investment Fund ("STIF"), see Note 2. Cash equivalents are investments which have maturities when purchased of three months or less.

Long-term investments include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations.

Investments classified as short-term consist of deposits with original maturities of less than one year and are available for current use. Securities received as a gift are recorded at fair value at the date of the gift. Interest and investment income are recognized on the accrual basis.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets.

Indirect Cost Recoveries
The Universities record the recovery of indirect costs applicable to research programs which provide for the full or partial reimbursement of such costs as operating revenue as the related direct costs are incurred.

Inventories
The Universities' inventories of $842,325 and $832,548 at June 30, 2012 and 2011, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net assets.

Investment in Plant
Capital assets are stated at cost. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. Land, capitalized collections, and construction in progress are not depreciated. Construction period interest costs in excess of earnings associated with related debt proceeds are capitalized as a component of the fixed asset. The following table illustrates the range of useful lives for CSUS's depreciable assets:

Land improvements	20 years
Building and building improvements	5 - 40 years
Furniture, fixtures and equipment	5 - 15 years
Library materials	10 - 20 years

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Department of Public Works ("DPW") of the State of Connecticut through June 30, 2011. Effective July 1, 2011, major construction projects are managed and controlled by the Department of Construction Services of the State of Connecticut ("DCS"). For projects other than CSUS 2020 projects, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities when the project is complete and/or when title passes from DPW or its successor DCS to CSUS. Amounts recognized for such projects were $2.9 million and $17.3 million for the years ended June 30, 2012 and 2011, respectively. Connecticut State University System's comprehensive long-term capital infrastructure investment plan ("CSUS 2020"), was developed consistent with master facilities plans established by its individual universities – Central, Eastern, Southern and Western Connecticut State Universities. For CSUS 2020 projects administered by DPW and its successor DCS, revenue and construction in progress are recorded as project expenses are incurred. In regards to CSUS 2020 projects, DPW and later DCS administer the larger projects – generally more than $2 million. For CSUS 2020 projects, the state general obligation bond proceeds are deposited into the CSUS 2020 Fund. For the previously mentioned projects, CSUS does not receive the appropriation, which is why the revenue and capital asset are not recorded until project completion. The revenue recognized for CSUS 2020 projects being administered by DPW and later DCS is included in "State appropriations restricted for capital purposes" .

Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Deferred Bond Loan Costs
Costs incurred with the issuance of bonds were capitalized and are being amortized by the interest method over the loan term. Amortization expense for the years ended June 30, 2012 and 2011 were $246,303 and $222,931, respectively.

Interest Capitalization
Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of $10.6 million and $10.5 million for the fiscal years ended June 30, 2012 and 2011, respectively. Interest capitalized for the fiscal years ended June 30, 2012 and 2011, totaled $1.5 million and $.7 million, respectively. The cumulative capitalized interest was $11.2 million and $9.7 million as of June 30, 2012 and 2011, respectively. The capitalized interest is being amortized over 35 years. Amortization of capitalized interest for the years ended June 30, 2012 and 2011 was $1.2 million and $.4 million, respectively.

Compensated Absences
Employees earn their right to be compensated during absences for annual leave, sick leave and other fringe benefits. The accompanying balance sheet reflects the accrual for the amounts earned and, ultimately, payable for such benefits (see Note 7).

Due from/Due to the State of Connecticut
Accrued salaries and related fringe benefit costs for CSUS employees, whose salaries will be charged to the State of Connecticut General Fund totaled $19.8 million and $29.7 million as of June 30, 2012 and 2011, respectively. CSUS has reflected a related receivable from the State of Connecticut for these costs which will be charged to the General Fund appropriation for the following year, in accordance with the state budget approved prior to June 30, 2012 and 2011, respectively.

CSUS has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor (see Note 5).

Connecticut Public Act 09-7 was signed into law by the Governor during fiscal year 2010 and included a requirement that a total of $15 million ($2 million in fiscal year 2010 and $13 million in fiscal year 2011) be transferred from the CSUS operating reserves to the State of Connecticut's General Fund. This was a mandatory legal requirement as of June 30, 2010; therefore, CSUS recorded a liability to the State of Connecticut in fiscal year 2010 for the $13 million that was transferred in fiscal year 2011.

Deferred Revenues
Deferred revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2012 and 2011, but applicable to the 2012 or 2011 summer sessions held subsequent to June 30 or upcoming fall sessions. Direct charges related to these sessions are reported in the period the tuition and fees are recognized as income.

Federal Loan Program Advances
Refundable federal advances for the Perkins Loan programs administered by the Universities are classified as noncurrent liabilities.

Income Tax Status
Connecticut State University System is an agency of the State of Connecticut which is exempt from federal income taxes under section 115(a) of the Internal Revenue Code and of state income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at June 30, 2012 and 2011 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences and the allowances for doubtful accounts. Actual results could differ from those estimates.

Subsequent Events
In accordance with generally accepted accounting principles, CSUS has evaluated subsequent events for the period after June 30, 2012, through December 10, 2012, the date the financial statements were issued. Management is not aware of any subsequent events that would have a material impact on the June 30, 2012 financial statements.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents includes approximately $71.0 million and $34.2 million at June 30, 2012 and 2011, respectively, invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF), a combined investment pool of high quality, short-term money market instruments. CSUS may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CSUS's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rates at June 30, 2012 and 2011 were .12% and .18%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were $216.6 million and $245.1 million at June 30, 2012 and 2011, respectively.

The cost and fair value of cash, cash equivalents and investments at June 30 are:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 302,146,100	$ 302,146,100	$ 293,185,684	$ 293,185,684
U.S. Mutual Funds- Governmental	39,523,914	39,523,914	49,643,337	49,643,337
Guaranteed Investment Contracts	15,112,995	15,112,995	15,305,244	15,305,244
	$ 356,783,009	$ 356,783,009	$ 358,134,265	$ 358,134,265

The cost and fair value of cash, cash equivalents and investments of the Component Units at June 30 are:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 5,261,436	$ 5,261,436	$ 5,170,730	$ 5,170,730
Investments	70,043,305	73,526,865	64,845,521	69,839,095
	$ 75,304,741	$ 78,788,301	$ 70,016,251	$ 75,009,825

Investments are pooled and separate accounting is maintained as to the amounts allocable to the various funds and programs.

CSUS follows the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposit and Investment Risk Disclosures" ("GASB 40"), and accordingly, CSUS has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk, and the Interest Rate Risk of its Cash, Cash Equivalents and Investments.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA+, as rated by Standard & Poor's Ratings as of June 30, 2012.

Custodial Credit Risk – At June 30, 2012 and 2011, the carrying amount of CSUS's bank deposits was $1.3 million and $2.3 million, respectively, as compared to bank balances of $3.5 million and $4.8 million, respectively. The differences between the carrying amount and bank balances were primarily caused by deposits in transit and outstanding checks. Of such bank balances, $.8 million is covered by federal deposit insurance as of June 30, 2012 and 2011. The remaining balances of $2.7 million and $4.0 million at June 30, 2012 and 2011, respectively, are insured from loss under Section 343 of the Dodd–Frank Wall Street Reform and Consumer Protection Act ("DFA"). From December 31, 2010 through December 31, 2012, DFA provides unlimited deposit insurance coverage for non-interest bearing transaction accounts at all FDIC insured depositary institutions.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 84% of CSUS total cash, cash equivalents and investments is invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2012 compared to 81% at the end of fiscal year 2011.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

Investment maturities of CSUS's debt securities at June 30 are as follows:

2012

		Investment Maturities (in years)			
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	$ 39,523,914	$ 39,523,914	$ -	$ -	$ -
Guaranteed Investment Contracts	15,112,995	1	1	3,002	15,109,991
	$ 54,636,909	$ 39,523,915	$ 1	$ 3,002	$ 15,109,991

2011

		Investment Maturities (in years)			
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	$ 49,643,337	$ 49,643,337	$ -	$ -	$ -
Guaranteed Investment Contracts	15,305,244	-	-	3,003	15,302,241
	$ 64,948,581	$ 49,643,337	$ -	$ 3,003	$ 15,302,241

3. Receivables

Receivables consisted of the following at June 30:

	2012	2011
Student accounts receivable	$ 177,317,348	$ 172,834,307
Student loans receivable	14,992,833	14,234,183
Grants receivable	2,571,307	2,364,601
Miscellaneous receivables	1,197,906	1,546,414
	196,079,394	190,979,505
Less allowance for doubtful accounts	(6,540,183)	(5,853,176)
Net accounts receivable	$ 189,539,211	$ 185,126,329

Student accounts receivable above include $167,196,222 and $159,663,658 representing amounts included in deferred revenue at June 30, 2012 and 2011, respectively.

Accounts receivable of the Component Units consisted of the following at June 30:

	2012	2011
Contributions and other receivables	$ 5,168,348	$ 4,880,574

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2012 and 2011. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts canceled under these provisions.

As CSUS determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2012 and 2011, the allowance for uncollectible loans was $2,934,572 and $2,803,270, respectively.

5. Due from the State of Connecticut

Amounts due from the State of Connecticut as of June 30, are comprised of the following:

	2012	2011
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	$ 19,881,623	$ 29,855,586
State appropriations for capital projects	12,882,818	14,535,309
	$ 32,764,441	$ 44,390,895

Bond financing for capital projects authorized by the State Legislature is available for allotment by the Governor when allocated for specific projects by the State Bond Commission. CSUS recognizes such resources when they are allotted, which is the point at which commitments can be made against them. This amount, recorded as a receivable, is drawn against as related capital projects are constructed. The majority of CSUS's capital projects have historically been financed through the issuance of general obligation bonds of the State of Connecticut (see Note 8).

6. Investment in Plant

The following are the components of investment in plant, and the respective year's activity:

	Year ended June 30, 2012			
	Balance June 30, 2011	Additions	Retirements and Transfers	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 19,770,961	$ 82,870	$ (24,750)	$ 19,829,081
Capitalized collections	7,971,224	71,227	-	8,042,451
Construction in progress	23,041,325	52,757,386	(18,313,253)	57,485,458
Total capital assets not being depreciated	$ 50,783,510	$ 52,911,483	$ (18,338,003)	$ 85,356,990
Other capital assets:				
Land improvements	$ 84,351,932	$ 5,935,033	$ (182,272)	$ 90,104,693
Buildings and building improvements	1,114,544,157	23,245,676	(4,167,770)	1,133,622,063
Furniture, fixtures and equipment	137,020,759	10,035,328	(9,683,451)	137,372,636
Library materials	54,193,969	3,049,191	(869,197)	56,373,963
Total other capital assets	1,390,110,817	42,265,228	(14,902,690)	1,417,473,355
Less accumulated depreciation for:				
Land improvements	(42,673,411)	(3,900,746)	29,607	(46,544,550)
Buildings and building improvements	(426,673,730)	(32,803,747)	3,921,777	(455,555,700)
Furniture, fixtures and equipment	(88,676,634)	(11,359,266)	9,038,867	(90,997,033)
Library materials	(29,938,905)	(3,613,227)	635,822	(32,916,310)
Total accumulated depreciation	(587,962,680)	(51,676,986)	13,626,073	(626,013,593)
Other capital assets, net	$ 802,148,137	$ (9,411,758)	$ (1,276,617)	$ 791,459,762
Capital asset summary:				
Capital assets not being depreciated	$ 50,783,510	$ 52,911,483	$ (18,338,003)	$ 85,356,990
Other capital assets, at cost	1,390,110,817	42,265,228	(14,902,690)	1,417,473,355
Total cost of capital assets	1,440,894,327	95,176,711	(33,240,693)	1,502,830,345
Less accumulated depreciation	(587,962,680)	(51,676,986)	13,626,073	(626,013,593)
Capital assets, net	$ 852,931,647	$ 43,499,725	$ (19,614,620)	$ 876,816,752
Component Units				
Total cost of capital assets	$ 5,010,237	$ 1,797,438	$ (317,301)	$ 6,490,374
Less accumulated depreciation	(753,257)	(138,390)	-	(891,647)
Capital assets, net	$ 4,256,980	$ 1,659,048	$ (317,301)	$ 5,598,727

	Balance June 30, 2010	Year ended June 30, 2011 Additions	Retirements and Transfers	Balance June 30, 2011
Capital assets not being depreciated:				
Land	$ 18,423,756	$ 1,347,205	$ -	$ 19,770,961
Capitalized collections	7,483,337	514,139	(26,252)	7,971,224
Construction in progress	14,285,743	16,753,041	(7,997,459)	23,041,325
Total capital assets not being depreciated	$ 40,192,836	$ 18,614,385	$ (8,023,711)	$ 50,783,510
Other capital assets:				
Land improvements	$ 81,404,711	$ 2,965,650	$ (18,429)	$ 84,351,932
Buildings and building improvements	1,085,088,424	30,326,999	(871,266)	1,114,544,157
Furniture, fixtures and equipment	134,217,615	10,579,256	(7,776,112)	137,020,759
Library materials	51,295,399	3,803,577	(905,007)	54,193,969
Total other capital assets	1,352,006,149	47,675,482	(9,570,814)	1,390,110,817
Less accumulated depreciation for:				
Land improvements	(38,890,607)	(3,785,734)	2,930	(42,673,411)
Buildings and building improvements	(394,666,396)	(32,515,095)	507,761	(426,673,730)
Furniture, fixtures and equipment	(84,675,373)	(11,251,387)	7,250,126	(88,676,634)
Library materials	(27,020,576)	(3,823,337)	905,008	(29,938,905)
Total accumulated depreciation	(545,252,952)	(51,375,553)	8,665,825	(587,962,680)
Other capital assets, net	$ 806,753,197	$ (3,700,071)	$ (904,989)	$ 802,148,137
Capital asset summary:				
Capital assets not being depreciated	$ 40,192,836	$ 18,614,385	$ (8,023,711)	$ 50,783,510
Other capital assets, at cost	1,352,006,149	47,675,482	(9,570,814)	1,390,110,817
Total cost of capital assets	1,392,198,985	66,289,867	(17,594,525)	1,440,894,327
Less accumulated depreciation	(545,252,952)	(51,375,553)	8,665,825	(587,962,680)
Capital assets, net	$ 846,946,033	$ 14,914,314	$ (8,928,700)	$ 852,931,647
Component Units				
Total cost of capital assets	$ 4,798,909	$ 245,276	$ (33,948)	$ 5,010,237
Less accumulated depreciation	(611,130)	(156,557)	14,430	(753,257)
Capital assets, net	$ 4,187,779	$ 88,719	$ (19,518)	$ 4,256,980

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2012	2011
Accrued vacation	$ 21,655,343	$ 21,189,877
Accrued sick leave	7,296,492	6,458,643
Other accrued fringe benefits	7,389,146	6,466,105
	36,340,981	34,114,625
Less: current portion	2,168,837	2,148,016
Noncurrent portion	$ 34,172,144	$ 31,966,609

Activity for compensated absences, as of June 30, includes:

Balance as of June 30, 2010	$ 34,065,338
Additions in 2011	2,480,438
Retirements in 2011	(2,431,151)
Balance as of June 30, 2011	34,114,625
Additions in 2012	4,616,288
Retirements in 2012	(2,389,932)
Balance as of June 30, 2012	$ 36,340,981

These accruals represent estimated amounts earned by all eligible employees through June 30, 2012 and 2011. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of CSUS.

In May 2009, the State of Connecticut offered employees meeting certain criteria, a Retirement Incentive Plan ("RIP"). For those employees opting to accept the RIP, their accrued compensation for vacation and sick time in addition to incentive allocations were reclassified to a separate liability. Those amounts are to be paid out annually in equal installments over a three year period starting July 2012. The total amount of RIP liability was approximately $6.2 million at both June 30, 2012 and June 30, 2011. The liability at June 30, 2011 was all noncurrent and approximately $4.1 million was noncurrent at June 30, 2012, being reported as noncurrent other liabilities. At June 30, 2012, approximately $2.1 million was current and that portion is recorded as current other liabilities on the statements of net assets.

8. Bonds, Notes Payable and Capital Lease Obligations

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities at CSUS. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures.

Debt service on bonds issued by the State to finance educational and general facilities is funded by the General Fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by CSUS and, accordingly, the State's debt obligation attributable to CSUS's educational and general facilities is not reported as CSUS debt in the accompanying financial statements.

Bonds issued by the State of Connecticut to finance auxiliary enterprise buildings and improvements require that principal and interest payments be remitted by CSUS to the State from revenues associated with the specific auxiliary activities. These bonds which are considered self-liquidating originally matured from 1993 to 2017 with interest rates varying from 2% to 6%. State statute requires these bonds to be repaid entirely by CSUS and, accordingly, these bonds are recorded as CSUS debt in the accompanying financial statements.

In fiscal year 2009 portions of the September 1997 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately $.2 million at June 30, 2009. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately

$30,000. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding, CSUS will reduce its aggregate debt service payments by approximately $30,000 and achieve an economic gain of approximately $30,000.

In fiscal year 2008 portions of the September 1997 and February 1998 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately $6.1 million at June 30, 2008. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $.2 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method.

Principal outstanding on the self-liquidating bond issues as of June 30 is as follows:

Issue Date	Type	2012	2011
March 1993	Original	$ -	$ 465,000
October 1993	Refunded	-	1,484,496
June 2001	Refunded	1,648,080	2,067,353
November 2001	Refunded	833,324	1,242,049
August 2002	Refunded	776,355	776,355
April 2005	Refunded	422,547	422,547
December 2007	Refunded	2,608,765	3,437,163
		$ 6,289,071	$ 9,894,963

Estimated principal and interest requirements for the next five years are as follows:

Year	Principal	Interest
2013	1,974,402	316,867
2013	1,572,030	201,202
2014	1,541,137	122,578
2015	778,954	42,329
2016	422,548	22,585
	$ 6,289,071	$ 705,561

On March 15, 1997, CHEFA issued $38.9 million of Series B Revenue Bonds on behalf of CSUS. The Bonds mature from 1997 through 2017 with interest rates varying from 4.5% to 5%. Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year, is guaranteed by a municipal bond insurance policy.

On March 15, 2002, CHEFA issued $76.2 million of Series D Revenue Bonds on behalf of CSUS. The Bonds mature from 2003 to 2022 with interest rates varying from four percent (4%) to five percent (5%). Payment on the principal of, and interest on, the bonds is due to the Trustee on October 1 and April 1 of each year, and is guaranteed by a municipal bond insurance policy for the 2020-2022 maturities.

On May 15, 2003, CHEFA issued $142.1 million of Series E Revenue Bonds on behalf of CSUS. The Bonds mature from 2005 to 2033 with interest rates varying from two percent (2%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On February 5, 2004, CHEFA issued $49.5 million of Series F Revenue Bonds on behalf of CSUS, to advance refund portions of Series A, B, C and D. The Bonds mature from 2004 to 2015 with interest rates varying from two percent (2%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 17, 2005, CHEFA issued $50.6 million of Series G Revenue Bonds on behalf of CSUS. The Bonds mature from 2006 to 2035 with interest rates varying from three percent (3%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 17, 2005, CHEFA issued $48.5 million of Series H Revenue Bonds on behalf of CSUS, to advance refund portions of Series B, C, D and E. The Bonds mature from 2005 to 2019 with interest rates varying from two and one-half percent (2.5%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On April 18, 2007, CHEFA issue $62.8 million of Series I Revenue Bonds on behalf of CSUS, to advance refund portions of Series D, E and G. The Bonds mature from 2008 to 2033 with interest rates varying from three percent (3.0%) to five and one quarter percent (5.25%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 22, 2011 CHEFA issued $27.0 million of Series J Revenue Bonds on behalf of CSUS. The Bonds mature from 2012 to 2031 with interest rates varying from two (2.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 22, 2011, CHEFA issued $14.0 million of Series K Revenue Bonds on behalf of CSUS, to advance refund portions of Series E. The Bonds mature from 2012 to 2016 with interest rates varying from three percent (3.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On April 4, 2012, CHEFA issued $49.0 million of Series L Revenue Bonds on behalf of CSUS to advance refund portions of Series Bond E and current refund portions of Series Bond B. The Bonds mature from 2012 to 2029 with interest rates varying from two and one-half percent (2.5%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the

Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered an in substance defeasance and the liability for those bonds has been removed from the statement of net assets. Assets held in the trust accounts had an aggregate market value of approximately $53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled approximately $49.0 million at June 30, 2012. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operation over the life of new bonds using the straight-line method. As a result of defeasance, CSUS will reduce its aggregate debt service payments by approximately $8.6 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately $4.2 million.

In connection with the fiscal year 2011 advance refunding of portions of Series E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. Assets held in the trust accounts had an aggregate market value of approximately $15.5 million at June 30, 2011. The outstanding amount of the refunded bonds totaled approximately $14.7 million at both June 30, 2012 and 2011. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operation over the life of new bonds using the straight-line method. As a result of defeasance, CSUS will reduce its aggregate debt service payments by approximately $1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately $.9 million.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. Assets held in the trust accounts had an aggregate market value of approximately $63.8 million at June 30, 2007. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2.4 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $60.1 million at both June 30, 2012 and 2011.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $52.8 million at June 30, 2005. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $49.3 million at both June 30, 2012 and 2011.

In connection with the fiscal year 2004 advance refunding of portions of Series A, B, C and D, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $53.9 million at June 30, 2004. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $5.3 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $25.7 million and $31.0 million at June 30, 2012 and 2011, respectively.

Principal outstanding of the CHEFA Bonds at June 30 was as follows:

	2012	2011
CHEFA Revenue Bonds Series B	$ -	$ 1,860,000
CHEFA Revenue Bonds Series D	-	3,845,000
CHEFA Revenue Bonds Series E	-	53,250,000
CHEFA Revenue Bonds Series F	24,735,000	29,875,000
CHEFA Revenue Bonds Series G	32,200,000	33,925,000
CHEFA Revenue Bonds Series H	48,310,000	48,320,000
CHEFA Revenue Bonds Series I	62,425,000	62,515,000
CHEFA Revenue Bonds Series J	27,035,000	27,035,000
CHEFA Revenue Bonds Series K	14,010,000	14,010,000
CHEFA Revenue Bond Series L	49,040,000	-
	$ 257,755,000	$ 274,635,000

CSUS's most restrictive covenant is the pledging of certain University fee receipts and parking fee receipts as collateral for its obligation to make payments.

Revenue bond interest is payable to the bondholders on May 1 and November 1 of each year. Revenue bonds mature on November 1, in the years set forth below:

Maturity	Principal	Interest
2013	13,460,000	10,538,373
2014	15,615,000	9,801,934
2015	15,930,000	9,112,580
2016	16,180,000	8,390,110
2017	14,330,000	7,707,300
2018-2022	66,270,000	29,473,656
2023-2027	51,485,000	16,354,688
2028-2032	45,305,000	7,790,812
2033-2036	19,180,000	787,550
	$ 257,755,000	$ 99,957,003

Long-term liability activity for the years ended June 30, 2012 and 2011 was as follows:

	Year Ended June 30, 2012			
	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Bonds payable	$ 284,529,963	$ 49,040,000	$ (69,525,892)	$ 264,044,071
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	2,385,574	2,193,449	(1,887,626)	2,691,397
Total bonds payable	286,915,537	51,233,449	(71,413,518)	266,735,468
Capital lease obligations	13,976		(8,102)	5,874
Deferred compensation	190,057	305	-	190,362
Total	$ 287,119,570	$ 51,233,754	$ (71,421,620)	$ 266,931,704

	Year Ended June 30, 2011			
	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Bonds payable	$ 276,471,473	$ 41,045,000	$ (32,986,510)	$ 284,529,963
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,193,717	1,439,262	(247,405)	2,385,574
Total bonds payable	277,665,190	42,484,262	(33,233,915)	286,915,537
Capital lease obligations	18,637	87,169	(91,830)	13,976
Deferred compensation	398,427	820	(209,190)	190,057
Total	$ 278,082,254	$ 42,572,251	$ (33,534,935)	$ 287,119,570

Notes Payable for the Component Units, consisted of two notes. There was an unsecured note with an original loan balance of $119,000, bearing interest at 5.99% payable in monthly installments of $518 including principal and interest with a maturity date of March 2015. Extra principal payments totaling $45,000 were made in previous years and the $10,058 loan balance at June 30, 2010 was paid in full during July 2010. The second note with a $10,806 balance at June 30, 2010 bearing interest at 5.39% was payable in monthly installments of $858, with a maturity date of August 2011. This note was paid off in full during the year ended June 30, 2011.

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2012 and 2011:

	2012	2011
Unearned tuition and fees	$ 187,468,566	$ 183,047,163
Grants and contracts	1,709,445	1,830,780
Other	799,897	180,450
	$ 189,977,908	$ 185,058,393

10. Retirement and Other Post Employment Benefits

Plan Description
All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CSUS employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). The plan provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. The plan does not issue stand alone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

Employees hired before July 1, 1984 participate in the old (Tier 1) Plan, which includes employee contributions; other employees may participate in the Tier II or Tier IIA Plans. As of June 30, 2012, approximately thirty-one percent (31%) of the CSUS workforce was covered under the Tier II or Tier II A Plans. CSUS makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by ING. Under this arrangement, CSUS and the plan participants purchase individual investments managed by ING.

Funding Policy
The contribution requirements of plan members and the State are established and may be amended by the State legislature.

Tier I Plan B regular and Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base plus 5% above that level. Tier I Plan C members are required to contribute 5% of their annual salary. Tier IIA Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. Administrative costs of the plan are funded by the State.

Other Post Employment Benefits
The State of Connecticut provides post retirement health care and life insurance benefits to eligible CSUS employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post retirement health care and life insurance benefits.

11. Commitments and Contingencies

CSUS makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CSUS is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CSUS.

CSUS is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on CSUS's financial position.

CSUS had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2012 and 2011. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2012 and 2011 were as follows:

	2012	2011
System Office	$ 1,301,602	$ 435,117
Central Connecticut State University	6,672,334	7,101,053
Eastern Connecticut State University	1,590,516	3,137,337
Southern Connecticut State University	3,383,531	3,227,461
Western Connecticut State University	4,626,805	3,113,140
	$ 17,574,788	$ 17,014,108

12. Intra-University and Related Party Activities

The System Office administers certain activities centrally for the provision of management information systems and services to the Universities. Primary among these activities are

administration of certain system-wide information systems, telecommunications, capital projects planning and rebudgeting, technical support and debt service. Costs of such activities, including the allocation of funds to the Universities from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Universities' tuition and fee revenues which are allocated to the System Office through the budget allocation process. Such activities are eliminated in the statement of revenues, expenses and changes in net assets.

In addition to those transactions identified in Note 5, the accompanying statement of net assets includes balances among related parties. Significant balances for the years ended June 30, were as follows:

	2012	2011
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	$ 229,778,447	$ 256,721,013
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	71,025,660	34,152,109
	$ 300,804,107	$ 290,873,122

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2012 Natural Classification								
	Personnel service and fringe benefits	Professional service and fees	Educational service and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	$ 36,031,442	$ 1,115,246	$ 2,606,564	$ 1,413,212	$ 346,801	$ 2,422,784			$ 43,936,049
Auxiliary enterprises	13,582,437	11,656,802	22,721,730	57,747	9,866,636	2,143,753			60,029,105
Institution support	73,630,296	4,749,447	1,323,695	557,930	3,437,054	8,202,326			91,900,748
Instruction	192,669,967	1,501,957	822,144	773,013	558,665	2,203,439			198,529,185
Physical plant	32,625,589	2,728,268	37,150	11,001	25,319,178	2,203,498	51,675,933	87,292	114,687,909
Public service	7,166,312	1,297,200	759,312	913,299	755,668	726,798			11,618,589
Research	2,285,521	625,879	470,943	401,980	46,785	492,483			4,323,591
Scholarships, loans and refunds	706,616	177,159	56,525,019	46,732	11,189	1,650,460			59,117,175
Student services	48,155,171	2,018,627	1,354,290	2,176,162	994,508	2,893,787	1,053		57,593,598
Total expenses	$ 406,853,351	$ 25,870,585	$ 86,620,847	$ 6,351,076	$ 41,336,484	$ 22,939,328	$ 51,676,986	$ 87,292	$ 641,735,949

	Year ended June 30, 2011 Natural Classification								
	Personnel service and fringe benefits	Professional service and fees	Educational service and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	$ 37,557,600	$ 1,184,867	$ 2,872,916	$ 1,298,009	$ 507,380	$ 2,591,916			$ 46,012,688
Auxiliary enterprises	13,532,695	11,170,753	21,782,389	52,166	10,579,675	1,846,552			58,964,230
Institution support	70,946,806	6,162,850	742,669	465,954	4,008,400	7,223,930			89,550,609
Instruction	194,377,856	1,392,630	1,227,936	565,310	486,021	2,458,275			200,508,028
Physical plant	34,264,212	2,062,410	25,716	26,772	33,026,670	2,148,294	51,374,570	95,017	123,023,661
Public service	6,272,664	1,351,846	691,951	1,044,196	645,340	642,363			10,648,360
Research	2,341,822	655,852	574,250	412,996	60,509	417,148			4,462,577
Scholarships, loans and refunds	884,376	161,435	60,306,526	8,901	1,974	96,762			61,459,974
Student services	49,249,450	1,821,472	1,229,076	1,841,867	1,152,739	3,115,721	983		58,411,308
Total expenses	$ 409,427,481	$ 25,964,115	$ 89,453,429	$ 5,716,171	$ 50,468,708	$ 20,540,961	$ 51,375,553	$ 95,017	$ 653,041,435

Connecticut State University System
Supplemental Financial Information
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Connecticut State University System
Combining Statements of Net Assets
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Assets								
Current assets:								
Cash and cash equivalents	$ 56,428,043	$ 16,987,630	$ 57,102,186	$ 31,214,690	$ 17,854,368	$ -	$ 179,586,917	$ 176,958,414
Investments	-	-	-	-	27,810,288	-	27,810,288	38,382,287
Student receivables	51,259,162	40,227,362	53,677,306	32,153,518	-	-	177,317,348	172,834,307
Allowance-doubtful student receivables	(532,710)	(1,249,944)	(708,920)	(974,429)	-	-	(3,466,003)	(2,910,292)
Student receivables, net	50,726,452	38,977,418	52,968,386	31,179,089	-	-	173,851,345	169,924,015
Student loans receivable	646,300	162,895	1,791,306	204,647	-	-	2,805,148	1,566,837
Grant receivables, net	1,129,964	312,422	756,048	233,265	-	-	2,431,699	2,224,987
Miscellaneous receivables, net	670,894	407,387	64,713	54,633	279	-	1,197,906	1,546,414
Due from the State of Connecticut	9,247,927	5,026,428	9,810,546	7,290,106	1,389,434	-	32,764,441	44,390,895
Due from SO and Universities	-	6,041	75	-	248,781	(254,897)	-	-
Prepaid expenses and other current assets	1,634,791	405,212	435,521	211,411	1,107,721	-	3,794,656	3,462,361
Total current assets	120,484,371	62,285,433	122,928,781	70,387,841	48,410,871	(254,897)	424,242,400	438,456,210
Noncurrent assets:								
Cash and cash equivalents	26,412,984	3,161,086	21,513,356	7,223,966	64,247,791	-	122,559,183	116,227,270
Investments	-	-	-	-	26,826,621	-	26,826,621	26,566,294
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	3,699,319	1,509,172	5,030,190	1,949,004	-	-	12,187,685	12,667,346
Allowance-doubtful loan receivables	(781,788)	(398,948)	(1,290,949)	(462,887)	-	-	(2,934,572)	(2,803,270)
Loans receivable, net	2,917,531	1,110,224	3,739,241	1,486,117	-	-	9,253,113	9,864,076
Other assets	-	-	63,509	96,885	2,010,789	-	2,171,183	2,266,325
Investment in plant	375,977,904	371,556,582	418,936,963	300,012,359	26,970,269	9,376,268	1,502,830,345	1,440,894,327
Accumulated depreciation	(176,370,729)	(128,779,649)	(183,733,851)	(116,514,442)	(20,614,922)	-	(626,013,593)	(587,962,680)
Investment in plant, net of accumulated depreciation	199,607,175	242,776,933	235,203,112	183,497,917	6,355,347	9,376,268	876,816,752	852,931,647
Total noncurrent assets	232,212,410	247,048,243	260,519,218	192,304,885	99,440,548	6,101,548	1,037,626,852	1,007,855,612
Total assets	$ 352,696,781	$ 309,333,676	$ 383,447,999	$ 262,692,726	$ 147,851,419	$ 5,846,651	$ 1,461,869,252	$ 1,446,311,822

Connecticut State University System
Combining Statements of Net Assets
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Liabilities								
Current liabilities:								
Accounts payable	$ 3,358,361	$ 1,384,243	$ 5,478,626	$ 1,220,596	$ 328,925	$ -	$ 11,770,751	$ 9,334,906
Accrued salaries and benefits	13,372,270	5,293,749	12,762,871	6,179,635	351,383	-	37,959,908	51,500,176
Accrued compensated absences	514,516	455,578	585,054	381,761	231,928	-	2,168,837	2,148,016
Due to the State of Connecticut	589,962	967,662	491,900	1,332,579	-	-	3,382,103	3,261,082
Due to SO and Universities	76,299	51,488	81,514	45,596	-	(254,897)	-	-
Deferred revenue	58,871,008	37,505,902	60,393,259	32,473,262	734,477	-	189,977,908	185,058,393
Bonds payable	-	-	-	-	15,842,193	-	15,842,193	18,350,340
Accrued bond interest payable	-	-	-	-	1,824,960	-	1,824,960	1,899,900
Capital lease obligation	-	-	5,874	-	-	-	5,874	8,102
Other liabilities	1,771,780	197,173	4,378,420	698,702	99,355	-	7,145,430	3,697,762
Depository accounts	940,335	727,156	1,400,311	433,425	(180)	-	3,501,047	3,715,280
Total current liabilities	79,494,531	46,582,951	85,577,829	42,765,556	19,413,041	(254,897)	273,579,011	278,973,957
Noncurrent liabilities:								
Accrued compensated absences	11,381,923	5,858,859	9,762,023	6,004,947	1,164,392	-	34,172,144	31,966,609
Bonds payable	-	-	-	-	250,893,275	-	250,893,275	268,565,197
Due to SO and Universities	-	-	-	-	3,274,720	(3,274,720)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,097
Deferred compensation	-	-	-	-	190,362	-	190,362	190,057
Other liabilities	1,617,746	304,696	1,728,428	464,529	15,480	-	4,130,879	6,243,329
Capital lease obligation	-	-	-	-	-	-	-	5,874
Total noncurrent liabilities	16,136,421	7,622,743	15,039,502	8,101,582	255,538,229	(3,274,720)	299,163,757	316,748,163
Total liabilities	95,630,952	54,205,694	100,617,331	50,867,138	274,951,270	(3,529,617)	572,742,768	595,722,120
Net Assets								
Invested in capital assets, net of related debt	199,561,193	242,711,718	223,794,743	183,497,917	(146,727,251)	9,376,268	712,214,588	686,810,624
Restricted:								
Nonexpendable	-	60,000	(66,547)	407,116		-	400,569	560,409
Expendable	6,179,969	5,227,025	35,530,863	3,440,616	25,456	-	50,403,929	41,413,695
Unrestricted	51,324,667	7,129,239	23,571,609	24,479,939	19,601,944	-	126,107,398	121,804,974
Total net assets	257,065,829	255,127,982	282,830,668	211,825,588	(127,099,851)	9,376,268	889,126,484	850,589,702
Total liabilities and net assets	$ 352,696,781	$ 309,333,676	$ 383,447,999	$ 262,692,726	$ 147,851,419	$ 5,846,651	$ 1,461,869,252	$ 1,446,311,822

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012 with Comparative Balances for the Year Ended June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	$ 96,017,382	$ 43,082,844	$ 95,218,501	$ 50,922,673	$ 5,265,002	$ -	$ 290,506,402	$ 291,055,926
Less:								
Scholarships allowance	7,667,717	4,250,866	8,450,113	4,082,495	-	-	24,451,191	25,017,499
Waivers	4,204,017	2,355,942	3,192,808	1,509,371	-	-	11,262,138	11,046,307
Debt service fee	8,240,943	4,491,535	8,375,777	4,934,732	(25,634,145)	(408,842)	-	-
Tuition and fees, net of scholarship allowances and waivers	75,904,705	31,984,501	75,199,803	40,396,075	30,899,147	408,842	254,793,073	254,992,120
Federal grants and contracts	16,344,872	6,788,091	14,496,912	6,920,988	-	-	44,550,863	46,790,937
State and local grants and contracts	5,116,120	2,155,029	4,743,182	2,404,992	-	-	14,419,323	15,240,478
Nongovernment grants and contracts	938,836	257,730	1,895,478	-	-	-	3,092,044	2,917,831
Indirect cost recoveries	463,071	284,695	229,889	-	-	-	977,655	1,318,578
Auxiliary revenues	24,017,634	25,124,521	24,994,518	16,416,246	4,115,141	(4,108,999)	90,559,061	91,098,883
Other operating revenues	3,417,559	1,563,257	11,240,907	2,197,929	8,907,545	(10,231,002)	17,096,195	15,638,746
Total operating revenues	126,202,797	68,157,824	132,800,689	68,336,230	43,921,833	(13,931,159)	425,488,214	427,997,573
Operating expenses:								
Personnel service and fringe benefits	126,857,602	72,111,141	127,353,503	72,235,636	8,295,469	-	406,853,351	409,427,481
Professional services and fees	8,577,679	3,711,082	7,783,456	4,228,147	1,570,221	-	25,870,585	25,964,115
Educational services and support	27,689,210	13,803,621	30,062,704	15,057,405	7,907	-	86,620,847	89,453,429
Travel expenses	2,842,930	800,448	1,642,004	1,030,954	34,740	-	6,351,076	5,716,171
Operation of facilities	15,996,043	8,128,767	11,020,329	8,863,731	11,667,615	(14,340,001)	41,336,484	50,468,708
Other operating supplies and expenses	4,542,567	2,992,815	7,708,508	4,454,098	2,832,498	408,842	22,939,328	20,540,961
Depreciation expense	13,365,550	12,074,363	14,087,842	10,427,579	1,721,652	-	51,676,986	51,375,553
Amortization expense	-	2,044	45,105	40,143	-	-	87,292	95,017
Total operating expenses	199,871,581	113,624,281	199,703,451	116,337,693	26,130,102	(13,931,159)	641,735,949	653,041,435
Operating income (loss)	$ (73,668,784)	$ (45,466,457)	$ (66,902,762)	$ (48,001,463)	$ 17,791,731	$ -	$ (216,247,735)	$ (225,043,862)

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012 with Comparative Balances for the Year Ended June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Nonoperating revenues (expenses)								
State appropriations	$ 62,938,292	$ 38,228,551	$ 61,458,533	$ 38,876,299	$ 7,699,968	$ -	$ 209,201,643	$ 245,057,506
Gifts	1,094,220	69,147	303,191	134,742	-	-	1,601,300	1,499,845
Investment income	137,991	38,175	131,733	56,542	742,300	-	1,106,741	1,295,335
Interest Expense	(7)	-	-	-	(11,571,946)	1,216,029	(10,355,924)	(11,471,317)
State financed plant facilities	219,932	2,635,596	-	-	-	-	2,855,528	17,262,848
Other nonoperating revenues	427,343	306,598	732,334	507,039	-	-	1,973,314	2,247,727
Transfers to the State of Connecticut	-	-	-	-	-	-	-	-
Net nonoperating revenues (expenses)	64,817,771	41,278,067	62,625,791	39,574,622	(3,129,678)	1,216,029	206,382,602	255,891,944
Income before other changes in net assets	(8,851,013)	(4,188,390)	(4,276,971)	(8,426,841)	14,662,053	1,216,029	(9,865,133)	30,848,082
Other changes in net assets								
State appropriations restricted for capital purposes	13,809,262	5,566,243	15,505,958	13,873,052	593,712	-	49,348,227	25,417,098
Gain (loss) on disposal of capital assets	(340,482)	(37,133)	(268,043)	(158,499)	(142,155)	-	(946,312)	(786,444)
Net other changes in net assets	13,468,780	5,529,110	15,237,915	13,714,553	451,557	-	48,401,915	24,630,654
Net increase in net assets	4,617,767	1,340,720	10,960,944	5,287,712	15,113,610	1,216,029	38,536,782	55,478,736
Net assets:								
Net assets - beginning of year	252,448,062	253,787,262	271,869,724	206,537,876	(142,213,461)	8,160,239	850,589,702	795,110,966
Net assets - end of year	$ 257,065,829	$ 255,127,982	$ 282,830,668	$ 211,825,588	$ (127,099,851)	$ 9,376,268	$ 889,126,484	$ 850,589,702

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Cash flows from operating activities:								
Tuition and fees	$ 77,342,622	$ 33,469,406	$ 75,538,129	$ 39,221,602	$ 5,265,002	$ 408,842	$ 231,245,603	$ 226,792,658
Grants and contracts	21,776,892	9,382,591	20,980,530	9,423,260	-	-	61,563,273	64,987,658
Auxiliary revenues	23,768,847	24,055,303	24,456,460	15,531,072	4,115,141	(4,108,999)	87,817,824	89,119,148
Other operating revenues	4,173,154	2,107,088	11,082,714	2,977,308	9,533,360	(10,231,002)	19,642,622	18,336,657
Payments to employees for salaries and benefits	(129,483,301)	(74,764,225)	(131,603,055)	(73,559,487)	(8,798,519)	-	(418,208,587)	(407,086,521)
Payments to suppliers	(1,840,024)	(1,026,590)	(1,171,095)	(1,985,530)	(37,721)	-	(6,060,960)	(6,805,347)
Professional services and fees	(8,765,527)	(3,707,144)	(7,848,918)	(4,229,228)	(1,570,221)	-	(26,121,038)	(25,925,948)
Educational services and support	(28,160,122)	(13,803,621)	(30,062,704)	(15,057,405)	(7,907)	-	(87,091,759)	(89,401,643)
Travel expenses	(2,843,751)	(800,448)	(1,642,004)	(1,030,954)	(34,740)	-	(6,351,897)	(5,721,756)
Operation of facilities	(15,499,876)	(8,128,767)	(11,020,329)	(8,863,731)	(11,384,737)	14,340,001	(40,557,439)	(48,735,031)
Other operating supplies and expenses	(2,848,614)	(2,108,833)	(4,930,472)	(1,705,501)	(3,086,464)	(408,842)	(15,088,726)	(14,543,926)
University fee receipts	-	-	-	-	25,634,145	-	25,634,145	25,609,208
Net cash provided by (used in) operating activities	(62,379,700)	(35,325,240)	(56,220,744)	(39,278,594)	19,627,339	-	(173,576,939)	(173,374,843)
Cash flows from noncapital financing activities:								
State appropriations	66,085,895	41,426,923	64,631,785	40,454,541	7,947,040	-	220,546,184	245,785,962
Gifts for other than capital purposes	1,094,219	69,147	303,191	134,742	-	-	1,601,299	1,499,846
Nonoperating revenue other	462,298	306,598	732,334	507,039	-	-	2,008,269	2,247,147
Nonoperating revenue other - transfer to state	-	-	-	-	-	-	-	(13,329,588)
Net cash provided by noncapital financing activities	$ 67,642,412	$ 41,802,668	$ 65,667,310	$ 41,096,322	$ 7,947,040	$ -	$ 224,155,752	$ 236,203,367

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	$34,791,598	-	$ 34,791,598	$5,256,143
Purchases of investments	-	-	-	-	(23,893,086)	-	(23,893,086)	(30,739,160)
Interest and dividends received on investments	148,957	38,175	146,496	56,542	742,300	-	1,132,470	1,315,280
Net cash provided by (used in) investing activities	148,957	38,175	146,496	56,542	11,640,812	-	12,030,982	(24,167,737)
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(19,824,904)	(11,107,230)	(26,144,137)	(15,202,750)	(981,481)	-	(73,260,502)	(57,440,968)
State capital appropriations received	14,664,648	8,201,839	16,088,693	13,329,680	(44,859)	-	52,240,001	40,995,173
Proceeds of new bond issuance	-	-	-	-	49,040,000	-	49,040,000	41,045,000
Repayments of capital debt and leases	-	-	-	-	(69,525,892)	-	(69,525,892)	(32,986,510)
Interest paid on capital debt and leases	-	-	-	-	(11,571,946)	-	(11,571,946)	(11,850,820)
Payments on bond issuance costs	-	-	-	-	(586,840)		(586,840)	(735,039)
Proceeds from sale of property and equipment	3,350	-	-	12,450	-	-	15,800	24,920
Net cash used in capital and related financing activities	(5,156,906)	(2,905,391)	(10,055,444)	(1,860,620)	(33,671,018)	-	(53,649,379)	(20,948,244)
Net increase in cash and cash equivalents	254,763	3,610,212	(462,382)	13,650	5,544,173	-	8,960,416	17,712,543
Cash and cash equivalents, beginning of year	82,586,264	16,538,504	79,077,924	38,425,006	76,557,986	-	293,185,684	275,473,141
Cash and cash equivalents, end of year	$ 82,841,027	$ 20,148,716	$ 78,615,542	$ 38,438,656	$ 82,102,159	$ -	$ 302,146,100	$ 293,185,684

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (73,668,784)	$ (45,466,457)	$ (66,902,762)	$ (48,001,463)	$ 17,791,731	$ -	$ (216,247,735)	$ (225,043,862)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	13,365,550	12,074,363	14,087,842	10,427,579	1,721,652	-	51,676,986	51,375,553
Bad debt write-offs	32	-	-	-	-	-	32	21,211
Amortization	-	2,044	45,105	40,143	-	-	87,292	95,017
Changes in assets and liabilities:						-		
Receivables	(600,115)	(1,238,172)	(2,901,056)	324,132	2,295	-	(4,412,916)	(4,921,493)
Prepaid expenses and other	(609,848)	(160,604)	(32,278)	450,748	79,185	-	(272,797)	56,292
Accounts payable	457,381	(134,656)	68,405	218,401	(293,982)	-	315,549	(609,199)
Accrued salaries	(4,020,990)	(2,756,171)	(4,601,721)	(1,868,434)	(292,954)	-	(13,540,270)	2,199,947
Other liabilities	790,932	(9,997)	1,570,815	124,213	214,072	-	2,690,035	1,306,903
Due to/from State of Connecticut	145,298	(180,619)	94,342	64,090	(2,090)	-	121,021	372,799
Due to/from Universities	3,728	(2,103)	(65,537)	(1,081)	64,993	-	-	-
Deferred revenues	1,448,744	2,191,094	1,934,131	(1,280,266)	625,815	-	4,919,518	1,810,962
Deferred compensation	-	-	-	-	305	-	305	(208,370)
Deposit accounts	(90,480)	(90,315)	224,143	(257,149)	(432)	-	(214,233)	136,817
Accrued bond interest payable	-	-	-	-	(74,940)	-	(74,940)	(16,710)
Accrued compensated absences	398,852	446,353	257,827	480,493	(208,311)	-	1,375,214	49,290
Net cash provided by (used in) operating activities	$ (62,379,700)	$ (35,325,240)	$ (56,220,744)	$ (39,278,594)	$ 19,627,339	$ -	$ (173,576,939)	$ (173,374,843)
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 87,169
Fixed assets included in accounts payable	$ 748,974	$ 326,063	$ 3,125,419	$ 167,690	$ 89,930	$ -	$ 4,458,076	$ 2,305,272
State financed plant facilities	$ 219,932	$ 2,635,596	$ -	$ -	$ -	$ -	$ 2,855,528	$ 17,262,848
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	$ 56,428,043	$ 16,987,630	$ 57,102,186	$ 31,214,690	$ 17,854,368	$ -	$ 179,586,917	$ 176,958,414
Cash and cash equivalents classified as noncurrent assets	26,412,984	3,161,086	21,513,356	7,223,966	64,247,791	-	122,559,183	116,227,270
	$ 82,841,027	$ 20,148,716	$ 78,615,542	$ 38,438,656	$ 82,102,159	$ -	$ 302,146,100	$ 293,185,684

DEFINITIONS

"Act" means the State of Connecticut Health and Educational Facilities Authority Act, Chapter 187 of the General Statutes of Connecticut, Revision of 1958, Sections 10a-176 to 10a-198, inclusive, *et. seq.*, as amended. *(Original Indenture, Section 1.1)*

"Additional Bonds" means the Authority's revenue bonds issued pursuant to a Supplemental Indenture. *(First Supplemental Indenture, Section 1.1)*

"AMBAC Indemnity" means AMBAC Indemnity Corporation, a Wisconsin - domiciled stock insurance company. *(First Supplemental Indenture, Section 1.1)*

"Annual Administrative Fee" means the annual fee for the general administrative expenses of the Authority in the amount of ten (10) basis points, paid semiannually, in arrears on the Outstanding principal amount of Bonds on each April 20 and October 20 while the Bonds are Outstanding. *(Original Indenture, Section 1.1)*

"Assignment of Note" means the Assignment of Series A Note and the assignment to the Trustee of any other Note issued by the Institution pursuant to a Supplemental Loan Agreement. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Assignment of Series A Note" means the Assignment of Note, dated as of November 1, 1995, between the Authority and the Trustee. *(First Supplemental Indenture, Section 1.1)*

"Assignment of Series B Note" means the Assignment of Series B Note, dated as of March 15, 1997, between the Authority and the Trustee. *(First Supplemental Indenture, Section 1.1)*

"Assignment of Series C Note" means the Assignment of Series C Note, dated as of November 15, 1999, between the Authority and the Trustee. *(Second Supplemental Indenture, Section 1.1)*

"Assignment of Series D Note" means the Assignment of Series D Note, dated as of March 15, 2002, between the Authority and the Trustee. *(Third Supplemental Indenture, Section 1.1)*

"Assignment of Series E Note" means the Assignment of Series E Note, dated as of May 15, 2003, between the Authority and the Trustee. *(Fourth Supplemental Indenture, Section 1.1)*

"Assignment of Series F Note" means the Assignment of Series F Note, dated as of February 1, 2004, between the Authority and the Trustee. *(Fifth Supplemental Indenture, Section 1.1)*

"Assignment of Series G Note" means the Assignment of Series G Note, dated as of June 17, 2005, between the Authority and the Trustee. *(Sixth Supplemental Indenture, Section 1.1)*

"Assignment of Series H Note" means the Assignment of Series H Note, dated as of June 17, 2005, between the Authority and the Trustee. *(Seventh Supplemental Indenture, Section 1.1)*

"Assignment of Series I Note" means the Assignment of Series I Note, dated as of April 18, 2007, between the Authority and the Trustee. *(Eighth Supplemental Indenture, Section 1.1)*

"Assignment of Series J Note" means the Assignment of Series J Note, dated as of June 22, 2011, between the Authority and the Trustee. *(Ninth Supplemental Indenture, Section 1.1)*

"Assignment of Series K Note" means the Assignment of Series K Note, dated as of June 22, 2011, between the Authority and the Trustee. *(Tenth Supplemental Indenture, Section 1.1)*

"Assignment of Series L Note" means the Assignment of Series L Note, dated as of April 4, 2012, between the Authority and the Trustee. *(Eleventh Supplemental Indenture, Section 1.1)*

"Assignment of Series M Note" means the Assignment of Series M Note, dated as of January 10, 2013, between the Authority and the Trustee. *(Twelfth Supplemental Indenture, Section 1.1)*

"Authority" means the State of Connecticut Health and Educational Facilities Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality created by the Act. *(Original Indenture, Section 1.1*)

"Authorized Officer" means: (i) in the case of the Authority, the Chairman, Vice Chairman, Executive Director, General Counsel, any Managing Director, any Assistant Director, or any other duly authorized officer of the Authority and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the President or Chief Financial Officer of the Board of Regents for Higher Education, or any successor position, and any other person or persons authorized by resolution of the Institution to perform any act or execute any document; (iii) in the case of the Trustee, any officer in its corporate trust division, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the governing body of the Trustee; and (iv) in the case of the Paying Agent, means any officer in its corporate trust division, and when used with reference to any act or document, including any authentication of the Bonds, also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the governing body of the Paying Agent. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1; Eighth Supplemental Indenture, Section 1.1; Restated Indenture, Section 1.1; Eleventh Supplemental Indenture, 1.1).*

"Bond Counsel" means an attorney or firm of attorneys designated by the Authority and having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds. *(Original Indenture, Section 1.1*)

"Bonds" means the Series A Bonds and any Additional Bonds authorized, issued under and secured by the Indenture. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Bondowner" or "owner" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Bond. *(Original Indenture, Section 1.1*)

"Bond Year" means a period of twelve (12) consecutive months, with respect to the Bonds, beginning on November 1 in any calendar year and ending on October 31 of the succeeding calendar year. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Connecticut. *(Original Indenture, Section 1.1*)

"Capitalized Interest Account" means the account so designated, created and established in the Construction Fund pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. *(Original Indenture, Section 1.1*)

"Construction Account" means the account so designated, created and established in the Construction Fund pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Construction Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Continuing Disclosure Agreement" means the Series A Continuing Disclosure Agreement and any other Continuing Disclosure Agreement executed in connection with the issuance of Additional Bonds. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Co-Paying Agent" means the co-paying agent for the Bonds designated by the Authority pursuant to *Section 3.7* of the Indenture, and its successor or successors. *(Original Indenture, Section 1.1*)

"Cost" or "Costs" means, as applied to the Project or any portion thereof financed with the proceeds of bonds issued under the provisions of the Act, as approved by the Authority, all or any part of the cost of construction and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for the Project, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment, financing charges, interest prior to, during and for a period after completion of such construction, cost of architectural and engineering plans, specifications, studies, surveys, estimates of cost and of revenues, expenses necessary or incident to determining the feasibility or practicability of constructing the Project and such other expenses as may be necessary or incident to the construction and acquisition of the Project, but shall not include such items which are customarily deemed to result in a current operating charge. *(Original Indenture, Section 1.1*)

"Cost of Issuance" means all costs and expenses of the Authority incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees and expenses, financial advisory fees, trustee's acceptance hereunder and initial (including first annual) fees, paying agent fees, underwriter's compensation, fiscal or escrow agent fees, printing expenses and travel expenses. *(Original Indenture, Section 1.1; Restated Indenture, Section 1.1*)

"Cost of Issuance Account" means the account so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Debt Service" for any period means, without duplication, the sum of the amount required for such period (i) to pay principal of, (ii) to fund any sinking fund requirements for, and (iii) to pay interest on Long-Term Indebtedness. *(Original Indenture, Section 1.1*)

"Debt Service Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Defeasance Obligations" means:

(i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America; and

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii) as appropriate, and (d) which are rated AAA by Standard & Poor's or Aaa by Moody's. *(Original Indenture, Section 1.1*)

"DTC" means The Depository Trust Company, New York, New York, a New York State limited purpose trust company, subject to regulation by the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and the New York State Banking Department, or its successors appointed under the Indenture. *(Original Indenture, Section 1.1*)

"Eighth Supplemental Indenture" means the Eighth Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2007. *(Eighth Supplemental Indenture, Section 1.1)*

"Eighth Supplemental Loan Agreement" means the Eighth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of April 1, 2007. *(Eighth Supplemental Indenture, Section 1.1)*

"Electronic Means" means telecopy, telegraph, facsimile transmission, email, or other similar electronic means of communication, including a telephonic communication confirmed in writing or written transmission. *(Restated Indenture, Section 1.1*)

"Eleventh Supplemental Indenture" means the Eleventh Supplemental Trust Indenture between the Authority and the Trustee, dated as of March 1, 2012. *(Eleventh Supplemental Indenture, Section 1.1)*

"Eleventh Supplemental Loan Agreement" means the Eleventh Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of March 1, 2012. *(Eleventh Supplemental Indenture, Section 1.1)*

"Equal Employment Opportunity Laws" means Executive Order No. 11246, dated September 28, 1965, as supplemented from time to time, and all of the regulations, rules and orders promulgated thereunder, and Chapter 814c of the Connecticut General Statutes, the Human Rights and Opportunities Law, as amended from time to time, and all of the regulations, rules and orders promulgated thereunder. *(Original Indenture, Section 1.1*)

"Escrow Deposit Agent" means U.S. Bank National Association, holding such office under the Series I Escrow Deposit Agreement. *(Eighth Supplemental Indenture, Section 1.1)*

"Escrow Deposit Agreement" means the Escrow Deposit Trust Agreement, dated as of April 18, 2007, by and between the Authority and the Escrow Deposit Agent. *(Eighth Supplemental Indenture, Section 1.1)*

"Event of Default" means any of the events of default set forth in *Section 8.1* of the Loan Agreement. *(Original Indenture, Section 1.1)*

"FGIC" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto. *(Fourth Supplemental Indenture, Section 1.1)*

"Fifth Supplemental Indenture" means the Fifth Supplemental Trust Indenture between the Authority and the Trustee, dated as of February 1, 2004. *(Fifth Supplemental Indenture, Section 1.1)*

"Fifth Supplemental Loan Agreement" means the Fifth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of February 1, 2004. *(Fifth Supplemental Indenture, Section 1.1)*

"First Supplemental Indenture" means the First Supplemental Trust Indenture between the Authority and the Trustee, dated as of March 15, 1997. *(First Supplemental Indenture, Section 1.1)*

"First Supplemental Loan Agreement" means the First Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of March 15, 1997. *(First Supplemental Indenture, Section 1.1)*

"Fourth Supplemental Indenture" means the Fourth Supplemental Trust Indenture between the Authority and the Trustee, dated as of May 15, 2003. *(Fourth Supplemental Indenture, Section 1.1)*

"Fourth Supplemental Loan Agreement" means the Fourth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of May 15, 2003. *(Fourth Supplemental Indenture, Section 1.1)*

"Fiscal Year" means the fiscal year of the Institution, currently from July 1 to June 30. *(Original Indenture, Section 1.1*)

"FSA" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto *(Second Supplemental Indenture, Section 1.1; Third Supplemental Indenture, Section 1.1; Fifth Supplemental Indenture, Section 1.1; Sixth Supplemental Indenture, Section 1.1; Seventh Supplemental Indenture, Section 1.1; Eighth Supplemental Indenture, Section 1.1)*

"**Hazardous Substance Agreement**" means the Series A Hazardous Substance Agreement and any other Hazardous Substance Agreement entered into by the Authority and the Institution in connection with the issuance of Additional Bonds. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Housing Fee Receipts" means all revenues, income, fees and revenue receipts, moneys, accounts receivable or other contract rights evidencing a right to receive payment in any period by or on behalf of the Institution from Student Housing Fees, whether in the form of accounts or general intangibles or other contract rights. *(Fourth Supplemental Indenture, Section 1.1)*

"Indebtedness" means (1) indebtedness or liability for borrowed money; (2) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; (3) any installment purchase agreement which has an aggregate purchase price of $1,000,000 or more; and (4) all guarantees of any obligation described in clauses (1) to (3) above. *(Original Indenture, Section 1.1; Fifth Supplemental Indenture, Section 1.1)*

"Indenture" means the Trust Indenture between the Authority and the Trustee, dated as of November 1, 1995, as the same may from time to time be amended or supplemented by a Supplemental Indenture or Indentures, including the Restated Indenture dated as of May 1, 2011. *(Original Indenture, Section 1.1; Restated Indenture, Section 1.1*)

"Institution" means the Connecticut State University System, an agency of the State of Connecticut established by the State of Connecticut as a constituent unit of the State's system of higher education, including as applicable, the Connecticut State University System acting through the Board of Regents for Higher Education serving as the Board of Trustees for the Connecticut State University System, and duly organized and existing under the laws of the State and its successors. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1; Restated Indenture, Section 1.1)*

"Interest Account" means the account so designated, created and established in the Debt Service Fund pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Interest Payment Date" means, for each Series of Bonds, May 1 and November 1 of each year, commencing on the date of the first interest payment due on such Series of Bonds. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Investment Agreement" means an agreement for the investment of moneys held by the Trustee or the Authority pursuant to the Indenture with a Qualified Financial Institution (which may include the entity acting as Trustee). *(Original Indenture, Section 1.1*)

"Issuance Fee" means the fee payable to the Authority at the time of initial delivery of any Series of Bonds in the amount of $5,000. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Loan Agreement" means the Loan Agreement between the Authority and the Institution, dated as of November 1, 1995 as the same may from time to time be amended or supplemented by a Supplemental Loan Agreement or Agreements, including the Restated Loan Agreement dated as of May 1, 2011. *(Original Indenture, Section 1.1; Restated Indenture, Section 1.1*)

"MBIA" means MBIA Insurance Corporation, a New York limited liability corporation, or any successor thereto. *(Fifth Supplemental Indenture, Section 1.1)*

"Moody's" means Moody's Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee. *(Original Indenture, Section 1.1*)

"Net Proceeds" means the original principal amount of the Bonds less original issue discount and underwriters' discount plus accrued interest to the date of original delivery (upon the issuance) of the Bonds. *(Original Indenture, Section 1.1*)

"Ninth Supplemental Indenture" means this Ninth Supplemental Trust Indenture between the Authority and the Trustee, dated as of May 1, 2011. *(Ninth Supplemental Indenture, Section 1.1)*

"Ninth Supplemental Loan Agreement" means the Ninth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of May 1, 2011. *(Ninth Supplemental Indenture, Section 1.1)*

"Note" means the Series A Note and any other note issued by the Institution pursuant to a Supplemental Loan Agreement. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"NRSRO" means a nationally recognized statistical rating organization. *(Restated Indenture, Section 1.1)*

"Official Statement" means the Series A Official Statement and any other Official Statement prepared and distributed in connection with the issuance of Additional Bonds. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Opinion of Counsel" means an opinion in writing signed by legal counsel acceptable to the Trustee and who may be an employee of or counsel to the Institution. *(Original Indenture, Section 1.1*)

"Original Indenture" means the Trust Indenture between the Authority and the Trustee, dated as of November 1, 1995. *(First Supplemental Indenture, Section 1.1)*

"Original Loan Agreement" means the Loan Agreement between the Authority and the Institution, dated as of November 1, 1995. *(First Supplemental Indenture, Section 1.1)*

"Outstanding" when used in reference to Bonds, means as of a particular date, all Bonds authenticated and delivered under the Indenture except: (i) any Bond canceled by the Trustee at or before such date; (ii) any Bond or portion thereof paid or deemed paid in accordance with *Section 12.1* of the Indenture; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture. *(Original Indenture, Section 1.1*)

"Parking Fee Receipts" means all revenues, income, fees and revenue receipts, moneys, accounts receivable or other contract rights evidencing a right to receive payment in any period by or on behalf of the Institution from Student Parking Fees, whether in the form of accounts or general intangibles or other contract rights. *(Second Supplemental Indenture, Section 1.1)*

"Paying Agent" means the Paying Agent and its successor or successors from time to time which may be appointed and designated by the Authority in accordance with *Section 3.6* of the Original Indenture and which as of March 1, 2012 is U.S. Bank National Association. *(Original Indenture, Section 1.1; Restated Indenture, Section 3.6; Eleventh Supplemental Indenture, Section 1.1*)

"Principal Account" means the account so designated, created and established in the Debt Service Fund pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Project" means the educational and related facilities under construction or to be acquired, constructed, refinanced, renovated or provided for the Institution, including necessary attendant facilities, equipment, site work and utilities thereof and consisting of all or any portion of the items described in *Exhibit A* to the Original Loan Agreement or in an exhibit to any Supplemental Loan Agreement and which are financed with the proceeds of a Series of Bonds, and any other "project" as defined in the Act

and as more particularly described in a Supplemental Indenture. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Qualified Financial Institution" means a financial institution that is a domestic corporation, a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a foreign bank acting through a domestic branch or agency which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; provided that for each such entity its unsecured or uncollateralized long-term debt obligations, or obligations secured or supported by a letter of credit, contract, guarantee, agreement or surety bond issued by any such organization, directly or by virtue of a guarantee of a corporate parent thereof have been assigned a long term credit rating by any two NRSROs which is not lower than the two highest ratings (with respect to a foreign bank, the highest rating category) then assigned (i.e., at the time an Investment Agreement or Repurchase Agreement is entered into) by such rating service without qualification by symbols "+" or "-" or a numerical notation. *(Original Indenture, Section 1.1; Second Supplemental Indenture, Section 1.1; Third Supplemental Indenture, Section 1.1; Restated Indenture, Section 1.1)*

"Qualified Investments" means the obligations described below:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations, the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America;

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself; mortgage pass-through securities, mortgage-backed securities pools (MBS), collateralized mortgage obligations (CMO) and all mortgage derivative securities trusts shall not constitute Qualified Investments):

   (1) Direct obligations of or fully guaranteed certificates of beneficial ownership of, the Export Import Bank of the United States,

   (2) Federal Financing Bank,

   (3) Participation certificates of the General Services Administration,

   (4) Guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association, and

   (5) Project Notes, Local Housing Authority Bonds, New Communities Debentures and U.S. public housing notes and bonds fully guaranteed by the U.S. Department of Housing and Urban Development.

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies, provided the agency

is rated in the highest long-term rating category by any two NRSROs (stripped securities are only permitted if they have been stripped by the agency itself):

(1) Federal Home Loan Bank System senior debt obligations,

(2) Participation Certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation,

(3) Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association, and

(4) Consolidated system wide bonds and notes of the Farm Credit System Corporation.

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest short-term rating category by any NRSRO, AAAm or equivalent.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Trustee or the Authority has a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC.

G. Unsecured Investment Agreements (subject to approval of the Authority of any Investment Agreement with a term in excess of thirty (30) days; any Investment Agreement with a term greater than three (3) years must be with an issuer rated in one of the two highest long-term rating categories by any two NRSROs unless a lower rating is consented to by the Authority and the Institution).

In the event the counterparty is downgraded below either AA- or Aa3 by S&P or Moody's, respectively, or equivalent by an NRSRO:

i. The agreement will be transferred to an acceptable institution that meets the ratings requirement described above, or

ii. Collateral consisting of securities outlined in (A) or (B) above shall be posted that has a value equal to at least 104% of the principal plus accrued interest, or collateral consisting of securities outlined in (C) above shall be posted that has a value equal to at least 105% of the principal plus accrued interest, or

iii. The agreement must be converted into a Repurchase Agreement (See clause (L) below), or

iv. The agreement shall terminate at par plus accrued interest within ten (10) business days should (i), (ii) or (iii) above not be accomplished.

H. Collateralized Investment Agreements with providers rated at least "A-" and "A3" by S&P and Moody's, respectively, or equivalent by at least two NRSROs, provided that (i) the same collateral requirements as outlined in (G)(ii) are followed and (ii) if the provider is downgraded below "A-" and "A3", or equivalent by at least two NRSROs, the agreement shall terminate.

I. Commercial paper rated "Prime-1" by Moody's and "A-1+" by Standard & Poor's, or equivalent by at least two NRSROs, and which matures no more than 270 days from the date of purchase and subject to the following limitations:

   a. Only U.S. issuers of corporate (issued to provide working capital funding) commercial paper including U.S. issuers with a foreign parent; and

   b. Limited-purpose trusts, structured investment vehicles (SIVs), Asset-Back Commercial Paper ("ABCP") conduits, and any other type of specialty finance company, whose purpose is generally limited to acquiring and funding a defined pool of assets that are used to repay obligations, are NOT eligible.

J. Bonds or notes issued by any state or municipality which are rated by any two NRSROs in one of the two highest long-term rating categories.

K. Federal funds or bankers' acceptances with a maximum term of six months of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" by Moody's and "A-1" by Standard & Poor's, or equivalent by at least two NRSROs.

L. Repurchase Agreements.

M. Forward delivery agreements with providers rated at least "A-" and "A3" by S&P and Moody's, respectively, or equivalent by at least two NRSROs, provided that (i) permitted deliverables are limited to securities described in (A), (B) and (C) above and (ii) if the provider is downgraded below "A-" or "A3", or equivalent by an NRSRO, the agreement shall terminate.

N. Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest, rated in the highest short-term rating category by any NRSRO.

Where a rating category is specified it shall mean the rating category assigned by the national ratings service without qualification by symbols "+" or "-" or a numerical notation. *(Original Indenture, Section 1.1; Second Supplemental Indenture, Section 1.1; Third Supplemental Indenture, Section 1.1; Restated Indenture, Section 1.1*)

"Rebate Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Rebate Requirement" means the amount of moneys required to be rebated to the United States Department of the Treasury, the method of calculation of which is described in the Tax Certificate. *(Original Indenture, Section 1.1*)

"Record Date" means a date fifteen (15) days before any Interest Payment Date or before any other date established for a redemption under the Indenture, or such other date as may be established by the Trustee pursuant to *Section 7.15* of the Indenture. *(Original Indenture, Section 1.1*)

"Redemption Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Redemption Price," when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture or any Supplemental Indenture. *(Original Indenture, Section 1.1*)

"Refunded Bonds" means the portions of the Authority's Series A Bonds, Series B Bonds, Series C Bonds and Series D Bonds, which are refunded with the proceeds of the Series F Bonds, as described in *Section 3.2* of the Fifth Supplemental Indenture. *(Fifth Supplemental Indenture, Section 1.1)*

"Repurchase Agreement" means, unless otherwise consented to by the Authority, a written repurchase agreement entered into with a Qualified Financial Institution, a bank acting as a securities dealer or a securities dealer approved by the Authority, which is listed by the Federal Reserve Bank of New York as a "Primary Dealer" and rated "AA" or "Aa2" or better by at least two NRSROs (unless a lower rating is consented to by the Authority) under which securities are transferred from a dealer bank or securities firm for cash with an agreement that the dealer bank or securities firm will repay the cash plus a yield in exchange for the securities on a specified date and under which (i) the Authority is the real party in interest and has the right to proceed against the obligor on the underlying obligations which must be obligations of, or guaranteed by, the United States of America, (ii) the term of which shall not exceed one hundred eighty (180) days, unless the Authority shall consent to a longer period, (iii) the collateral must be delivered to the Authority, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) prior to or simultaneous with investment of moneys therein, (iv) such collateral is held free and clear of any lien by the Trustee or an independent third party acceptable by the Authority, acting solely as agent for the Trustee; and (v) the collateral shall be valued weekly, marked to market at current market prices plus accrued interest; provided that at all times the value of the collateral must be equal to at least the required percentage of the amount invested in such repurchase agreement (plus accrued interest), and if the value of such collateral is less than the amount specified, the Qualified Financial Institution or Primary Dealer must invest additional cash or securities such that the collateral value of the amount invested thereafter at least equals as follows: (a) if collateralized by securities described in (A) or (B) of the Qualified Investments definition above, at least 104%, or (b) if collateralized by securities described in (C) of the Qualified Investments definition above, at least 105%. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1; Second Supplemental Indenture, Section 1.1; Third Supplemental Indenture, Section 1.1; Restated Indenture, Section 1.1)*

"Required Minimum Capital Reserve Requirement" means, as of any particular date of computation, an amount (such amount may take the form of cash or securities) equal to the greatest amount required in the then current or any future Bond Year to pay the sum of: (i) interest on the Outstanding Bonds payable on May 1 of such Bond Year and on November 1 of the next succeeding Bond Year; and (ii) the principal or the Sinking Fund Installment, as the case may be, of the Outstanding Bonds payable on November 1 of the next succeeding Bond Year. *(Original Indenture, Section 1.1; Fifth Supplemental Indenture, Section 1.1)*

The term **"Resolution of the Authority"** means a resolution duly adopted by the Authority. *(Original Indenture, Section 1.1*)

"**Restated Indenture**" means the Restated and Amended Trust Indenture between the Authority and the Trustee dated as of May 1, 2011. (*Restated Indenture, Section 1.1*)

"**Restated Loan Agreement**" means the Restated and Amended Loan Agreement between the Authority and the Institution dated as of May 1, 2011. (*Restated Indenture, Section 1.1*)

"Revenue Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1)*

"Revenues" means all rates, amounts, rents, fees, charges and other income and receipts paid or payable to the Authority or to the Trustee for the account of the Authority (excluding fees and expenses payable to the Authority, the Trustee and the Paying Agent and the rights to indemnification of the Authority, the Trustee and the Paying Agent) under and pursuant to the Loan Agreement and as may be further described in a Supplemental Loan Agreement or a Supplemental Indenture. *(Original Indenture, Section 1.1, Restated Indenture, Section 1.1*)

"Second Supplemental Indenture" means the Second Supplemental Trust Indenture between the Authority and the Trustee, dated as of November 15, 1999. *(Second Supplemental Indenture, Section 1.1)*

"Second Supplemental Loan Agreement" means the Second Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of November 15, 1999. *(Second Supplemental Indenture, Section 1.1)*

"Series A Bonds" means the Authority's $44,580,000 Revenue Bonds, Connecticut State University System Issue, Series A, issued pursuant to the Original Indenture. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Series A Construction Subaccount" means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series A Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of November 15, 1995, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(First Supplemental Indenture, Section 1.1)*

"Series A Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series A Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of November 15, 1995, by and between the Authority and the Institution. *(First Supplemental Indenture, Section 1.1)*

"Series A Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by MBIA insuring payment when due of the principal and interest on a portion of the Series A Bonds as provided in the policy. *(Fifth Supplemental Indenture, Section 1.1)*

"Series A Note" means the Note of the Institution, created and issued pursuant to the Original Loan Agreement, dated as of November 1, 1995, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series A Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series A Bonds, in substantially the form set forth in *Schedule A* to the Original Loan Agreement. *(First Supplemental Indenture, Section 1.1)*

"Series A Official Statement" means the Official Statement of the Authority, dated November 2, 1995, containing information, data and statistics concerning the Authority, the Institution, the Series A Bonds and other information, and the appendices thereto, including a letter from the Institution. *(First Supplemental Indenture, Section 1.1)*

"Series A Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Original Loan Agreement which are financed with the proceeds of the Series A Bonds. *(First Supplemental Indenture, Section 1.1)*

"Series A Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series A Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series A Bonds, as such certificate may be amended from time to time. *(First Supplemental Indenture, Section 1.1)*

"Series B Bonds" means the Authority's $38,995,000 Revenue Bonds, Connecticut State University System Issue, Series B, issued pursuant to the First Supplemental Indenture. *(First Supplemental Indenture, Section 1.1)*

"**Series B Construction Subaccount"** means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the First Supplemental Trust Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series B Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of April 9, 1997, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(First Supplemental Indenture, Section 1.1)*

"Series B Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the First Supplemental Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series B Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of April 9, 1997, by and between the Authority and the Institution. *(First Supplemental Indenture, Section 1.1)*

"Series B Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Series B Bonds as provided therein. *(First Supplemental Indenture, Section 1.1; Fifth Supplemental Indenture, Section 1.1)*

"Series B Note" means the Note of the Institution created and issued pursuant to the First Supplemental Loan Agreement, dated as of March 15, 1997, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series B Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series B Bonds, in substantially the form set forth in *Schedule A* to the First Supplemental Loan Agreement. *(First Supplemental Indenture, Section 1.1)*

"Series B Official Statement" means the Official Statement of the Authority, dated March 25, 1997, containing information, data and statistics concerning the Authority, the Institution, the Series B Bonds and other information, and the appendices thereto, including a letter from the Institution. *(First Supplemental Indenture, Section 1.1)*

"Series B Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the First Supplemental Loan Agreement which are financed with the proceeds of the Series B Bonds. *(First Supplemental Indenture, Section 1.1)*

"Series B Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to this First Supplemental Indenture. *(First Supplemental Indenture, Section 1.1)*

"Series B Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series B Bonds, as such certificate may be amended from time to time. *(First Supplemental Indenture, Section 1.1)*

"Series C Bonds" means the Authority's $23,000,000 Revenue Bonds, Connecticut State University System Issue, Series C, issued pursuant to the Second Supplemental Indenture. *(Second Supplemental Indenture, Section 1.1)*

"**Series C Construction Subaccount"** means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Second Supplemental Indenture. *(Second Supplemental Indenture, Section 1.1)*

"Series C Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of December 2, 1999, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Second Supplemental Indenture, Section 1.1)*

"Series C Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to this Second Supplemental Indenture. *(Second Supplemental Indenture, Section 1.1)*

"Series C Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of December 2, 1999, by and between the Authority and the Institution. *(Second Supplemental Indenture, Section 1.1)*

"Series C Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series C Bonds as provided in the policy. *(Second Supplemental Indenture, Section 1.1)*

"Series C Note" means the Note of the Institution created and issued pursuant to the Second Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series C Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series C Bonds, in substantially the form set forth in *Schedule A* to the Second Supplemental Loan Agreement. *(Second Supplemental Indenture, Section 1.1)*

"Series C Official Statement" means the Official Statement of the Authority, dated November 17, 1999, containing information, data and statistics concerning the Authority, the Institution, the Series C Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Second Supplemental Indenture, Section 1.1)*

"Series C Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Second Supplemental Loan Agreement which are financed with the proceeds of the Series C Bonds. *(Second Supplemental Indenture, Section 1.1)*

"Series C Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to this Second Supplemental Indenture. *(Second Supplemental Indenture, Section 1.1)*

"Series C Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series C Bonds, as such certificate may be amended from time to time. *(Second Supplemental Indenture, Section 1.1)*

"Series D Bonds" means the Authority's $76,150,000 Revenue Bonds, Connecticut State University System Issue, Series D, issued pursuant to the Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"Series D-1 Bonds" or **"Series D-1 Bonds (Taxable)"** means the $1,700,000 (Taxable) portion of the Series D Bonds due November 1, 2003 as so indicated in the Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"Series D-2 Bonds" means the portion of the Series D Bonds other than the Series D-1 Bonds, as so indicated in the Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"**Series D Construction Subaccount"** means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"Series D Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of March 26, 2002, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Third Supplemental Indenture, Section 1.1)*

"Series D Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"Series D Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of March 26, 2002, by and between the Authority and the Institution. *(Third Supplemental Indenture, Section 1.1)*

"Series D Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series D-2 Bonds maturing on November 1 of the years 2020 through 2022, as provided in the policy. (*Third Supplemental Indenture, Section 1.1)*

"Series D Note" means the Note of the Institution created and issued pursuant to the Third Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series D Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series D Bonds, in substantially the form set forth in *Schedule A* to the Third Supplemental Loan Agreement. *(Third Supplemental Indenture, Section 1.1)*

"Series D Official Statement" means the Official Statement of the Authority, dated March 13, 2002, containing information, data and statistics concerning the Authority, the Institution, the Series D Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Third Supplemental Indenture, Section 1.1)*

"Series D Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Third Supplemental Loan Agreement which are financed with the proceeds of the Series D Bonds. *(Third Supplemental Indenture, Section 1.1)*

"Series D Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to this Third Supplemental Indenture. *(Third Supplemental Indenture, Section 1.1)*

"Series D Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series D Bonds, as such certificate may be amended from time to time. *(Third Supplemental Indenture, Section 1.1)*

"Series E Bonds" means the Authority's $142,090,000 Revenue Bonds, Connecticut State University System Issue, Series E, issued pursuant to the Fourth Supplemental Indenture. *(Fourth Supplemental Indenture, Section 1.1)*

"**Series E Construction Subaccount"** means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Fourth Supplemental Indenture. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of May 29, 2003, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Fourth Supplemental Indenture. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of May 29, 2003, by and between the Authority and the Institution. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FGIC insuring the payment when due of the principal of and any interest on the Series E Bonds as provided in the policy. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Note" means the Note of the Institution created and issued pursuant to the Fourth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series E Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series E Bonds, in substantially the form set forth in *Schedule A* to the Fourth Supplemental Loan Agreement. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Official Statement" means the Official Statement of the Authority, dated May 15, 2003, containing information, data and statistics concerning the Authority, the Institution, the Series E Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Fourth Supplemental Loan Agreement which are financed with the proceeds of the Series E Bonds. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Fourth Supplemental Indenture. *(Fourth Supplemental Indenture, Section 1.1)*

"Series E Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series E Bonds, as such certificate may be amended from time to time. *(Fourth Supplemental Indenture, Section 1.1)*

"Series F Bonds" means the Authority's $49,475,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series F, issued pursuant to the Fifth Supplemental Indenture. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of February 18, 2004, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Fifth Supplemental Indenture. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of February 18, 2004, by and between the Authority and the Institution. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series F Bonds as provided in the policy. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Note" means the Note of the Institution created and issued pursuant to the Fifth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series F Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series F Bonds, in substantially the form set forth in *Schedule A* to the Fifth Supplemental Loan Agreement. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Official Statement" means the Official Statement of the Authority, dated February 5, 2004, containing information, data and statistics concerning the Authority, the Institution, the Series F Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Fifth Supplemental Indenture. *(Fifth Supplemental Indenture, Section 1.1)*

"Series F Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series F Bonds, as such certificate may be amended from time to time. *(Fifth Supplemental Indenture, Section 1.1)*

"Series G Bonds" means the Authority's $50,595,000 Revenue Bonds, Connecticut State University System Issue, Series G, issued pursuant to the Sixth Supplemental Indenture. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Construction Subaccount" means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Sixth Supplemental Trust Indenture. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Sixth Supplemental Indenture. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series G Bonds as provided in the policy. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Note" means the Note of the Institution created and issued pursuant to the Sixth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series G Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series G Bonds, in substantially the form set forth in *Schedule A* to the Sixth Supplemental Loan Agreement. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Sixth Supplemental Loan Agreement which are financed with the proceeds of the Series G Bonds. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Sixth Supplemental Indenture. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G and H Continuing Disclosure Agreement" means the Continuing Disclosure Agreements between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of June 17, 2005, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G and H Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of June 17, 2005, by and between the Authority and the Institution. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G and H Official Statement" means the Official Statement of the Authority, dated June 7, 2005, containing information, data and statistics concerning the Authority, the Institution, the Series G Bonds, the Series H Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Sixth Supplemental Indenture, Section 1.1)*

"Series G and H Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series G Bonds and Series H Bonds, as such certificate may be amended from time to time. *(Sixth Supplemental Indenture, Section 1.1)*

"Series H Bonds" means the Authority's $48,515,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series H, issued pursuant to the Seventh Supplemental Indenture. *(Sixth Supplemental Indenture, Section 1.1; Seventh Supplemental Indenture, Section 1.1)*

"Series H Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Seventh Supplemental Indenture. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Escrow Deposit Agent" means U.S. Bank National Association, holding such office under the Series H Escrow Deposit Agreement. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Escrow Deposit Agreement" means the Escrow Deposit Trust Agreement, dated as of June 1, 2005, by and between the Authority and the Escrow Deposit Agent. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series H Bonds as provided in the policy. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Note" means the Note of the Institution created and issued pursuant to the Seventh Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series H Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series H Bonds, in substantially the form set forth in *Schedule A* to the Seventh Supplemental Loan Agreement. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Refunded Bonds" means the portions of the Authority's Series B Bonds, Series C Bonds, Series D Bonds and Series E Bonds which are refunded with the proceeds of the Series H Bonds. *(Seventh Supplemental Indenture, Section 1.1)*

"Series H Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Seventh Supplemental Indenture. *(Seventh Supplemental Indenture, Section 1.1)*

"Series I Bonds" means the Authority's $62,760,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series I, issued pursuant to the Eighth Supplemental Indenture. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of April 18, 2007, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Eighth Supplemental Indenture. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Escrow Deposit Agent" means U.S. Bank National Association, holding such office under the Series I Escrow Deposit Agreement. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Escrow Deposit Agreement" means the Escrow Deposit Trust Agreement, dated as of April 18, 2007, by and between the Authority and the Series I Escrow Deposit Agent. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of April 18, 2007, by and between the Authority and the Institution. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by FSA insuring the payment when due of the principal of and any interest on the Series I Bonds as provided in the policy. *(Eighth Supplemental Indenture, Section 1.1)*]

"Series I Note" means the Note of the Institution created and issued pursuant to the Eighth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series I Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series I Bonds, in substantially the form set forth in *Schedule A* to the Eighth Supplemental Loan Agreement. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Official Statement" means the Official Statement of the Authority, dated March 21, 2007, containing information, data and statistics concerning the Authority, the Institution, the Series I Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Refunded Bonds" means the portions of the Authority's Series D Bonds, Series E Bonds and Series G Bonds which are refunded with the proceeds of the Series I Bonds. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Eighth Supplemental Indenture. *(Eighth Supplemental Indenture, Section 1.1)*

"Series I Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority on the date of issuance and delivery of the Series I Bonds, as such certificate may be amended from time to time. *(Eighth Supplemental Indenture, Section 1.1)*

"Series J and K Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of June 22, 2011, pertaining to disclosure of future events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J and K Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of June 22, 2011, by and between the Authority and the Institution. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J and K Official Statement" means the Official Statement of the Authority, dated June 22, 2011, containing information, data and statistics concerning the Authority, the Institution, the Series J Bonds, the Series K Bonds, and other information, and the appendices thereto, including a letter from the Institution. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J and K Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority and the Institution on the date of issuance and delivery of the Series J Bonds and Series K Bonds, as such certificate may be amended from time to time. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Bonds" means the Authority's $27,035,000 Revenue Bonds, Connecticut State University System Issue, Series J, issued pursuant to the Ninth Supplemental Indenture. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Construction Subaccount" means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Ninth Supplemental Trust Indenture. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Ninth Supplemental Indenture. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Note" means the Note of the Institution created and issued pursuant to the Ninth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series J Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series J Bonds, in substantially the form set forth in *Schedule A* to the Ninth Supplemental Loan Agreement. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Ninth Supplemental Loan Agreement which are financed with the proceeds of the Series J Bonds. *(Ninth Supplemental Indenture, Section 1.1)*

"Series J Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Ninth Supplemental Indenture. *(Ninth Supplemental Indenture, Section 1.1)*

"Series K Bonds" means the Authority's $14,010,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series K, issued pursuant to the Tenth Supplemental Indenture. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Tenth Supplemental Indenture. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Escrow Deposit Agent" means U.S. Bank National Association, holding such office under the Series K Escrow Deposit Agreement. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Escrow Deposit Agreement" means the Escrow Deposit Trust Agreement, dated as of June 22, 2011, by and between the Authority and the Series K Escrow Deposit Agent. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Note" means the Note of the Institution created and issued pursuant to the Tenth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series K Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series K Bonds, in substantially the form set forth in *Schedule A* to the Tenth Supplemental Loan Agreement. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Refunded Bonds" means the portions of the Authority's Series E Bonds which are refunded with the proceeds of the Series K Bonds. *(Tenth Supplemental Indenture, Section 1.1)*

"Series K Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to this Tenth Supplemental Indenture. *(Tenth Supplemental Indenture, Section 1.1)*

"Series L Bonds" means the Authority's $49,040,000 Revenue Refunding Bonds, Connecticut State University System Issue, Series L, issued pursuant to the Eleventh Supplemental Indenture. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of April 4, 2012, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Eleventh Supplemental Indenture. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Escrow Deposit Agent" means U.S. Bank National Association, holding such office under the Series L Escrow Deposit Agreement. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Escrow Deposit Agreement" means the Escrow Deposit Trust Agreement, dated as of April 4, 2012, by and between the Authority and the Series L Escrow Deposit Agent. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of April 4, 2012, by and between the Authority and the Institution. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Note" means the Note of the Institution created and issued pursuant to the Eleventh Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series L Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series L Bonds, in substantially the form set forth in *Schedule A* to the Eleventh Supplemental Loan Agreement. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Official Statement" means the Official Statement of the Authority, dated March 13, 2012, containing information, data and statistics concerning the Authority, the Institution, the Series L Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Refunded Bonds" means the portions of the Authority's Series B Bonds and Series E Bonds which are refunded with the proceeds of the Series L Bonds. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Eleventh Supplemental Indenture. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series L Tax Certificate" means the Authority's Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority and the Institution on the date of issuance and delivery of the Series L Bonds, as such certificate may be amended from time to time. *(Eleventh Supplemental Indenture, Section 1.1)*

"Series M Bonds" means the Authority's $34,060,000 Revenue Bonds, Connecticut State University System Issue, Series M, issued pursuant to the Twelfth Supplemental Indenture. *(Twelfth Supplemental Indenture, Section 1.1)*

"**Series M Construction Subaccount"** means the subaccount so designated, created and established in the Construction Account of the Construction Fund pursuant to the Twelfth Supplemental Indenture. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Institution and the Dissemination Agent and between the State and the Dissemination Agent, both dated as of January 10, 2013, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Cost of Issuance Subaccount" means the subaccount so designated, created and established in the Cost of Issuance Account of the Construction Fund pursuant to the Twelfth Supplemental Indenture. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Hazardous Substance Agreement" means the Hazardous Substance Certificate and Indemnification Agreement, dated as of January 10, 2013, by and between the Authority and the Institution. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Note" means the Note of the Institution created and issued pursuant to the Twelfth Supplemental Loan Agreement, to the Authority and assigned to the Trustee by the Authority, in the principal amount equal to the principal amount of the Series M Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Series M Bonds, in substantially the form set forth in *Schedule A* to the Twelfth Supplemental Loan Agreement. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Official Statement" means the Official Statement of the Authority, dated December 19, 2012, containing information, data and statistics concerning the Authority, the Institution, the Series M Bonds and other information, and the appendices thereto, including a letter from the Institution. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Project" means the educational and related facilities of the Institution, consisting of all or any portion of the items described in *Exhibit A* to the Twelfth Supplemental Loan Agreement which are financed with the proceeds of the Series M Bonds. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Special Capital Reserve Account" means the account so designated, created and established in the Special Capital Reserve Fund pursuant to the Twelfth Supplemental Indenture. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series M Tax Certificate" means the Tax Certificate, including all appendices, certificates and attachments thereto, executed by the Authority and the Institution on the date of issuance and delivery of the Series M Bonds, as such certificate may be amended from time to time. *(Twelfth Supplemental Indenture, Section 1.1)*

"Series of Bonds" or "Bonds of a Series" means the Series A Bonds and any Series of Bonds authenticated and delivered on original issuance in a simultaneous transaction authorized by a Supplemental Indenture. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Seventh Supplemental Indenture" means the Seventh Supplemental Trust Indenture between the Authority and the Trustee, dated as of June 1, 2005. *(Sixth Supplemental Indenture, Section 1.1; Seventh Supplemental Indenture, Section 1.1)*

"Seventh Supplemental Loan Agreement" means the Seventh Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of June 1, 2005. *(Seventh Supplemental Indenture, Section 1.1)*

"Sinking Fund Account" means the account so designated, created and established in the Debt Service Fund pursuant to *Section 5.1* of the Indenture. *(First Supplemental Indenture, Section 1.1)*

"Sixth Supplemental Indenture" means the Sixth Supplemental Trust Indenture between the Authority and the Trustee, dated as of June 1, 2005. *(Sixth Supplemental Indenture, Section 1.1)*

"Sixth Supplemental Loan Agreement" means the Sixth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of June 1, 2005. *(Sixth Supplemental Indenture, Section 1.1)*

"Special Capital Reserve Fund" means the fund so designated, created and established pursuant to *Section 5.1* of the Indenture. *(Original Indenture, Section 1.1*)

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee. *(Original Indenture, Section 1.1*)

"State" means the State of Connecticut. *(Original Indenture, Section 1.1*)

"Student Housing Fee" means the portion of fees (other than the University Fee) charged to students enrolled at Southern Connecticut State University, Eastern Connecticut State University, and Western Connecticut State University, which are three of the four campuses comprising the Institution, and allocated on the books of the Institution as housing fees. *(Fourth Supplemental Indenture, Section 1.1)*

"Student Parking Fee" means the portion of fees (other than the University Fee) charged to full-time and part-time students enrolled at Western Connecticut State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, which are the four campuses comprising the Institution, and allocated on the books of the Institution as student parking fees. *(Second Supplemental Indenture, Section 1.1, Third Supplemental Indenture, Section 1.1; Sixth Supplemental Indenture, Section 1.1)*

"Supplemental Indenture" means any indenture of the Authority modifying, altering, amending, supplementing or confirming the Indenture for any purpose, in accordance with the terms thereof. *(Original Indenture, Section 1.1*)

"Supplemental Loan Agreement" means any agreement between the Authority and the Institution amending or supplementing the Loan Agreement in accordance with the terms of the Indenture. *(Original Indenture, Section 1.1*)

"Surplus Account" means the account so designated, created and established in the Debt Service Fund pursuant to *Section 5.1* of the Indenture. *(First Supplemental Indenture, Section 1.1)*

"Tax Certificate" means the Authority's Series A Tax Certificate and any other Tax Certificate executed by the Authority in connection with the issuance of Additional Bonds. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1)*

"Tenth Supplemental Indenture" means the Tenth Supplemental Trust Indenture between the Authority and the Trustee, dated as of May 1, 2011. *(Tenth Supplemental Indenture, Section 1.1)*

"Tenth Supplemental Loan Agreement" means the Tenth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of May 1, 2011. *(Tenth Supplemental Indenture, Section 1.1)*

"Third Supplemental Indenture" means the Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of March 15, 2002. *(Third Supplemental Indenture, Section 1.1)*

"Third Supplemental Loan Agreement" means the Third Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of March 15, 2002. *(Third Supplemental Indenture, Section 1.1)*

"Trustee" means U.S. Bank National Association, successor to State Street Bank and Trust Company, successor to Fleet National Bank, formerly known as Shawmut Bank Connecticut, National Association, and its successors and any other entity which may at any time be substituted in its place pursuant to the Indenture. *(Original Indenture, Section 1.1; First Supplemental Indenture, Section 1.1; Second Supplemental Indenture, Section 1.1; Fourth Supplemental Indenture, Section 1.1)*

"Twelfth Supplemental Indenture" means the Twelfth Supplemental Trust Indenture between the Authority and the Trustee, dated as of December 1, 2012. *(Twelfth Supplemental Indenture, Section 1.1)*

"Twelfth Supplemental Loan Agreement" means the Twelfth Supplemental Loan Agreement, by and between the Institution and the Authority, dated as of December 1, 2012. *(Twelfth Supplemental Indenture, Section 1.1)*

"University Fee" means an annual charge to full-time students enrolled at any one of the four campuses comprising the Institution, but not charges for tuition or the University General Fee or Student Activity Fee. *(Original Indenture, Section 1.1*)

"University Fee Receipts" means all revenues, income, fees and revenue receipts, moneys, accounts receivable or other contract rights evidencing a right to receive payment in any period by or on behalf of the Institution from University Fees, whether in the form of accounts or general intangibles or other contract rights. *(Original Indenture, Section 1.1*)

"Upfront Fee" means fee of $5,000 payable by the Institution to the Authority, upon the application for the issuance of the Bonds. *(First Supplemental Indenture, Section 1.1)*

APPENDIX I-D

EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

The following excerpts from and (where indicated by "Summary.") brief summaries of certain provisions of the Trust Indenture do not purport to be complete and reference is made to the Trust Indenture for full and complete statements of such and all terms and provisions.

GRANTING CLAUSES
DIVISION I

All right, title and interest of the Authority in and to the Revenues (as defined herein) payable to the Authority or to the Trustee for the account of the Authority and to the moneys and securities deposited and held from time to time by the Authority or by the Trustee in the Funds and Accounts created hereunder (excluding fees and expenses payable to the Authority, moneys and securities held in the Rebate Fund and the Authority's right to indemnification under certain circumstances) subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture; and

DIVISION II

All right, title and interest of the Authority in and to the Note; and

DIVISION III

Any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the Authority or the Institution or by anyone on their behalf to the Trustee, including without limitation funds of the Institution held by the Trustee and the Authority as security for the Bonds.

SECTION 1.2 INDENTURE. In consideration of the purchase and acceptance of any and all of the Bonds secured and issued under this Indenture: (i) this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the owners from time to time of such Bonds; (ii) the pledge made herein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the owners from time to time of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof except as expressly provided in or permitted hereby or by the applicable Supplemental Indenture, if any; (iii) the pledge made hereby shall be valid and binding from the time when the pledge is made and the Revenues received by the Trustee and all income and receipts earned on funds held by the Trustee and the Authority hereunder (other than the Rebate Fund) and any further pledge of property under the applicable Supplemental Indenture, shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof; and (iv) the Bonds shall be special obligations of

the Authority payable solely from and secured by a pledge of the Revenues and certain moneys and funds as provided hereby and by the applicable Supplemental Indenture.

[*Original Indenture, 5th Supp. Ind., Sec. 2.1, as amended May 1, 2011*]

SECTION 2.9 AUTHORIZATION OF ADDITIONAL BONDS; PROVISIONS FOR ISSUANCE OF ADDITIONAL BONDS; SUPPLEMENTAL INDENTURES. (a) The Authority may issue Additional Bonds on a parity with all Outstanding Bonds and secured by an equal charge and lien on and payable equally from the Revenues (i) to provide for completion of any portion of the Project, (ii) to finance in whole or in part for the Institution any project, as defined in the Act; and (iii) to refund in whole or in part Bonds of a Series; provided, however, that the Authority may not issue Additional Bonds that contain "put" or "tender option" features under which a Bondowner is required to or has the right to tender such Additional Bonds for purchase to the Trustee or to the Authority or its agent or to the Institution with the approval of the Authority prior to the stated maturity of such Additional Bonds without making provision pursuant to a Supplemental Indenture for payment of such "put" or "tender" bonds. The principal amount of such Additional Bonds may include an amount allocated to pay the Costs of Issuance and to fund the Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement as well as amounts required to be deposited in certain other funds and accounts established pursuant to this Indenture.

(b) Additional Bonds shall be dated, shall bear interest until their payment at such rate or rates payable on such Interest Payment Dates and shall mature on November 1, in such years and shall have such other terms and conditions not inconsistent with the provisions of this Indenture as shall be provided for such Series in any Supplemental Indenture authorizing the issuance thereof. The Additional Bonds may be issued in one or more Series and the Additional Bonds of each Series shall each be designated "State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Connecticut State University System Issue, Series", with such other designation appropriate to the terms and provisions of such Series.

(c) Each Supplemental Indenture executed in connection with the issuance of Additional Bonds shall specify:

(1) The authorized principal amount of such Additional Bonds;

(2) The purposes for which such Additional Bonds are being issued;

(3) The date, maturity dates and amounts of each maturity and the first and subsequent Interest Payment Dates of such Additional Bonds or the manner of determining such items;

(4) The interest rate or rates of such Additional Bonds, or the manner of determining such rate or rates;

(5) The denomination or denominations of and the manner of numbering and lettering of such Additional Bonds or the manner of determining such items;

(6) The form in which such Additional Bonds shall be initially issued;

(7) The Redemption Price or Redemption Prices, if any, and, subject to Article IV, the redemption terms, if any, for such Additional Bonds;

(8) Provisions with respect to funds and accounts;

(9) Directions for the application and disbursements of the proceeds of the Additional Bonds; and

(10) Any other provisions deemed advisable by the Authority, in lieu of or in substitution for the provisions of this Indenture to the extent such action is permitted to be taken under this Indenture without the consent of the Bondowners.

(d) No Additional Bonds shall be issued unless the Authority complies with the requirements of (1) *Section 6.5(b)* of the Original Indenture with respect to maintaining the Required Minimum Capital Reserve Requirement, and (2) *Section 9.5* of the Original Indenture which requires the consent of the Secretary of the Office of Policy and Management of the State and the Treasurer of the State, or their successors, to any Supplemental Indenture.

[*Original Indenture, 1st Supp. Ind., Sec. 2.1(a)*]

SECTION 3.1 MEDIUM OF PAYMENT OF BONDS. The Bonds shall be payable as to principal and Redemption Price, if any, and interest thereon in lawful money of the United States of America. Payment of the interest on the Bonds shall be made to the person appearing on the registration books of the Authority provided for herein as the Bondowner thereof on the Record Date, by wire or by check or draft mailed by the Paying Agent to the Bondowner at his address as shown on such registration books of the Authority, kept by the Paying Agent unless an alternate method of payment is agreed to by the Paying Agent and the Bondowner, subject to the approval of the Authority, which approval shall not be unreasonably withheld. The principal or Redemption Price of Bonds shall be paid to the Bondowner upon presentation and surrender of the Bonds at the designated corporate trust office of the Paying Agent or in the manner provided in any Supplemental Indenture.

[*Original Indenture, amended May 1, 2011*]

SECTION 3.2 LEGENDS. The Bonds may contain, or have endorsed thereon, such provisions, specifications and descriptive words not inconsistent with the provisions authorizing the issuance thereof, as may be necessary or desirable and as may be determined by the Authority prior to their authentication and delivery.

[*Original Indenture*]

SECTION 3.3 EXECUTION AND AUTHENTICATION. The Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of an Authorized Officer of the Authority and sealed with its corporate seal (or a facsimile thereof), attested by the manual or facsimile signature of another Authorized Officer of the Authority who did not execute the Bonds. In case any officer whose signature appears on such Bonds shall cease to be such officer before delivery of such Bonds, such signature shall, nevertheless, be valid and sufficient for all purposes as if he had remained in office until such delivery. The Bonds when so executed shall be delivered to the Paying Agent for manual authentication by it, and the Paying Agent shall, upon written order of the Authority, signed by an Authorized Officer thereof, authenticate and deliver such Bonds as herein provided and not otherwise.

No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in *Attachment A*, duly executed by the Paying Agent, and such certificate of the Paying Agent, upon any Bond executed on behalf of the Authority, shall be conclusive evidence and the only evidence required that the Bonds so authenticated have been duly issued hereunder and that the owner thereof is entitled to

the benefit of this Indenture. The certificate of the Paying Agent may be executed by any Authorized Officer of the Paying Agent.

[*Original Indenture, as amended May 1, 2011*]

SECTION 5.1 ESTABLISHMENT OF FUNDS AND ACCOUNTS. The following funds and separate accounts and subaccounts within funds shall be established, held and maintained by the Trustee except for the Construction Fund which shall be held by the Authority:

Construction Fund
- Construction Account
- Cost of Issuance Account
- Capitalized Interest Account

Revenue Fund
Debt Service Fund
- Interest Account
- Principal Account
- Sinking Fund Account
- Surplus Account

Special Capital Reserve Fund
Redemption Fund
Rebate Fund

For accounting purposes only, the funds and accounts above may be further divided into subaccounts to facilitate among other items, the disposition of Revenues.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(b)*]

SECTION 5.2 APPLICATION OF BOND PROCEEDS AND ALLOCATION THEREOF. (a) All moneys received by the Authority from the sale of the Bonds shall be simultaneously disbursed in such amounts and in such manner as provided in a certificate of an Authorized Officer of the Authority as follows:

(i) Accrued interest, if any, derived from the sale of the Bonds shall be deposited in the Interest Account, and used for the purpose of paying interest on the Bonds as the same becomes due and payable;

(ii) The amount constituting the Required Minimum Capital Reserve Requirement shall be deposited in the Special Capital Reserve Fund; and

(iii) The balance of the proceeds shall be transferred or deposited in the amounts and to the accounts in such of the Funds established by Section 5.1 above as set forth in a certificate of an Authorized Officer of the Authority.

The proceeds of the sale of the Bonds shall be and constitute trust funds for the purposes hereinabove provided and there is hereby created a lien upon such moneys, until so applied, in favor of the Trustee for the benefit of the owners of the Bonds.

SECTION 5.3 APPLICATION OF MONEYS IN THE CONSTRUCTION FUND. (a) As soon as practicable after the delivery of the Bonds, the Authority shall pay from the Cost of Issuance Account to the firms, corporations or persons entitled thereto the Cost of Issuance of the Authority relating to the issuance of the Bonds solely from moneys (which shall include, with respect to

the payment of Cost of Issuance for the Bonds, moneys paid to the Authority by the Institution) deposited in the Cost of Issuance Account with the Authority. Amounts on deposit in the Cost of Issuance Account shall also be applied, as soon as practicable following delivery of the Bonds, to the payment to the Authority of the Issuance Fee. Any moneys remaining on hand in the Cost of Issuance Account upon payment of all Costs of Issuance shall be transferred to the Construction Account if the Project is not completed, and if not so needed to the Trustee for deposit into the Interest Account, the Principal Account and/or the Sinking Fund Account as directed in writing by an Authorized Officer of the Authority.

[*Original Indenture, as amended May 1, 2011*]

(b) Except as otherwise provided in this *Article V* or in any Supplemental Indenture, any moneys deposited in an account within the Construction Fund shall be used only to pay the Costs of or relating to the Project to which this Indenture, or a project defined in such Supplemental Indenture, relates, including reimbursement to the Institution for such Costs paid by the Institution in connection with the Project and approved by the Authority; provided, however, that to the extent an event of default described in clause (a) or (b) of *Section 8.1* hereof shall have occurred and be continuing and no other moneys are available under this Indenture to cure such event of default, moneys on deposit in the Construction Fund shall be applied in accordance with *Section 8.4* hereof. Moneys in the Construction Subaccounts for any particular Series of Bonds may be spent for any portions of a Project financed by another Series of Bonds, provided that (1) an Authorized Officer of the Institution makes such request in writing to the Authority to spend such moneys on a project other than the specific ones for which the Series of Bonds was issued and the Authority approves such request, and (2) the Tax Certificate for the Series of Bonds from which proceeds are to be taken and applied to the project of another Series of Bonds does not limit or prohibit such use.

[*Original Indenture, 3rd Supp. Ind. Sec. 2.1(a), as amended May 1, 2011*]

(c) Payments pursuant to paragraph (b) of this Section shall be made in accordance with a requisition submitted to the Authority by the Institution signed by an Authorized Officer of the Institution stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Payments pursuant to paragraph (b) of this Section shall be substantiated by a certificate filed with the Authority describing in reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the Cost of the Project to which such certificate relates, such substantiating certificate to be signed by: (i) the architect for the Project, if any, in the case of payments for constructing the Project; or (ii) an Authorized Officer of the Institution in the case of all other expenses and reimbursements. The Authority shall be entitled to review and approve any such requisition submitted by the Institution. If the Institution requests a copy of any certificate issued under this paragraph (c), the Authority shall comply with such request.

[*Original Indenture, as amended May 1, 2011*]

(d) Upon completion of the portions of the Project financed with a Series of Bonds, as evidenced in accordance with the next succeeding paragraph, or if the Project is deemed complete, the Authority shall transfer the balance in the Construction Fund to the Trustee. The Trustee shall deposit the amounts so received first, to make up any deficiency in the Special Capital Reserve Fund up to a maximum amount which, together with the amount of proceeds from the sale of the Bonds previously deposited in the Special Capital Reserve Fund, does not exceed ten percent (10%) of the original principal amount of the applicable Series of Bonds, or to reimburse the State for any amounts deposited in the Special Capital Reserve Fund as provided in *Section* 6.9, and *second,* to the Debt Service Fund or the Redemption Fund, as directed by the Institution, and if deposited in the Debt Service Fund shall be deposited first, in the Principal Account or the Sinking Fund Account, as the case may be, if a principal

payment or sinking fund installment on the applicable Series of Bonds is due in the next twelve months, in an amount which shall not exceed the amount which, together with any moneys in the Principal Account or Sinking Fund Account, is necessary to pay the principal amount or sinking fund installment, as the case may be, on the next November 1 of the applicable Series of Bonds, and second in the Surplus Account. Such payment if deposited in the Principal Account or Sinking Fund Account shall be applied as a credit against the next due payment of the principal portion of debt service from the Institution or, if deposited in the Redemption Fund, shall be applied either to the purchase or redemption of Bonds as provided in *Section 5.7* hereof.

Completion of the portions of the Project financed by a Series of Bonds shall be determined by a certificate of the Authority signed by an Authorized Officer thereof certifying the balance in the applicable subaccount of Construction Fund for such Series of Bonds, substantiated by certificates signed by the architect for the Project, if any, and an Authorized Officer of the Institution and delivered after the date of completion to the Trustee and the Institution. Such certificate signed by any architect for the Project and the Authorized Officer of the Institution shall state that the construction or renovation of the applicable portion of the Project has been completed, describe it in terms sufficient for identification, and specify the date of completion. In the case of the acquisition of the portion of the Project or any part thereof, completion of such acquisition shall be evidenced by a certificate signed by an Authorized Officer of the Institution and delivered within ten (10) days after the date of completion of such acquisition to the Authority and to the Trustee.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(c), as amended May 1, 2011*]

(e) Upon requisition signed by an Authorized Officer of the Institution, the Authority shall transfer to the Trustee from moneys on deposit in the Capitalized Interest Account, if any, the amount specified in the requisition up to the amount of interest due on the Bonds on the next Interest Payment Date, for deposit by the Trustee to the Interest Account of the Debt Service Fund.

[*Original Indenture*]

SECTION 5.4 DEPOSIT OF REVENUES AND ALLOCATION THEREOF. The Revenues received pursuant to the Loan Agreement or the Note and any other moneys required by any of the provisions of this Indenture to be deposited in the Revenue Fund, shall be promptly paid to the Trustee for deposit to the credit of the Revenue Fund.

Notwithstanding any other provisions of this Indenture, moneys received by the Trustee as an optional prepayment pursuant to *Section 2.6* of the Loan Agreement shall be applied in the following order: *first,* if a deficiency then exists in an account in the Special Capital Reserve Fund as determined pursuant to *Section 5.10* hereof, such moneys shall be deposited in such account in the Special Capital Reserve Fund up to the amount of any such deficiency; *second,* if any amounts deposited by the State in an account in the Special Capital Reserve Fund have not yet been reimbursed to the State, such moneys shall then be applied to such reimbursement; and *third,* after any of the above deposits are made, then deposited in the Redemption Fund if the Bonds are then subject to redemption, or otherwise in the Debt Service Fund for payment of the next due principal of or interest on the Bonds.

Subject to the prior paragraph of this Section, moneys in the Revenue Fund shall be paid by the Trustee on or before the next Business Day after deposit thereof as follows and in the following order of priority:

FIRST: To the Interest Account, the amount, if any, necessary to make the amount on deposit therein equal to the interest becoming due on the Bonds Outstanding on the next Interest Payment Date of the Bonds (after taking into account available funds

on deposit in the Capitalized Interest Account of the Construction Fund which are scheduled to be transferred to the Trustee pursuant to *Section 5.3(e)* hereof prior to such Interest Payment Date);

SECOND: To the Principal Account, the amount, if any, necessary to make the amount on deposit therein (i) as of each April 1 equal to one-half (1/2), and (ii) as of each October 1 equal to all of the principal amount becoming due on the Bonds on the next succeeding principal payment date;

THIRD: To the Sinking Fund Account, the amount, if any, necessary to make the amount on deposit therein (i) as of each April 1 equal to one-half (1/2), and (ii) as of each October 1 equal to all of the sinking fund installment payable on the next succeeding sinking fund redemption date;

FOURTH: To the Rebate Fund to the extent required, amounts necessary in each year so as to meet the Rebate Requirement of the Rebate Fund;

FIFTH: To the Special Capital Reserve Fund, the amount, if any, required by the Loan Agreement to be paid by the Institution to replenish any "deficiency" in the Special Capital Reserve Fund, as is necessary to make the total of the amounts on deposit in the Special Capital Reserve Fund equal to the Required Minimum Capital Reserve Requirement;

SIXTH: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditure of the Authority for insurance, fees and auditing, and fees and expenses of the Trustee and the Paying Agent or any Co-Paying Agent, all as required by this Indenture and not otherwise paid or caused to be paid or provided for by the Institution; (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the loan to the Institution and the issuance of the Bonds, including penalties for late payments and all expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement in accordance with the terms thereof; (iii) the Annual Administrative Fee; and (iv) any other amounts due and payable by the Institution to the Authority pursuant to the Loan Agreement - but only upon receipt by the Trustee from the Authority of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph SIXTH; and

SEVENTH: To the Trustee, for repayment to the State, the amount deposited by the State in the Special Capital Reserve Fund which has not yet been reimbursed to the State.

After making the payments required by paragraphs FIRST, SECOND, THIRD, FOURTH, FIFTH, SIXTH and SEVENTH above, any balance remaining in the Revenue Fund shall be paid, as the Authority may direct, to the Debt Service Fund and credited against the next due payment of debt service from the Institution (provided the amount in the Debt Service Fund may not exceed the amount of debt service due on the Bonds during the next twelve months) or to the Redemption Fund and applied by the Trustee to the purchase or redemption of Bonds.

In lieu of redeeming Bonds through sinking fund installments, other than with respect to a sinking fund installment for which notice of redemption of the Bonds has been given to Bondowners in accordance with the applicable provisions of this Indenture, the Authority may elect to do either of the following:

A. The Authority may direct the Trustee in writing or by Electronic Means to apply moneys from time to time on deposit in the Sinking Fund Account and the Interest Account to the purchase of an equal principal amount of Bonds (of the maturity and in amounts then subject to redemption through sinking fund installments) at prices not higher than the principal amount to be redeemed plus accrued interest, provided that firm commitments to sell Bonds are received at least ten (10) days before the notice of redemption would otherwise be required to be given; provided further, that in the event of purchases at purchase prices less than the principal amount to be redeemed plus accrued interest, the difference between the amount in the Sinking Fund Account representing the principal amount of the Bonds purchased and the purchase price (exclusive of accrued interest) shall be deposited in the Revenue Fund for application pursuant to paragraphs SECOND or THIRD above as directed by the Authority; provided further, that prior to any such purchase, the Authority shall give directions to the Trustee in writing or by Electronic Means to purchase such Bonds and following any such purchase such Bonds shall be canceled; or

B. The Authority may deliver to the Trustee for cancellation Bonds of the maturity then subject to redemption by sinking fund installments at least five (5) days before the notice of redemption would otherwise be required to be given, in which event to the extent of the principal amount of Bonds so surrendered (i) no deposit from the Authority into the Sinking Fund Account need be made and (ii) no such redemption from sinking fund installments shall occur; provided the Authority surrenders such Bonds to the Trustee prior to the date on which the sinking fund installment would otherwise be due.

So long as beneficial ownership interests in the Bonds are held through the book-entry-system, any purchase or delivery of such Bonds as set forth in such clauses (A) and (B) above shall be deemed to have occurred upon the purchase or delivery of beneficial ownership interests in such Bonds made pursuant to *Section 2.7(c)* hereof.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(d), as amended May 1, 2011*]

SECTION 5.5 APPLICATION OF MONEYS IN THE DEBT SERVICE FUND. The Trustee shall transfer moneys out of the Interest Account to the Paying Agent on the Business Day next preceding each Interest Payment Date for the payment of interest then due on the Bonds. The Trustee shall pay out of such Interest Account to the Paying Agent any amounts required for the payment of accrued interest upon any redemption or purchase of the Bonds.

The Trustee shall transfer moneys out of the Principal Account or the Sinking Fund Account, as the case may be, to the Paying Agent on the Business Day next preceding each principal maturity date or sinking fund installment date, as the case may be, for the payment of the principal amount or sinking fund installment, as the case may be, of the Bonds then due. The Trustee shall pay out of the Sinking Fund Account any amounts directed by the Authority for the purchase of Bonds pursuant to *Section 5.4* hereof.

The Trustee shall transfer moneys out of the Surplus Account to the Principal Account or the Sinking Fund Account, as the case may be, no earlier than the day after payment of any principal or sinking fund installment on the Bonds, and not in excess of the amount which, together with any moneys in the Principal Account or Sinking Fund Account, is necessary to pay the principal amount or sinking fund installment, as the case may be, on the next November 1.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(e)*]

SECTION 5.6 APPLICATION OF MONEYS IN THE SPECIAL CAPITAL RESERVE FUND. If on any Interest Payment Date the amount in the Interest Account shall be less than the amount of interest due on the Bonds or if on any November 1 the amount in the Principal Account or Sinking Fund Account, as the case may be, shall be less than the amount of principal or sinking fund

installment, as the case may be, then due on the Bonds, the Trustee forthwith shall transfer moneys from the applicable account (or if necessary from any account) in the Special Capital Reserve Fund, first, to the Interest Account, and second, to the Principal Account or Sinking Fund Account, as the case may be, to the extent necessary to make good the deficiency or deficiencies.

At the time of any withdrawal from the Special Capital Reserve Fund, the Trustee shall promptly notify the Authority and the Institution of the amount of any such withdrawal.

Moneys withdrawn from the Special Capital Reserve Fund for payments into the Interest Account or Principal Account or Sinking Fund Account which are not replaced by moneys deposited therein pursuant to *Section 5.4* shall be subsequently restored from the moneys allotted and paid to the Authority by the State pursuant to Section l0a-186a of the Act.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(f)*]

SECTION 5.7 APPLICATION OF MONEYS IN THE REDEMPTION FUND. (a) Moneys in the Redemption Fund derived from optional prepayment of the loan pursuant to *Section 2.6* of the Loan Agreement or from deposits therein pursuant to *Section 3.5(b)* of the Loan Agreement shall, at the written direction of the Authority, be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, thereon to the date set for redemption, in accordance with the applicable Supplemental Resolution.

(b) Moneys in the Redemption Fund derived from insurance or condemnation proceeds pursuant to the Loan Agreement or from transfers from the Construction Fund pursuant to *Section 5.3* hereof shall be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, thereon to the date set for redemption, in accordance with *Section 2.6* hereof.

(c) Subject to the provisions of paragraphs (a) and (b) hereof, moneys in the Redemption Fund may be applied to the purchase of Bonds at purchase prices not exceeding the Redemption Price applicable to the Bonds to be purchased plus accrued interest due, in such manner as the Authority may direct. Bonds so purchased shall be canceled by the Trustee.

(d) Notwithstanding any other provisions of this Section, if the Trustee at any time shall determine by computation that a "deficiency," as that term is used in *Section 5.10* hereof, exists in the Special Capital Reserve Fund, the Trustee shall transfer from moneys in the Redemption Fund (other than moneys required to pay the Redemption Price of any Bonds theretofore called for redemption and moneys required for the purchase of any Bonds theretofore contracted to be purchased), to the applicable account in the Special Capital Reserve Fund the amount, to the extent available, necessary to make the amount on deposit in the Special Capital Reserve Fund equal to the Required Minimum Capital Reserve Requirement.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(g), as amended May 1, 2011*]

SECTION 5.8 APPLICATION OF MONEYS IN THE REBATE FUND. All amounts to be deposited into the Rebate Fund and all amounts on deposit in the Rebate Fund shall be paid, as necessary, to the United States Department of Treasury at the times and in the amounts required by the Tax Certificate as shall be directed in writing or by Electronic Means by the Authority. Upon the final computation date, if the Rebate Requirement, as certified to the Trustee by the Authority, is less than the amount on deposit in the Rebate Fund, the Trustee shall withdraw from the Rebate Fund and transfer

to the Institution an amount, as directed by the Authority, not to exceed the amount in the Rebate Fund in excess of the Rebate Requirement.

[*Original Indenture, 3rd Supp. Ind. Sec. 2.1(b), as amended May 1, 2011*]

SECTION 5.9 INVESTMENT OF MONEYS. Any moneys held in any of the funds or accounts established hereunder shall be invested by the Trustee, as directed by the Authority in a written order signed by an Authorized Officer thereof, or by the Authority, but only as follows:

(a) Moneys in the Debt Service Fund only in Qualified Investments, *except* those listed in items C, I, K, M and N of the definition thereof, maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such Fund;

(b) Moneys in the Redemption Fund only in Qualified Investments, *except* those listed in items C, I, K, M and N of the definition thereof, maturing or redeemable at the option of the owner not later than the next succeeding date on which the Bonds are subject to redemption;

(c) Moneys in the Special Capital Reserve Fund only in obligations maturing or redeemable at the option of the owner not later than the last maturity date of the Bonds, which are Qualified Investments, *except* those listed in items C, I, K and N of the definition thereof; obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, within the meaning of Section 103(a) of the Code which are rated in either of the two highest rating categories of (i) any two national ratings services and (ii) any rating agency which has issued a credit rating on the Bonds, the interest on which is excludable from gross income for federal income tax purposes and which are not guaranteed, either directly or indirectly, by direct or indirect obligations of the United States within the meaning of Section 149(b) of the Code;

(d) Notwithstanding anything to the contrary in this Indenture, moneys in the Rebate Fund only in Qualified Investments listed in items A, D, E, F and L of the definition thereof maturing or redeemable at the option of the owner not later than the date the next payment of rebate is due and only in accordance with the Tax Certificate, a copy of which shall be furnished to the Trustee upon the issuance of the Bonds and as amended; and

(e) Subject to the provisions of the Act, any moneys held by the Authority in the Construction Fund may be invested by an Authorized Officer of the Authority only in Qualified Investments.

Notwithstanding any other provisions of this Indenture concerning the requirement that all investment instructions shall be given to the Trustee or any depository by the Authority, in the event that the Trustee has not received instructions from the Authority to invest any moneys remaining in any Fund or Account hereunder, the Trustee or any such depository shall daily deposit such moneys in Qualified Investments listed in item D of the definition thereof.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Any securities or investments held by the Trustee shall be transferred by the Trustee, if requested in writing by an Authorized Officer of the Authority, from any of the funds or accounts mentioned in this Section to any other of the funds or accounts mentioned in this Section at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such

transfer or transfers the investments in each such fund or account shall be in accordance with the provisions as stated in this Section.

Unless otherwise directed by the Authority or as otherwise provided in the Tax Certificate for deposit in the Rebate Fund, interest earned, profits realized and losses suffered by reason of any investment shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made, except that, prior to completion of the Project, investment income on amounts on deposit in the Construction Fund may be transferred to the Capitalized Interest Account of the Construction Fund.

Notwithstanding the foregoing, the Authority reserves the right to direct the transfer of arbitrage interest earned on Bond proceeds to the Rebate Fund, which amounts shall be applied in accordance with *Section 5.8* hereof..

The Trustee and the Authority may sell or redeem any obligations in which moneys shall have been invested, to the extent necessary to provide cash in the respective funds or accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys, securities or investments between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of this Article.

In computing the value of the assets in any fund or account hereunder, the Trustee and the Authority, if required hereunder to value any fund or account under its control, shall value such assets at the current market value thereof. In computing such value, accrued interest on any investment shall be deemed a part thereof.

Neither the Trustee nor the Authority shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts shall be invested, as aforesaid, or for any loss arising from any investment permitted hereunder.

[*Original Indenture, 2nd Supp. Ind.. Sec. 2.1(a), 3rd Supp. Ind.. Sec. 2.1(c), as amended May 1, 2011*]

SECTION 5.10 DEFICIENCIES AND SURPLUSES IN SPECIAL CAPITAL RESERVE FUND. For the purposes of this Section: (i) a "deficiency" shall mean in the case of the Special Capital Reserve Fund, that the amount on deposit therein is less than the Required Minimum Capital Reserve Requirement, and (ii) a "surplus" shall mean in the case of the Special Capital Reserve Fund, that the amount on deposit therein is in excess of the Required Minimum Capital Reserve Requirement.

At the time of any withdrawal from the Special Capital Reserve Fund which shall result in a deficiency therein, the Trustee shall promptly notify the Authority and the Institution of the amount of any such deficiency.

The Trustee, as of the close of business on each May 1 and November 1, shall compute, in the manner set forth in *Section 5.9*, the value of the assets of the Special Capital Reserve Fund. The Trustee shall as promptly as practicable after such May 1 and November 1, but no later than May 15th and November 15th respectively, notify the Authority and the Institution as to the result of such computation and the amount of any surplus or deficiency as of May 1 and November 1 in such Fund. The Trustee shall as promptly as practicable, but only after direction from the Authority, transfer the amount directed by the Authority up to the amount of any surplus, which as the result of such computation may be shown to exist in such Fund as of such May 1 and November 1, from the Special Capital Reserve Fund to the

Revenue Fund for application as provided for in *Section 5.4* hereof. The Authority shall have complete discretion as to whether or not it directs that any such surplus be so transferred.

The Authority covenants that the amount of any deficiency existing as of May 1 and November 1 and following any withdrawal, as mentioned in the two preceding paragraphs, shall be included as a part of the payments due to the Trustee for the account of the Authority for the portion of the Bond Year immediately succeeding such valuation date or withdrawal payable in accordance with the Loan Agreement.

If the Trustee shall determine that there is a deficiency as a result of a valuation of the Special Capital Reserve Fund, the Trustee shall, not later than the first Business Day subsequent to such valuation, notify the Authority in writing that the Special Capital Reserve Fund is less than the Required Minimum Capital Reserve Requirement and the amount of such deficiency.

[*Original Indenture*]

SECTION 5.11. APPLICATION OF MONEYS IN CERTAIN FUNDS FOR RETIREMENT OF BONDS. Notwithstanding any other provisions of this Indenture and any Supplemental Indenture, if at any time the amounts held in the Revenue Fund, the Debt Service Fund, the Special Capital Reserve Fund and the Redemption Fund are sufficient to pay the Redemption Price of all Outstanding Bonds and the interest accruing on such Bonds to the next date when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by this Indenture and any Supplemental Indenture, and in such event all provisions of *Section 12.1* hereof shall be operative.

[*Original Indenture*]

SECTION 6.1 PAYMENT OF PRINCIPAL AND INTEREST. The Authority shall pay or cause to be paid the principal or Redemption Price of and interest on every Bond on the date and at the places and in the manner mentioned in such Bonds according to the true intent and meaning thereof to the extent moneys are available from Revenues.

[*Original Indenture*]

SECTION 6.2 REVENUES. The Authority covenants that the Loan Agreement shall provide that the Institution shall pay amounts sufficient to provide Revenues sufficient at all times: (i) to pay the principal of and interest on the Bonds as the same respectively become due and payable by redemption or otherwise; (ii) to maintain the Special Capital Reserve Fund at the Required Minimum Capital Reserve Requirement; and (iii) to pay the expenditures of the Authority, the Trustee and the Paying Agent incurred in relation to this Indenture.

The covenants in this Section shall be subject at all times to the Authority's and the Institution's ability to increase rates, fees and charges under existing laws, rules and regulations imposed by governmental agencies having regulatory jurisdiction, if any, over rates, fees and charges imposed by the Authority or the Institution.

[*Original Indenture*]

SECTION 6.3 ENFORCEMENT OF PAYMENT OBLIGATIONS OF THE INSTITUTION. The Authority shall take all legally available action to cause the Institution to fully comply with the payment obligations of the Institution required by the Loan Agreement in the manner and at the times provided in the Loan Agreement.

[*Original Indenture*]

SECTION 6.4 ACCOUNTS AND AUDITS. The Authority shall keep proper books of records and accounts in which complete and correct entries shall be made of its transactions relating to the Institution's facilities and this Indenture, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Trustee, the Institution or of any owner of a Bond or of the owner's representative duly authorized in writing.

[*Original Indenture, Supp. Ind.. Sec.1*]

SECTION 6.5 INDEBTEDNESS AND LIENS. (a) The Authority, so long as any Bonds shall be Outstanding, shall not issue bonds, notes or other evidence of indebtedness, secured by any pledge of or other lien or charge on the Revenues or other moneys, securities or funds paid or to be paid to or held or set aside or to be held or set aside by the Authority or the Trustee under this Indenture which is **prior** to the pledge and lien created hereunder and under any Supplemental Indenture. The Authority shall not create or cause to be created any lien or charge on the Revenues or such moneys or securities or funds, other than the lien and pledge on the Revenues or such moneys, securities or funds created or permitted by this Indenture and any Supplemental Indenture. The Authority may issue other bonds, notes and other evidences of indebtedness secured by a pledge and lien on the Revenues which is on a parity with or subordinate to the Bonds and any other indebtedness of the Authority issued with respect to the Institution.

(b) The Authority shall not issue additional bonds secured by the Special Capital Reserve Fund created by Section 5.1 hereof at any time unless the Authority, at the time of the issuance of such Bonds, shall deposit in the Special Capital Reserve Fund from the proceeds of the bonds so to be issued or from other sources, an amount which, together with the amount then in such Fund, shall be equal to the Required Minimum Capital Reserve Requirement in effect upon the issuance of such bonds.

[*Original Indenture, as amended May 1, 2011*]

SECTION 6.6 THE LOAN AGREEMENT: AMENDMENT AND EXECUTION. The Loan Agreement and any supplements or modifications thereto shall be executed in at least three counterparts. An executed counterpart shall be filed in the office of the Authority and in the office of the Trustee, and an executed counterpart delivered to the Institution. The Loan Agreement may be amended or supplemented, without Bondowner consent, provided such amendment or supplement does not cause the Authority to violate any of its covenants and agreements under this Indenture. The Authority covenants not to enter into any amendment or modification of the Loan Agreement without filing an executed copy thereof with the Trustee.

[*Original Indenture*]

SECTION 6.7 TAX COVENANTS. If any Bonds are issued on a basis so that the interest thereon is not included in gross income for federal income tax purposes, the Authority covenants with respect to such Bonds:

(a) that it shall not knowingly make nor direct the Trustee to make any investment or other use of the proceeds of the Bonds issued hereunder that would cause such Bonds to be "arbitrage bonds" as

that term is defined in Section 148(a) of the Code. The Trustee covenants that in those instances after the occurrence of an Event of Default where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with the foregoing covenants.

(b) that it (i) will take, or use its best efforts to require to be taken, all actions that may be required of the Authority for the interest on the Bonds to be and remain not included in gross income for federal income tax purposes and (ii) will not take or authorize to be taken any actions within its control that would adversely affect such status under the provisions of the Code.

[*As amended May 1, 2011*]

SECTION 6.9 ADMINISTRATION OF SPECIAL CAPITAL RESERVE FUND.

(a) Consistent with the provisions of Article V of this Indenture, the Authority shall pay into the Special Capital Reserve Fund (i) any Revenues received pursuant to the Loan Agreement or the Note and any other moneys, which by any of the provisions of this Indenture are required to be deposited therein, (ii) any moneys appropriated and made available by the State for the purposes of such Fund, (iii) any proceeds of sale of the Bonds for the Project, to the extent provided in this Indenture, and (iv) any other moneys which may be made available to the Authority for the purpose of the Fund from any other source or sources.

(b) The moneys held in or credited to the Special Capital Reserve Fund shall be used solely for (i) the payment of the principal of and interest, when due, whether at maturity or by mandatory sinking fund installments, on the Bonds secured by such Special Capital Reserve Fund as the same become due, and (ii) the purchase of such Bonds of the Authority.

(c) On or before each December first there shall be certified by the Chairman or Vice Chairman of the Authority to the Secretary of the Office of Policy and Management and the Treasurer of the State, the amount, if any, necessary to restore such Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement; provided, however, that the Chairman or Vice Chairman of the Authority shall so certify a deficiency in the Special Capital Reserve Fund not later than the final day of the calendar month in which such deficiency occurs if such deficiency results from the failure of the Institution to make a payment under the Note. The Authority shall deposit any such amounts made available to the Authority by the State in the Special Capital Reserve Fund. Notwithstanding any provision of Section 5.9 hereof to the contrary, for the purpose of evaluation of the Special Capital Reserve Fund, obligations acquired as an investment for such Fund shall be valued at market.

(d) Nothing contained in this section shall preclude the Authority from establishing and creating other debt service reserve funds in connection with the issuance of bonds of the Authority which are not secured by the Special Capital Reserve Fund.

[*Original Indenture*]

SECTION 7.2 OBLIGATION OF TRUSTEE. The Trustee shall be under no obligation to institute any suit, or to take any proceeding under this Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be paid or reimbursed or indemnified to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements. The Trustee may nevertheless begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, and in such case the Authority shall reimburse the Trustee but only from the Revenues for all

costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements properly incurred in connection therewith.

[*Original Indenture*]

SECTION 7.3 RESPONSIBILITIES OF TRUSTEE. (a) The recitals contained in this Indenture, any Supplemental Indenture and in the Bonds shall be taken as the statements of the Authority and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture, any Supplemental Indenture or of the Bonds or in respect of the security afforded by this Indenture or any Supplemental Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee; or (iv) the recording or rerecording, registration or reregistration, filing or refiling of this Indenture; or (v) for the validity of the execution by the Authority of this Indenture. The Trustee may require of the Authority full information and advice regarding the performance of the covenants, conditions and agreements contained in this Indenture. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

(b) Except as otherwise provided in this Indenture, the Trustee shall not be bound to recognize any person as a holder of any Bond or to take action at such person's request, unless such person shall be the Bondowner of such Bond. Any action duly taken by the Trustee pursuant to this Indenture upon the request, authority or consent of any person who at the time of making such request or giving such authority or consent is the Bondowner of any Bond secured hereby shall be conclusive and binding upon all future Bondowners of such Bond.

(c) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. In the case of an event of default specified in *Article VIII* hereof, which event of default has not been cured or waived and of which the Trustee is deemed to have knowledge, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) The Trustee shall not be charged with knowledge of any default or event of default hereunder unless an officer or administrator in the Trustee's corporate trust administration division has knowledge of such default or event of default.

(e) The Trustee, upon receipt of documents required to be furnished to it by or on behalf of the Authority or the Institution pursuant to this Indenture, shall examine the same to determine whether or not such documents conform to the requirements of this Indenture.

(f) Except as otherwise expressly provided by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to the Bondowner of any Bond and the Trustee shall not incur any liability for its failure or refusal to give or furnish same unless obligated or required to do so by express provision hereof. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. The Trustee shall incur no liability in respect of any action taken or omitted by it in good faith without negligence in accordance with the direction of the Bondowners of the percentage of the Bonds

specified herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(g) Subject to *Section 8.6* hereof, in the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Bondowners, each representing less than a majority of the aggregate principal amount of the Bonds then Outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(h) The Trustee shall not be liable for interest on any funds deposited with it hereunder, except as provided herein or as the Trustee may otherwise specifically agree in writing.

(i) In acting or in omitting to act pursuant to the provisions of the Loan Agreement, the Trustee shall be entitled to the rights and immunities accorded by the terms of this Indenture.

[*Original Indenture*]

SECTION 7.4 PROPERTY HELD IN TRUST. All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be and hereby are assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

[*Original Indenture*]

SECTION 7.5 EVIDENCE ON WHICH TRUSTEE MAY ACT. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Authority, and may rely on an Opinion of Counsel. Any such Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered, or any action not taken, by it in good faith and in accordance therewith, and the Trustee shall not be liable for any action taken or omitted in good faith in reliance on such Opinion of Counsel. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or not taking any action under this Indenture, such matter (unless other evidence in respect thereof be hereby specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Authority or of the Institution, as the case may be. Such certificate shall be full warrant for any action taken or suffered, or any action not taken, in good faith under the provisions hereof, but in its discretion the Trustee may in addition thereto or in lieu thereof require other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Trustee shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

[*Original Indenture*]

SECTION 7.6 COMPENSATION AND INDEMNIFICATION. Unless otherwise provided by contract with the Trustee, the Authority shall pay or cause to be paid to the Trustee after reasonable notice to the Authority in light of the compensation sought to be received, reasonable compensation for all services rendered by it hereunder, including, if applicable, its services as registrar, paying agent and transfer agent, and also all its reasonable expenses, charges, counsel fees, expenses and other disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Authority shall indemnify and save the Trustee

harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence, misconduct or default. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Authority under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Trustee shall survive the satisfaction and discharge of this Indenture, provided that the Authority shall only be required to pay obligations pursuant to this Section from monies received from the Institution. If the monies from the Institution are not adequate to pay such obligations, the Trustee may, upon written notice to the Authority, reimburse itself from any moneys in its possession under the provisions of this Indenture (other than monies on deposit in the Rebate Fund, the Special Capital Reserve Fund or any irrevocable trust or escrow fund established with respect to defeased Bonds) and shall be entitled to a preference therefor over any of the Bonds Outstanding hereunder.

[*Original Indenture*]

SECTION 7.7 PERMITTED ACTS. The Trustee may become the owner of or may deal in Bonds or may deal with the Authority or with the Institution as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Authority or any committee formed to protect the rights of Bondowners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

[*Original Indenture*]

SECTION 7.8 RESIGNATION OF TRUSTEE. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days' written notice to the Authority, the Institution and the Bondowners, specifying the date when such resignation shall take effect, provided such resignation shall not take effect until a successor is appointed. Such resignation shall take effect upon the date a successor shall have been appointed by the Authority or a court of competent jurisdiction as provided in *Section 7.10*.

[*Original Indenture*]

SECTION 7.9 REMOVAL OF TRUSTEE. The Trustee, or any successor thereof, may be removed at any time by the Authority, if no event of default shall have occurred and be continuing, or by the owners of a majority in principal amount of Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to the Authority, provided that such removal shall not take effect until a successor is appointed. Copies of each instrument providing for any such removal shall be delivered by the Authority to the Institution and to the Trustee and any successor thereof.

[*Original Indenture*]

SECTION 7.10 SUCCESSOR TRUSTEE. In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge of control of the Trustee, or of its property or affairs, the Authority shall forthwith appoint a Trustee to act unless an appointment is made by the Bondowners. Notice of any such appointment shall be delivered by the Authority to the Trustee so appointed, the

predecessor Trustee and the Institution. The Authority shall give or cause to be given written notice of any such appointment to the Bondowners. Any appointment made by the Authority shall, immediately and without further act, be superseded and revoked by an appointment subsequently made by Bondowners. A successor Trustee may be appointed by the owners of a majority in principal amount of the Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such successor Trustee with notification thereof being given to the predecessor Trustee, the Authority and the Institution.

If in a proper case no appointment of a successor shall be made within forty-five (45) days after the giving of written notice in accordance with *Section 7.8* or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor.

Any successor appointed under the provisions of this Section shall be a bank or trust company or national banking association which is able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by this Indenture, which is approved by the Authority (unless an event of default under *Section 8.1* exists) and which has a combined capital and surplus aggregating at least $50,000,000 (or such other financial resources acceptable to the Authority in its sole discretion), if there be such a bank or trust company or national banking association willing to serve as Trustee hereunder.

[*Original Indenture*]

SECTION 7.11 TRANSFER OF RIGHTS AND PROPERTY TO SUCCESSOR TRUSTEE. Any successor appointed under the provisions of *Section 7.10* shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request by the Authority or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of such Trustee in and to any property held by it hereunder, and upon payment of its fees and expenses shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth and subject to any indemnification rights of the Trustee hereunder. Should any deed, conveyance or instrument in writing from the Authority be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority.

[*Original Indenture*]

SECTION 8.1 EVENTS OF DEFAULT. Each of the following events is hereby declared an event of default hereunder (herein called "event of default"):

(a) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bonds shall not be made when the same shall become due and payable; or

(c) The Authority shall fail or refuse to comply with the provisions of Section 10a-186a of the Act requiring an annual certification by the Chairman or Vice Chairman of the Authority to the Secretary of the Office of Policy and Management and the Treasurer of the State, or their successors, of amounts, if any, necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement, or the Authority having given such certification as required by said Section 10a-186a, the amount so certified shall not have been allotted and paid from the general fund to the Authority for deposit in the Special Capital Reserve Fund fifteen days prior to the next succeeding Interest Payment Date following such certification; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture on the part of the Authority to be performed and such default shall continue for ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds.

[*Original Indenture*]

SECTION 8.2 ACCELERATION OF MATURITY. Upon the happening of any event of default specified in *Section 8.1*, the Trustee may, but only upon the written request of the Secretary of the Office of Policy and Management and the Treasurer of the State, or their successors, which request may be made or not made in each of said official's sole discretion, declare an acceleration of the payment of principal on the Bonds. Such declaration shall be by a notice in writing to the Authority and to the Institution and to the Secretary of the Office of Policy and Management and the Treasurer of the State, or their successors, declaring the principal of all of the Outstanding Bonds to be due and payable immediately. Upon the giving of notice of such declaration such principal shall become and be immediately due and payable. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may with the written consent of the Secretary of the Office of Policy and Management and the Treasurer of the State and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of principal and interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date and the principal of such Bonds then due only because of a declaration under this Section); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and the Paying Agent; and (iii) all other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

[*Original Indenture*]

SECTION 8.3 ENFORCEMENT OF REMEDIES. Upon the happening and continuance of any event of default specified in *Section 8.1*, then and in every such case, the Trustee may proceed, and upon the written request of the owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or the written request of the Secretary of the Office of Policy and Management and the Treasurer of the State, or their successors, shall proceed (subject to the provisions of *Section 7.2*) to protect and enforce its rights and the rights of the owners of the Bonds under the laws of the State of Connecticut or under this Indenture or the Bonds by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power herein granted, or for an accounting against the Authority as if the

Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of this Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the owners of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, cost and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

[*Original Indenture*]

SECTION 8.4 PRIORITY OF PAYMENTS AFTER DEFAULT. If at any time the moneys held by the Trustee under this Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of *Section 8.2*), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in this Article or otherwise, shall be applied (after payment of all amounts owing to the Trustee and Paying Agent under this Indenture) as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest on any of the Bonds then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of this Indenture) with interest upon such Bonds from the respective dates upon which they shall have become due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular due date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To the payment of the interest on and the principal of the Bonds as the same become due and payable.

(b) If the principal of all the Bonds shall have become due and payable, either by their terms or by a declaration of acceleration, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondowner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the owner of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

[*Original Indenture*]

SECTION 8.5 EFFECT OF DISCONTINUANCE OF PROCEEDINGS. In case any proceedings taken by the Trustee on account of any default in respect of Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

[*Original Indenture*]

SECTION 8.6 MAJORITY OF BONDOWNERS MAY CONTROL PROCEEDINGS. Anything in this Indenture to the contrary notwithstanding, the owners of a majority in principal amount of the Outstanding Bonds, shall have the right, subject to the provisions of *Section 7.2*, only by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture, provided such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

[*Original Indenture*]

SECTION 8.7 RESTRICTIONS UPON ACTION BY INDIVIDUAL BONDOWNERS. No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless such owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by this Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or for any other remedy hereunder. It is

understood and intended that no one or more owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all owners of the Outstanding Bonds.

[*Original Indenture*]

SECTION 8.9 REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved to the Trustee or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

[*Original Indenture*]

SECTION 8.10 WAIVER AND NON-WAIVER. No delay or omission of the Trustee or of any owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by this Article to the Trustee and the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the owners of not less than a majority of the principal amount of the Outstanding Bonds shall, waive any default with respect to the Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

The Trustee may, upon the written request of the Secretary of the Office of Policy and Management and the Treasurer of the State, or their successors, waive any default with respect to the Bonds other than an event of default under *Section 8.1(a) or (b)* hereof.

[*Original Indenture*]

SECTION 8.11 NOTICE OF DEFAULT. The Trustee shall mail or cause to be mailed to all Bondowners written notice of the occurrence of any event of default set forth in clause (a) or in clause (b) of *Section 8.1* promptly, but in no event later than fifteen (15) days, after any such event of default shall have occurred. If in any Bond Year the total amount of deposits to the credit of the Debt Service Fund or the Special Capital Reserve Fund shall be less than the amounts required so to have been deposited under the provisions of this Indenture and any Supplemental Indenture, the Trustee, on or before the thirtieth (30th) day of the next succeeding Bond Year, shall mail to all Bondowners a written notice of the failure to make such deposits. The Trustee shall not, however, be subject to any liability to any such Bondowner by reason of its failure to mail or cause to be mailed any notice required by this Section.

[*Original Indenture*]

SECTION 9.5 APPROVAL OF SECRETARY OF OFFICE OF POLICY AND MANAGEMENT AND TREASURER. Notwithstanding any provision in Article X or Article XI, this Indenture and the Bonds may not be modified or amended in any respect by a Supplemental Indenture without the prior written consent of the Secretary of the Office of Policy and Management of the State and the Treasurer of the State, or their successors, to such Supplemental Indenture.

[*Original Indenture*]

SECTION 10.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF BONDOWNERS. Notwithstanding any other provisions of this *Article X,* the Authority and the Trustee may at any time or from time to time enter into a Supplemental Indenture supplementing this Indenture or any Supplemental Indenture so as to modify or amend such indentures, for one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority contained in this Indenture or any Supplemental Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, reconstruction, renovation, equipment, operation, maintenance, development or administration of any project under the Act or relative to the application, custody, use and disposition of the proceeds of the Bonds; or

(b) To confirm, as further assurance, any pledge under and the subjection to any lien on or pledge of the Revenues created or to be created by this Indenture or a Supplemental Indenture; or

(c) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or

(d) To grant to or confer on the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority, or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(e) To issue Additional Bonds as provided in *Section 2.9* hereof..

Supplemental Indentures for the above purposes may be adopted and executed without the consent of any Bondowner.

[*Original Indenture, 1st Supp. Ind. Sec. 2.1(h)*]

SECTION 10.2 SUPPLEMENTAL INDENTURES WITH CONSENT OF BONDOWNERS. (a) At any time or from time to time but subject to the conditions or restrictions contained in this Indenture and each Supplemental Indenture, a Supplemental Indenture may be entered into by the Authority and the Trustee amending or supplementing this Indenture, any Supplemental Indenture or any of the Bonds or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained. However, no such Supplemental Indenture shall be effective unless such Supplemental Indenture is approved or consented to by the owners, obtained as provided in *Section 11.2*, of at least a majority in aggregate principal amount of all Outstanding Bonds affected thereby. In computing any such required percentage there shall be excluded from such consent, and from such Outstanding Bonds, any such Outstanding Bonds owned or held by or for the account of the Authority or the Institution.

(b) Notwithstanding the provisions of paragraph (a) of this Section, except as provided in *Section 11.3*, no such modification changing any terms of redemption of the Bonds, due date of principal

of or interest on the Bonds or making any reduction in principal or Redemption Price of and interest on any Bonds shall be made without the consent of the affected Bondowner.

(c) Notwithstanding any other provisions of this Section, no Supplemental Indenture shall be entered into by the Authority and the Trustee, except as provided in *Section 10.3*, reducing the percentage of consent of Bondowners required for any modification of this Indenture or any Supplemental Indenture diminishing the pledge of the Revenues securing the Bonds.

(d) The provisions of paragraph (a) of this Section shall not be applicable to Supplemental Indentures adopted in accordance with the provisions of *Section 10.1*.

[*Original Indenture*]

SECTION 10.3 SUPPLEMENTAL INDENTURES BY UNANIMOUS ACTION. Notwithstanding anything contained in the foregoing provisions of this Article, the rights and obligations of the Authority and of the owners of the Bonds and the terms and provisions of this Indenture, any Supplemental Indenture or the Bonds may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the Authority and the consent of the owners of all of the Outstanding Bonds affected by such modification or amendment, such consent to be given as provided in *Section 11.2*, except that no notice to Bondowners by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee or Paying Agent without its written consent thereto in addition to the consent of the Bondowners so affected.

[*Original Indenture*]

SECTION 12.1 DEFEASANCE. (a) If the Authority shall pay or cause to be paid, or there shall be otherwise paid, to the owners of all or any of the Bonds then Outstanding, the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein and in this Indenture and any Supplemental Indenture, and all fees and expenses of the Trustee, the Paying Agent and the Authority, then the pledge of any Revenues or other moneys and securities hereby pledged to such Bonds and all other rights granted hereby to such Bonds or such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee or other fiduciary shall pay or deliver to the Authority all moneys or securities held by it pursuant to this Indenture and any Supplemental Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to be used by the Authority in any lawful manner including distribution to the Institution.

(b) Any Bonds for which moneys shall then be held by the Trustee (through deposit by the Authority or the Institution of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in this Section. Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subparagraph (a) of this Section if: (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give notice of redemption on such date of such Bonds; (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be; (iii) there shall have been filed with the Trustee and the Authority (x) a report of a firm of certified public accountants, acceptable to the

Authority and the Trustee, confirming the arithmetical accuracy of the computations showing the cash or Defeasance Obligations, the principal of and interest on which, together with cash, if any, deposited at the same time will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds, on and prior to the redemption date or maturity date thereof, as the case may be and (y) an opinion of Bond Counsel, acceptable to the Authority and the Trustee, to the effect that upon provision for the payment of the principal or Redemption Price, if applicable, of, and interest due or to become due on such Bonds, the pledge of Revenues and other moneys and securities hereunder and the grant of all rights to the Owners of such Bonds hereunder shall be discharged and satisfied; and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this *Section 12.1* and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Bonds. Neither Defeasance Obligations deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than the payment of the principal or Redemption Price, if applicable, and interest on such Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority to be used by it in any lawful manner including a distribution to the Institution provided all amounts owing to the Authority, the Trustee and the Paying Agent have been satisfied, free and clear of any trust, lien or pledge. Nothing in this paragraph (b) shall be, or be deemed to be, a restriction on the Authority's ability to provide for Defeasance Obligation substitutions or restructuring provided that the Defeasance Obligations shall at all times be in compliance with clause (ii) above; and if the interest on Bonds which have been defeased pursuant to this paragraph (b) is excludable from gross income for federal income tax purposes, the Authority shall provide an opinion of Bond Counsel that the substitution or restructuring will not adversely affect such exclusion. Notwithstanding any provision of this Indenture, the Trustee shall have no right of set off against any moneys and securities deposited under this subsection (b).

(c) Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when all of the Bonds have become due and payable either at their stated maturity dates or by a call for earlier redemption, if such moneys were held by the Trustee or the Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after such date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or the Paying Agent to the Authority as its absolute property and free from trust to be used by the Authority in any lawful manner including a distribution to the Institution, and the Authority, the Trustee or the Paying Agent shall thereupon be released and discharged of its obligations with respect to the Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or the Paying Agent may mail to the Bondowners a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Authority to be used by the Authority in any lawful manner including a distribution to the Institution.

[*Original Indenture*]

SECTION 13.1 POWERS AS TO BONDS AND PLEDGE; STATE AGREEMENT. (a) The Authority represents that it is duly authorized under the Act and all applicable laws to create and issue the Bonds, to execute this Indenture and any Supplemental Indenture, and to pledge the Revenues and other moneys, securities and funds pledged by this Indenture in the manner and to the extent provided herein and in any Supplemental Indenture. The Authority covenants that the Revenues and other moneys, securities and funds so pledged are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to the pledge created by this Indenture and any Supplemental Indenture, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of this Indenture and any Supplemental Indenture are and shall be the valid and binding special obligations of the Authority in accordance with their terms and the terms of this Indenture and any Supplemental Indenture. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under this Indenture and any Supplemental Indenture, and all of the rights of the Bondowners under this Indenture against all claims and demands of all persons whomsoever.

(b) The Bondowners shall have the benefit of the State's pledge and agreement contained in Sections 10a-187a and 10a-195 of the Act as in effect on the date hereof: "The state of Connecticut does hereby pledge to and agree with the holders of any obligations [bonds and notes] issued under this chapter[,] and with those parties who may enter into contracts with the authority [or its successor agency] pursuant to the provisions of this chapter[,] that the state will not limit or alter the rights hereby vested in the authority until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the authority, provided nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations [bonds and notes] of the authority or those entering into such contracts with the authority."

(c) The Bondowners shall have the benefit of the State's covenant and agreement contained in Section 3(e) of Public Act No. 95-270 as in effect on the date hereof and as described in *Section 10.10* of the Loan Agreement.

[*Original Indenture*]

SECTION 13.9 NO RECOURSE ON THE BONDS. No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or for any claims based thereon or on this Indenture against any member or other officer of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Bondowner by the acceptance of the Bond. The Bonds are payable solely from the Revenues and neither the faith and credit nor the taxing power of the State of Connecticut or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

The Authority shall be conclusively deemed to have complied with all of its covenants and other obligations hereunder, upon requiring the Institution in the Loan Agreement to agree to perform such Authority covenants and other obligations (excepting only any approvals or consents permitted or required to be given by the Authority hereunder, and any exceptions to the performance by the Institution of the Authority's covenants and other obligations hereunder, as may be contained in such). However, nothing contained in the Loan Agreement shall prevent the Authority from time to time, in its discretion, from performing any such covenants or other obligations. The Authority shall have no liability for any failure to fulfill, or breach by the Institution of, the Institution's obligations relating to or under, as the case may be, the Bonds, this Indenture, the Loan Agreement or otherwise, including without limitation the Institution's obligation to fulfill the Authority's covenants and other obligations under this Indenture.

[*Original Indenture*]

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EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following excerpts from and (where indicated by "Summary.") brief summaries of certain provisions of the Loan Agreement do not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all terms and provisions.

Section 2.1 The Loan; Issuance of Bonds and Application of Proceeds. The Authority hereby agrees, upon the delivery of the Bonds, to make a loan to the Institution to provide funds to finance the Project and costs related to issuing the Bonds upon the terms and conditions set forth or referred to in the Loan Agreement. The Institution agrees to borrow and agrees to repay the loan upon the terms and conditions set forth or referred to in the Loan Agreement. The Loan Agreement shall constitute a general obligation of the Institution. To provide funds to finance the loan to the Institution, the Authority agrees to use its best efforts to issue the Bonds in accordance with the Indenture. The Institution agrees that the proceeds of the Bonds to be made available to finance the loan to the Institution shall be deposited with the Trustee or the Authority and applied as provided in the Indenture. The Institution acknowledges and agrees that it shall have no interest in the proceeds of the Bonds equal to or greater than that of the Bondowners who shall have a first and prior beneficial interest in such money until it is applied in accordance herewith and with the Indenture.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 2.2 Funding of Special Capital Reserve Fund. The Authority agrees that, from the proceeds of the Bonds, it shall deposit in the Special Capital Reserve Fund an amount, if any, which, when added to the amount of money or securities deposited by the Institution in the Special Capital Reserve Fund on or before the date of delivery of the Bonds, shall be equal to the Required Minimum Capital Reserve Requirement. It is further agreed that the aforementioned sum to be deposited in the Special Capital Reserve Fund from the proceeds of the Bonds shall be deemed to be part of the loan by the Authority to the Institution.

[*Original Loan Agreement*]

Section 2.3 Issuance of Note. Pursuant to this Loan Agreement and in consideration of the issuance by the Authority of the Bonds and the application of the proceeds thereof as provided herein and in the Indenture, and as security for the loan referred to in *Section 2.1* and Section 2.2 hereof, the Institution agrees to issue to the Authority and to cause to be delivered to the Trustee (as assignee of the Authority) concurrently with the delivery of the Bonds to the original purchaser(s) thereof, the Note in substantially the form set forth in *Schedule A* attached to the Supplemental Loan Agreement providing for a loan to the Institution of the proceeds of the Bonds**,** with such necessary and appropriate omissions, insertions and variations as are permitted or required by this Loan Agreement. The Authority agrees that the Note shall be assigned to the Trustee in trust as security for the Bonds.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 2.4 Payment Obligations. (a) **General**. Notwithstanding any provision of this Loan Agreement or of the Note, as and for repayment of the loan made to the Institution by the Authority pursuant to *Section 2.1* and Section 2.2 above, the Institution shall pay to the Trustee for the account of

the Authority the amounts, including without limitation the amounts described in subsections (b) and (c) below, required at all times for the payment of the principal of, and premium if any, and interest on the Bonds when due, whether at maturity, upon redemption, by acceleration or otherwise; *provided, however,* that the obligation of the Institution to make any such payment hereunder shall be reduced by any amount held by the Trustee in the Debt Service Fund for such payment of the Bonds pursuant to the terms of the Indenture. All amounts received by the Trustee pursuant to subsections (a), (b) or (c) of this Section shall be deposited into the Revenue Fund for transfer into the Debt Service Fund. The Institution shall pay not later than the Business Day immediately preceding any Interest Payment Date or redemption date, as the case may be, any amount which together with amounts on deposit in the Debt Service Fund shall be sufficient to pay the principal of, premium and interest on the Bonds becoming due on such date.

(b) **Principal Payments**. The Institution shall repay the principal of the loan in consecutive semi-annual installments on the first day of each April and October of each Bond Year (or if such date is not a Business Day, the next succeeding Business Day), commencing April 1, 1996, in an amount equal to one-half (½) of the principal or sinking fund installment, as the case may be, of the Bonds becoming due on the November 1 immediately succeeding the expiration of such Bond Year (*provided, however,* in all events, the payment made on October 1 of each Bond Year shall provide for sufficient funds necessary to make payment in full of the principal or sinking fund installment becoming due on the November 1 immediately succeeding the expiration of such Bond Year) after crediting to such amount becoming due any amount in the Principal Account or the Sinking Fund Account, as the case may be, prior to such November 1 available for the payment of such principal or sinking fund installment.

(c) **Interest Payments**. The Institution shall pay the interest on the loan in consecutive semi-annual installments on the first day of each April and October of each Bond Year (or if such date is not a Business Day, the next succeeding Business Day), commencing April 1, 1996, in an amount equal to the interest becoming due on the Bonds on the next succeeding Interest Payment Date after crediting to such amount becoming due any amount in the Interest Account available for the payment of such interest**.**

(d) **Special Capital Reserve Fund.** The Institution agrees that it shall replenish any "deficiency" (as defined in *Section 5.10* of the Indenture) in the Special Capital Reserve Fund caused by a withdrawal therefrom to make up for payments due hereunder, and shall replenish any deficiency therein caused by valuation thereof, from first available moneys after required deposits to the Debt Service Fund (i) within ninety (90) days, in the event such deficiency results from a decrease in the market value of the permitted investments on deposit in the Special Capital Reserve Fund, and (ii) immediately, in the event such deficiency results from a withdrawal from the Special Capital Reserve Fund. The Institution further agrees that it shall pay to the Authority, for repayment to the State, any amounts advanced by the State to make up any deficiency in the Special Capital Reserve Fund. No credit shall be given against any of the Institution's payment obligations hereunder for any amounts received from the State for deposit to the Special Capital Reserve Fund.

(e) **Reimbursement of Authority**. The Institution agrees to pay to the Authority an amount equal to the sum of the following three (3) items: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, the Paying Agent or any co-Paying Agent, all as required by the Indenture and not otherwise paid or provided for by the Institution; (ii) all other expenditures reasonably and necessarily incurred by the Authority with respect to the loan to the Institution and the issuance of the Bonds, including Cost of Issuance to the extent amounts on deposit in the Cost of Issuance Fund are insufficient for the payment thereof and also including interest on overdue payments at the rate or rates of interest specified in the Bonds, penalties for late payments and all expenses incurred by the Authority to compel full and punctual performance of all the provisions of this Loan Agreement and of each other document executed by the Institution in connection with the

Authority's loan to the Institution or the issuance of the Bonds, in accordance with the terms hereof and thereof; and (iii) the Annual Administrative Fee. Any expenditures of the Authority made pursuant to items (i) and (ii) of this paragraph shall be billed by the Authority to the Institution in writing as soon as practicable and shall be paid or caused to be paid by the Institution within five (5) Business Days of each request for payment. The Institution shall pay one half of the Annual Administrative Fee for each Bond Year on or before April 20 and October 20 of each calendar year commencing April 20, 1996; *provided, however,* that on April 20, 1996, the Institution shall pay the Annual Administrative Fee prorated for the period beginning with the delivery of the Bonds and ending on the October 31 following the issue of the Bonds.

(f) **Rebate Fund**. The Institution agrees to provide amounts that shall be sufficient to meet the Rebate Requirement of the Rebate Fund. The Institution agrees that this obligation of the Institution shall survive the payment in full of the Bonds or the refunding and defeasance of the Bonds pursuant to the provisions of *Section 12.1* of the Indenture.

(g) **Manner of Payment**. The Institution agrees to pay to the Authority or to such party as the Authority shall direct in writing the payments required by this Loan Agreement from its general funds or any other moneys legally available to the Institution in the manner and at the times provided by this Loan Agreement.

(h) **Survival**. The payment obligations of the Institution pursuant to this Section, except to the extent paid from any defeasance escrow for the Bonds, shall survive the expiration of the Loan Agreement.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 2.5 Payments Due on Days other than Business Days. If the date for payment of amounts due hereunder shall not be a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date provided herein.

[*Original Loan Agreement*]

Section 2.6 Optional Prepayment for Redemption of Bonds. The Authority and the Institution agree that the Institution shall have the right to make voluntary payments to the Trustee for the account of the Authority, if the Bonds are then subject to redemption, which voluntary payments shall be deposited in the Redemption Fund. If the Institution is not in default under this Loan Agreement, upon notification by the Institution to the Authority of any such voluntary payment which is deposited in the Redemption Fund, the Authority agrees that it shall direct the Trustee to redeem Bonds in accordance with *Section 2.5* of the Indenture.

[*Original Loan Agreement*]

Section 2.7 Defeasance of Bonds. The Authority and the Institution agree that, upon sixty (60) days' written notice to the Authority, the Institution shall have the right to satisfy its loan repayment obligations under this Loan Agreement by paying to the Trustee for the account of the Authority an amount which shall effectuate a defeasance, in accordance with *Section 12.1* of the Indenture, of the Bonds issued to make a loan to the Institution under this Loan Agreement and by paying all costs of the Authority, the Trustee and the Paying Agent in connection with such defeasance and by otherwise satisfying all other conditions to effect a defeasance of the Bonds in accordance with Section 12.1 of the Indenture.

The Authority agrees that, when the above provisions have been implemented and when the Bonds have been defeased in accordance with the provisions of *Section 12.1* of the Indenture, the Authority shall, and shall cause the Trustee to, cancel the Note. The Authority further agrees that, after payment to it by the Trustee of all moneys or securities held by the Trustee pursuant to the Indenture, other than moneys or securities set aside to pay or defease all of the Bonds, and other than funds set aside in the Rebate Fund to pay the estimated Rebate Requirement, the Authority shall pay the same to the Institution after first deducting any moneys due to the Authority for the Authority's expenses incurred or accruing relating to the Bonds and any Rebate Requirement.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 2.8 Security for Bonds. (a) **Assignment and Pledge**. The Institution agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Indenture and the right, title and interest of the Authority in and to the Note shall be assigned to the Trustee, subject to certain conditions and reservations, and certain payments received by or for the account of the Authority from the Institution with respect thereto shall be assigned and pledged by the Authority to the Trustee to secure the payment of the Bonds. The Institution agrees that all of the rights accruing to or vested in the Authority with respect to the Note may be exercised, protected and enforced by the Trustee for or on behalf of the Bondowners in accordance with the provisions hereof and of the Indenture.

[*Original Loan Agreement*]

(b) **Bondowners Beneficiaries**. This Loan Agreement is executed in part to induce the purchase by others of the Bonds, and, accordingly, all covenants and agreements on the part of the Institution and the Authority, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the owners from time to time of the Bonds.

[*Original Loan Agreement*]

(c) **Compliance**. The Institution agrees to do all things within its power in order to comply with, and to enable the Authority to comply with, all requirements, and to fulfill and to enable the Authority to fulfill all covenants of the resolution of the Authority, the Tax Certificate and the Indenture.

[*Original Loan Agreement*]

(d) **Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts**. As security for its obligation to make the payments required under this Loan Agreement and the Note, the Institution by this Loan Agreement pledges to the Authority all University Fee Receipts, Parking Fee Receipts, and Housing Fee Receipts, but the existence of such pledge shall not prevent the expenditure, deposit or commingling of University Fee Receipts or Parking Fee Receipts or Housing Fee Receipts by the Institution so long as no Event of Default exists hereunder and all required payments with respect to the Note hereunder are made when due. Without limiting the generality of the foregoing, this pledge shall apply to all rights to receive University Fee Receipts and Parking Fee Receipts and Housing Fee Receipts whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This pledge shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Institution. If an Event of Default exists hereunder and any required payment with respect to the Note or as provided in Section 2.4(a), (b), (c) or (d) hereunder is not made when due, any University Fee Receipts and Parking Fee Receipts and Housing Fee Receipts subject to this pledge which are then on hand and have not been deposited in the funds or accounts of the Institution into which the Institution deposits its University Fee

Receipts and Parking Fee Receipts and Housing Fee Receipts, and any such University Fee Receipts and Parking Fee Receipts and Housing Fee Receipts thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Trustee for deposit into the Revenue Fund until the Event of Default has been cured and payments due by the Institution have been made to the Trustee to the extent needed to make the amounts on deposit in the Debt Service Fund and the Special Capital Reserve Fund at least equal to the requirements of the Debt Service Fund and the Special Capital Reserve Fund. The Institution hereby represents that as of the date of the delivery of this Loan Agreement it has granted no pledge in University Fee Receipts or Parking Fee Receipts or Housing Fee Receipts prior to or equal to the pledge granted by this Section. The pledge made pursuant to this Loan Agreement is intended to be a pledge as provided in Section 3 of Public Act No. 95-270. The pledge made hereby shall be valid and binding from the time when the pledge is made. The lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Institution, irrespective of whether the parties have notice of the claims. Notwithstanding any provision of the Uniform Commercial Code to the contrary, no instrument by which this pledge is created need be recorded or filed. Any revenues or other receipts, funds, monies, or income so pledged and thereafter received by the Institution shall be subject immediately to the lien of this pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens, including without limitation the lien of any person who, in the ordinary course of business, furnishes services or materials to the Institution. Notwithstanding the above the Institution agrees to execute and deliver such financing statements covering the University Fee Receipts and Parking Fee Receipts and Housing Fee Receipts from time to time and in such form as the Authority may require. The Institution shall pay all costs of filing such financing statements and any renewals thereof and shall pay all reasonable costs and expenses of any record searches for financing statements that the Authority may reasonably require.

As provided in Section 3(c) of Public Act No. 95-270, notwithstanding the provisions of any general or special act which may require that any revenue from the operation of facilities of the Institution or any revenue of all State universities from student fees and dormitory and dining hall income or any other revenue of the Institution be paid to the State Treasurer for the payment of debt service on any bonds issued by the State, any revenues pledged by the Institution pursuant to this section shall be applied first to the extent necessary to fulfill the obligations for which such revenues are pledged, and only thereafter to the State Treasurer.

[*Original Loan Agreement; 2nd Supp. Loan Agreement Sec. 2.1(c), 4th Supp. Loan Agreement Sec. 2.1(c)*]

(e) **Security Interest.** The Institution hereby pledges and grants a security interest in all proceeds of the Bonds and the loan from the Authority and any investments thereof and earnings thereon to the Authority and the Trustee as provided in the Indenture.

[*Original Loan Agreement; 5th Supp. Loan Agreement Sec. 2.1(a), as amended May 1, 2011*]

Excerpts from Ninth Supplemental Loan Agreement

Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts. The pledge of the Institution in *Section 2.8(d)* of the Original Loan Agreement and *Section 3.*5 of the First Supplemental Loan Agreement with respect to all University Fee Receipts, in *Sections 2.1* and *3.5* of the Second Supplemental Loan Agreement with respect to all University Fee Receipts and to Parking Fee Receipts at Southern Connecticut State University, in *Section 3.5* of the Third Supplemental Loan Agreement with respect to all University Fee Receipts and to Parking Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State

University, in *Sections 2.1* and *3.5* of the Fourth Supplemental Loan Agreement and in *Section 3.*5 of the Fifth Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, in *Section 3.*5 of the Sixth Supplemental Loan Agreement, in *Section 3.5* of the Seventh Supplemental Loan Agreement, and in *Section 3.5* of the Eighth Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Western Connecticut State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and to Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, to secure the payment obligations of the Institution under the Loan Agreement, the Series A Note, the Series B Note, the Series C Note, the Series D Note, the Series E Note, the Series F Note, the Series G Note, the Series H Note and the Series I Note is reaffirmed by the Institution as of the date hereof and shall further secure the payment obligations of the Institution under this Ninth Supplemental Loan Agreement and the Series J Note on a parity therewith, and is incorporated herein. The pledge of such Parking Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the parking garage at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The pledge of such Housing Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the residential facilities at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The Institution represents that as of the date of delivery of this Ninth Supplemental Loan Agreement it has granted no pledge in University Fee Receipts, Parking Fee Receipts or Housing Fee Receipts prior to or equal to the pledge granted by *Section 2.8(d)* of the Original Loan Agreement and *Section 3.5* of the First Supplemental Loan Agreement, *Sections 2.1* and *3.5* of the Second Supplemental Loan Agreement, *Section 3.5* of the Third Supplemental Loan Agreement, *Sections 2.1* and *3.5* of the Fourth Supplemental Loan Agreement, *Section 3.5* of the Fifth Supplemental Loan Agreement, *Section 3.5* of the Sixth Supplemental Loan Agreement, *Section 3.5* of the Seventh Supplemental Loan Agreement, *Section 3.5* of the Eighth Supplemental Loan Agreement and this Section.

Security Interest. The Institution hereby pledges and grants a security interest in all proceeds of the Series J Bonds and the loan and any investments thereof and earnings thereon to the Authority and the Trustee as provided in the Indenture.

Excerpts from Tenth Supplemental Loan Agreement

Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts. The pledge of the Institution in *Section 2.8(d)* of the Original Loan Agreement and *Section 3.*5 of the First Supplemental Loan Agreement with respect to all University Fee Receipts, in *Sections 2.1* and *3.5* of the Second Supplemental Loan Agreement with respect to all University Fee Receipts and to Parking Fee Receipts at Southern Connecticut State University, in *Section 3.5* of the Third Supplemental Loan Agreement with respect to all University Fee Receipts and to Parking Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, in *Sections 2.1* and *3.5* of the Fourth Supplemental Loan Agreement and in *Section 3.*5 of the Fifth Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, in *Section 3.*5 of the Sixth Supplemental Loan Agreement, in *Section 3.5* of the Seventh Supplemental Loan Agreement, in *Section 3.5* of the Eighth Supplemental Loan Agreement and in *Section 3.5* of the Ninth Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Western Connecticut

State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and to Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, to secure the payment obligations of the Institution under the Loan Agreement, the Series A Note, the Series B Note, the Series C Note, the Series D Note, the Series E Note, the Series F Note, the Series G Note, the Series H Note, the Series I Note and the Series J Note is reaffirmed by the Institution as of the date hereof and shall further secure the payment obligations of the Institution under this Tenth Supplemental Loan Agreement and the Series K Note on a parity therewith, and is incorporated herein. The pledge of such Parking Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the parking garage at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The pledge of such Housing Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the residential facilities at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The Institution represents that as of the date of delivery of this Tenth Supplemental Loan Agreement it has granted no pledge in University Fee Receipts, Parking Fee Receipts or Housing Fee Receipts prior to or equal to the pledge granted by *Section 2.8(d)* of the Original Loan Agreement and *Section 3.5* of the First Supplemental Loan Agreement, *Sections 2.1* and *3.5* of the Second Supplemental Loan Agreement, *Section 3.5* of the Third Supplemental Loan Agreement, *Sections 2.1* and *3.5* of the Fourth Supplemental Loan Agreement, *Section 3.5* of the Fifth Supplemental Loan Agreement, *Section 3.5* of the Sixth Supplemental Loan Agreement, *Section 3.5* of the Seventh Supplemental Loan Agreement, *Section 3.5* of the Eighth Supplemental Loan Agreement, *Section 3.5* of the Ninth Supplemental Loan Agreement and this Section.

Security Interest. The Institution hereby pledges and grants a security interest in all proceeds of the Series K Bonds and the loan and any investments thereof and earnings thereon to the Authority and the Trustee as provided in the Indenture.

Excerpts from Eleventh Supplemental Loan Agreement

Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts. The pledge of the Institution in *Section 3.*5 of the Sixth Supplemental Loan Agreement, in *Section 3.5* of the Seventh Supplemental Loan Agreement, in *Section 3.5* of the Eighth Supplemental Loan Agreement, in *Section 3.5* of the Ninth Supplemental Loan Agreement, in *Section 3.5* of the Tenth Supplemental Loan Agreement and in *Section 3.5* of the Eleventh Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Western Connecticut State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and to Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, to secure the payment obligations of the Institution under the Loan Agreement, the Series F Note, the Series G Note, the Series H Note, the Series I Note, the Series J Note and the Series K Note is reaffirmed by the Institution as of the date hereof and shall further secure the payment obligations of the Institution under this Eleventh Supplemental Loan Agreement and the Series L Note on a parity therewith, and is incorporated herein. The pledge of such Parking Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the parking garage at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The pledge of such Housing Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the residential facilities at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The Institution represents that as of the date of delivery of this Eleventh Supplemental Loan Agreement it has granted no pledge in University Fee Receipts, Parking Fee Receipts or Housing Fee Receipts prior to or equal to the pledge granted by *Section 2.8(d)* of the Original Loan Agreement and *Section 3.5* of the First Supplemental Loan Agreement, *Sections 2.1* and

3.5 of the Second Supplemental Loan Agreement, *Section 3.5* of the Third Supplemental Loan Agreement, *Sections 2.1* and *3.5* of the Fourth Supplemental Loan Agreement, *Section 3.5* of the Fifth Supplemental Loan Agreement, *Section 3.5* of the Sixth Supplemental Loan Agreement, *Section 3.5* of the Seventh Supplemental Loan Agreement, *Section 3.5* of the Eighth Supplemental Loan Agreement, *Section 3.5* of the Ninth Supplemental Loan Agreement, *Section 3.5* of the Tenth Supplemental Loan Agreement and this Section.

Security Interest. The Institution hereby pledges and grants a security interest in all proceeds of the Series L Bonds and the loan and any investments thereof and earnings thereon to the Authority and the Trustee as provided in the Indenture.

Excerpts from Twelfth Supplemental Loan Agreement

Pledge of University Fee Receipts, Parking Fee Receipts and Housing Fee Receipts. The pledge of the Institution in *Section 3.*5 of the Sixth Supplemental Loan Agreement, in *Section 3.5* of the Seventh Supplemental Loan Agreement, in *Section 3.5* of the Eighth Supplemental Loan Agreement, in *Section 3.*5 of the Ninth Supplemental Loan Agreement, in *Section 3.*5 of the Tenth Supplemental Loan Agreement, in *Section 3.*5 of the Eleventh Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Western Connecticut State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and to Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University and Western Connecticut State University, and in this *Section 3.*5 of the Twelfth Supplemental Loan Agreement with respect to all University Fee Receipts, to Parking Fee Receipts at Western Connecticut State University, Southern Connecticut State University, Eastern Connecticut State University and Central Connecticut State University, and to Housing Fee Receipts at Southern Connecticut State University, Eastern Connecticut State University, and Western Connecticut State University, to secure the payment obligations of the Institution under the Loan Agreement, the Series F Note, the Series G Note, the Series H Note, the Series I Note, the Series J Note, the Series K Note and the Series L Note is reaffirmed by the Institution as of the date hereof and shall further secure the payment obligations of the Institution under this Twelfth Supplemental Loan Agreement and the Series M Note on a parity therewith, and is incorporated herein. The pledge of such Parking Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the parking garage at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The pledge of such Housing Fee Receipts charged at any of the campuses of the Institution shall terminate when the bonds issued to finance any costs of the residential facilities at that particular campus, and any bonds which refunded the prior bonds, have been paid or are no longer Outstanding. The Institution represents that as of the date of delivery of this Twelfth Supplemental Loan Agreement it has granted no pledge in University Fee Receipts, Parking Fee Receipts or Housing Fee Receipts prior to or equal to the pledge granted by *Section 3.5* of the Sixth Supplemental Loan Agreement, *Section 3.5* of the Seventh Supplemental Loan Agreement, *Section 3.5* of the Eighth Supplemental Loan Agreement, *Section 3.5* of the Ninth Supplemental Loan Agreement, *Section 3.5* of the Tenth Supplemental Loan Agreement, and *Section 3.5* of the Eleventh Supplemental Loan Agreement, and this Section.

Security Interest. The Institution hereby pledges and grants a security interest in all proceeds of the Series M Bonds and the loan and any investments thereof and earnings thereon to the Authority and the Trustee as provided in the Indenture.

Section 3.1 Construction Contracts; Control of the Project. The Institution covenants to carry out the Project and that all actions taken by the Institution to carry out the Project, including the making of contracts for such Project and all actions, recommendations or requests of any Authorized Officer of the Institution have been and will be in full compliance with the Indenture and this Loan Agreement as well as the laws of the State of Connecticut. The Institution acknowledges that any review of any such actions heretofore or hereafter taken by the Authority's staff or counsel has been or will be solely for the protection of the Authority. Neither such review nor any action taken by the Authority to carry out the Project shall stop the Authority from enforcing the foregoing covenant. The Authority makes no representations whatsoever in connection with the condition of the Project, or the improvements, fixtures or equipment thereof, and the Authority shall not be liable for latent or patent defects therein. Subject to the rights of the Authority hereunder, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) such Project; (ii) the operation of such Project and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Project.

[*Original Loan Agreement*]

Section 3.2 Amendment or Modification of Project. (a) The Project, may be amended or modified by the Institution with the prior written consent of an Authorized Officer of the Authority to decrease, increase or otherwise modify the scope of the Project. Any such amendment or modification may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake.

(b) The Institution shall promptly notify the Authority in writing of all change orders, changes in plans and specifications and changes in contracts, whether or not such changes involve additional expenditures or increase in Costs, which would change the use of any part of the Project or of such Project. All requests for (i) change orders or changes in plans and specifications for any part of the Project which would change the use of any part of the Project and (ii) changes in any contracts made by the Institution to carry out any part of the Project which would involve any additional expenditure in excess of the moneys in the Construction Fund available for such Project or part thereof shall be in writing and shall be subject to approval by the Authority. Such approval shall not be unreasonably withheld by the Authority but may be subject to such conditions and qualifications as the Authority in its sole discretion may prescribe. Further, it is understood that the Authority at all times has the right to require compliance with the original plans, specifications and contracts for the Project; *provided, however,* the Authority shall consent to changes required by governmental entities having jurisdiction over the Project to conform the Project to life safety codes.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 3.3 Conditions for Advances. (a) The obligation of the Authority to make any disbursement of moneys held in the Construction Fund with respect to a particular component of the Project for the acquisition, construction, renovation, installation or equipment of the Project shall be subject to the provision of Section 5.3 of the Indenture relating to any disbursement of moneys held in the Construction Account and shall be further subject to the satisfaction of the following conditions, as well as any others herein set forth:

(i) An Event of Default, or an event which with the passage of time or the giving of notice would constitute an Event of Default, shall not have occurred and be continuing and all terms of this Loan Agreement, the Note and other undertakings and

obligations of the Institution in connection with such Project shall have been fully complied with in all material respects;

(ii) Acquisition, construction, renovation, installation or equipping of the Project shall have progressed with due diligence to the reasonable satisfaction of the Authority.

(b) Prior to the Authority making any disbursement for Costs of the Project, other than with respect to interest on Outstanding Bonds, the Institution shall deliver to the Authority the following:

(i) copies of all invoices, paid or unpaid, if any, relating to such disbursement;

(ii) certificate of an architect, if applicable, to the extent required as set forth in the Indenture.

(iii) a certificate of an Authorized Officer of the Institution, cosigned by an appropriate official at the State Department of Public Works or its successor agency, if the Department of Public Works or its successor agency is administering the portion of the Project for which moneys are requisitioned, certifying that the amount of money for which payment is requisitioned has been incurred or expended for Costs of the Project and has not been the subject of a previous requisition, and by an Authorized Officer of the Institution that the amount of money requisitioned is in full compliance with the Tax Certificate, and certifying and containing such other information as may be required by the Indenture;

(iv) a certificate of an Authorized Officer of the Institution, certifying that amounts then on deposit in the Construction Fund are sufficient to complete all parts of the Project with respect to which the Institution has entered into contracts; and

(v) any other certificates or documents reasonably requested by the Authority.

(c) In addition to the requirements of subsections (a) and (b) above, the Institution shall provide the certifications specified in *Section 5.3(d)* of the Indenture upon the completion of the Project.

(d) If the Institution fails to meet in all material respects the conditions precedent to the full disbursement by the Authority of monies held in the Construction Fund with respect to the Project, the obligation of the Authority to make further disbursements in connection with such Project shall cease and the Project shall be deemed complete. In such event the Authority may elect, at its sole discretion, either (i) to apply moneys remaining on deposit in the Construction Fund in accordance with *Section 5.3(d)* of the Indenture, or (ii) to declare the amount of all such disbursements or advances immediately due and payable, *provided, however*, the Authority, at its sole discretion, may waive any of the foregoing requirements in writing.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 3.4 Construction Bond or Letter of Credit. (a) The Institution agrees that it shall require or cause the Department of Public Works to require any general contractor and any construction

manager, as the case may be, engaged in the construction of any component of the Project which has a contract of $250,000 or more to provide, or cause to be provided, a letter of credit or dual obligee payment and performance bond in an aggregate amount equal to the contract price, as security for the faithful performance of its contract and payment of all obligations arising under its contract. The Institution shall provide the Authority with copies of all such letters of credit or payment and performance bonds prior to requesting payment for, or reimbursement for payment of, costs incurred under such contracts. The Institution shall require each general contractor and each construction manager engaged in the construction of any component of the Project to employ construction techniques which will tend to minimize detrimental environmental impact, and shall require that the contract with each such general contractor and each such construction manager and the contract with each Architect or licensed professional engineer for the Project, be assignable to the Authority, and shall collaterally assign its rights under such contracts to the Authority as a condition to receiving the loan from the Authority under *Section 2.1* hereof. The Authority, at its sole discretion, may waive the requirements of this *Section 3.4*.

[*Original Loan Agreement*]

Section 3.5 Gifts, Grants and Bequests. (a) The Institution agrees that, as a condition to the issuance of the Bonds, it shall deliver to the Authority a certificate of an Authorized Officer of the Institution setting forth and representing (i) the amount of gifts and grants received by the Institution which are required by the terms thereof, as at the date of delivery of the Bonds, to be used to pay any item which is a Cost of the Project in connection with which the Bonds are to be issued; (ii) that all of such amount will have been spent on the Project to which it pertains as of the date of delivery of the Bonds or otherwise applied in a manner acceptable to the Authority; (iii) that such gifts and grants shall not be reimbursed from the proceeds of the sale of the Bonds; (iv) whether the Institution reasonably expects to receive, while Bonds are Outstanding, any additional pledges, gifts or grants required by the terms thereof to be used to pay any item which is a Cost of the Project in excess of the equity contribution of the Institution for such item of the Project; and (v) such other matters as reasonably may be required by the Authority.

(b) (i) If, prior to completion of the construction or acquisition or installation of the Project, the Institution receives any gift or grant required by the terms thereof to be used to pay any item which is a Cost of the Project, the Institution shall apply such gift or grant to completion of the construction or acquisition or installation of such item of the Project. In the event that the amount of such gift or grant is in excess of the amount necessary to complete such item of the Project, and to the extent proceeds of the Bonds have been expended on such item of the Project, the Institution shall deliver to the Trustee for deposit into the Redemption Fund an amount equal to such excess but only to the extent to which proceeds of the Bonds were expended for such item.

(ii) If, after completion of the construction or acquisition or installation the Project, the Institution receives any gift or grant which prior to such completion it reasonably expected to receive and which is required by the terms thereof to be used to pay any item which is a Cost of the Project, the Institution shall, to the extent not inconsistent with the terms of such gift or grant, deliver to the Trustee for deposit in the Redemption Fund in accordance with the Indenture, an amount of money equal to such gift or grant but only to the extent to which proceeds of the Bonds were expended for such item.

(c) To the extent that any amounts in the Redemption Fund are sufficient to redeem Bonds, the Institution shall cause Bonds which are then subject to optional redemption to be redeemed at the earliest feasible redemption date.

[*Original Loan Agreement*]

Section 3.6 Institution to Provide Moneys to Complete Project. The Institution agrees that in the event moneys on deposit in the Construction Fund are insufficient to pay all Costs of the Project, the Institution will apply sufficient moneys of its own to complete the Project. The Institution further agrees that, at the request of the Authority, the Institution will apply moneys of its own to pay Costs of the Project until such time as moneys on deposit in the Construction Fund are sufficient to pay all Costs of the Project.

[*Original Loan Agreement*]

Section 4.1. Insurance. [Summary.] The Institution shall maintain a program of insurance for general liability, automobile liability, workers' compensation, umbrella or excess liability, directors' and officers' liability, builders' risk, all-risk property and business interruption, subject to the approval of the Authority. The insurance program may include deductibles and self insurance and the Authority may waive or amend any insurance requirement.

Section 4.2 Application of Property Insurance and Condemnation Proceeds. In case the whole or any part of the Project is taken by eminent domain or damaged or destroyed or is otherwise rendered incapable of being used to its fullest extent for the purposes of the Institution or to meet the Institution's obligations under this Loan Agreement by any cause whatsoever, then and in such event:

A. Except as provided in paragraph B, the Institution shall proceed to replace or restore or cause to be replaced or restored such part of the Project, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible or with such changes and modifications as would not have an adverse effect on the operations of the Institution. The moneys required for such replacement or restoration shall be paid from the proceeds of insurance or any award or payment in connection with the condemnation of the Project received by reason of such occurrence and to the extent such proceeds are not sufficient, from funds to be provided by the Institution.

B. If no decision for the restoration or replacement of all or such part of the Project shall be reached by the Institution within 120 days after such damage or taking, or if the Institution fails to proceed with due diligence to restore or replace such part of the Project, all respective insurance or condemnation proceeds shall be paid to the Trustee for deposit in the Redemption Fund for application to the purchase or redemption of Bonds in accordance with the Indenture or used as otherwise agreed to by the Authority and the Institution.

Notwithstanding any such taking, or other injury to, or decrease in the value of the Project, the Institution shall continue to pay interest on the principal payable hereunder and under the Note as provided herein and therein, and to make any and all other payments required by this Loan Agreement and the Note. Any reduction in the principal payable under the Note resulting from the application by the Authority of such award or payment to the redemption of Bonds shall be deemed to take effect only on the date of such application.

[*Original Loan Agreement*]

Section 5.1 Cooperation with Authority. The Institution agrees to do all things within its power in order to enable the Authority to comply with all requirements and to fulfill all covenants of the Indenture.

[*Original Loan Agreement*]

Section 5.2 Obligation Absolute. The obligation of the Institution to make payments to the Authority or on its order to the Trustee under this Loan Agreement and the Note is absolute and unconditional and shall not be subject to setoff, recoupment or counterclaim. The Institution agrees that payments required by this Loan Agreement and the Note shall be paid when due by the Institution to the Trustee for deposit in the Revenue Fund whether or not any student, occupant or user of the Institution is delinquent in the payment of his or her tuition fees, room charges, rentals, the University Fee, the Student Parking Fee, the Student Housing Fee, or other charges owed to the Institution, whether or not any student, user or occupant receives either partial or total reimbursement as a credit against such payment, and whether or not the Institution receives either partial or total reimbursement as a credit against such payment.

The agreements, covenants, representations and indemnifications of the Institution in this Loan Agreement, the Note and the other documents executed and delivered on behalf of the Institution in connection herewith shall be a full faith and credit obligation of the Institution.

[*Original Loan Agreement, 2nd Supp. Loan Agreement Sec. 2.1(a), 4th Supp. Loan Agreement Sec. 2.1(a), as amended May 1, 2011*]

Section 5.3 Rate Covenant. The Institution agrees, to the extent permitted by law, to charge tuition, rates, the University Fee, the Student Parking Fee, the Student Housing Fee, other fees, rentals and charges which, together with its general funds and any other moneys legally available to it, shall provide moneys sufficient at all times to make all payments under this Loan Agreement and the Note and to pay all other obligations of the Institution as the same become due and payable. Without limiting the generality of the foregoing, the Institution agrees to continue to charge the University Fee and the Student Parking Fee and the Student Housing Fee at a rate which, together with all moneys available to it in the funds in which University Fee Receipts or the Parking Fee Receipts or the Housing Fee Receipts have been or are deposited or accounted for, shall provide monies sufficient at all times to (i) pay debt service on the Bonds; (ii) pay any Indebtedness of the Institution secured by a pledge of University Fee Receipts or the Parking Fee Receipts or the Housing Fee Receipts; and (iii) pay debt service on the self-liquidating bonds issued by the State to finance the Institution's facilities.

[*Original Loan Agreement, 2nd Supp. Loan Agreement Sec. 2.1(b), 4th Supp. Loan Agreement Sec. 2.1(b)*]

Section 5.4 Budget. The Institution agrees, to the extent it shall be reasonably possible and subject to applicable law and regulation, that the Institution's annual budget delivered to the Authority and the Trustee pursuant to *Section 6.7* hereof shall indicate that the Institution shall be operated during such Fiscal Year so that current income and other income of the Institution including undesignated and available fund balances shall exceed current expenses (excluding depreciation) and other expenses of the Institution, and sums payable to the Authority in accordance with this Loan Agreement. The Institution further agrees that items comprising such budgets, or included as current and other income and as current and other expenses, shall be justifiable items based upon historical operating records and past audited financial statements of the Institution.

[*Original Loan Agreement*]

Section 5.5 Contracts and Agreements. Except as permitted by this Loan Agreement, the Institution agrees that it shall not enter into any contracts or agreements, perform any acts or request the Authority to enter into any contracts or agreements or perform any acts which may adversely affect any of the assurances or rights of the Authority.

[*Original Loan Agreement*]

Section 5.6 Operation of Institution. (a) The Institution agrees that it shall use its best efforts to operate the Institution in a prudent and efficient manner. The Institution further agrees that it shall employ, at all times, administrative personnel experienced and well qualified in the field of educational administration.

(b) The Institution agrees to operate its facilities properly and in a sound and economical manner. The Institution agrees to maintain, preserve and keep its facilities, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and to make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Institution and its facilities may be properly and advantageously conducted.

(c) The Institution agrees that it will procure and maintain all necessary licenses and permits and maintain accreditation of its educational facilities (other than those of a type for which accreditation is not then available) by the appropriate accreditation organization for the specific educational institution as long as, in the opinion of the Institution, such accreditation is in the best interests of the Institution; provided, that if the Institution shall determine that such accreditation is not in its best interests, it shall cause an independent consultant to deliver a report to the Authority indicating the likely operational and economic effect on the Institution of discontinuance of such accreditation.

[*Original Loan Agreement*]

Section 5.7 Payment of Obligations, Taxes, Assessments and Charges. The Institution agrees to pay promptly all charges, judgments and other obligations incurred or imposed on the Institution. The Institution shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Institution's facilities, or upon any part thereof or upon the Revenues, when the same shall become due, and shall duly comply with all valid requirements of any municipal or governmental authority relative to any part of the Institution's facilities. The Institution shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge, within sixty (60) days after the same shall become due and payable, all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the facilities of the Institution or the Revenues; *provided, however,* that nothing in this Section shall require the Institution to pay or cause to be paid or cause to be discharged, any such tax, assessment, claim, demand, lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings by the Institution.

[*Original Loan Agreement*]

Section 5.8 Legal Existence; Consolidation and Merger; Transfer of Assets; Dissolution. The Institution covenants that, unless otherwise mandated by statute, it will not take any action which shall terminate its legal existence or result in its dissolution unless adequate provision is made to the satisfaction of the Authority for the payment and fulfillment of all obligations of the Institution to the Authority and the Bondholders. The Institution covenants that, unless otherwise mandated by statute, it will not take any action which will result in the transfer or other disposition of all or substantially all of its respective assets or the consolidation with or merger with or into another governmental entity, unless

adequate provision is made to the satisfaction of the Authority for the payment and fulfillment of all obligations of the Institution to the Authority, the Trustee and the Bondholders. The Authority, the Trustee and the Bondholders shall have the benefit of Section 3(b) of Public Act No. 95-270 as in effect on the date hereof: "(b) The obligations of the Connecticut State University System pursuant to this act shall be binding upon any successor body or entity and no dissolution or termination of the Connecticut State University System shall take effect unless adequate provision is made for the payment and fulfillment of any obligations entered into by the Connecticut State University System pursuant to this section and said Sections 10a-186a and 10a-187."

[*Original Loan Agreement*]

Section 5.9 Tax Covenant. (a) The Institution covenants that it will comply with each requirement of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the Institution agrees to comply with the provisions of the Tax Certificate. The Institution agrees that neither the Institution, nor any person related to it within the meaning of Section 1.150-1 of the Treasury Regulations issued under the Code, pursuant to an arrangement, formal or informal, shall purchase the Bonds upon their initial issuance in an amount related to the amount of the Bonds secured by this Loan Agreement.

(b) The Institution covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause such Bonds to be "arbitrage bonds," within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

(c) The Institution covenants that it shall not perform any acts nor enter into any agreements which shall cause any revocation or adverse modification of its status as an agency of the State and an integral part of the State exempt from Federal income taxes pursuant to the Code.

(d) Notwithstanding any other provision of the Indenture or this Loan Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with *Section 12.1* of the Indenture) and the termination of this Loan Agreement.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 5.10 Premises. (a) The Institution covenants that, except as set forth in the Hazardous Substance Agreement, the Premises (as such term is defined in the Hazardous Substance Agreement) of the Institution will comply in all material respects with, all applicable restrictive covenants, applicable zoning and subdivision ordinances and building codes, all applicable health and environmental laws and regulations and all other applicable laws, rules and regulations.

[*Original Loan Agreement*]

Section 5.11 Securities Law Compliance. The Institution covenants that it shall not perform any act or enter into any agreement which shall change the status of the Institution's representations set forth in *Section 7.2* of this Loan Agreement.

[*Original Loan Agreement*]

Section 5.12 General Compliance With Law. The Institution covenants that it will comply in all material respects with all federal, state and local laws, regulations and ordinances relating to its business, the Project and its facilities, including, but not limited to, all applicable Equal Employment and Opportunity Laws.

[*Original Loan Agreement*]

Section 5.13 Payment of Expenses. The Institution agrees that it will pay all expenses, including attorneys' fees and expenses, incurred by the Authority or the Trustee in connection with (i) any amendment consolidation or transfer of assets by the Institution, or (iii) in connection with the enforcement by the Authority or the Trustee of the rights of the Authority hereunder.

[*Original Loan Agreement*]

Section 5.14 Leases. The Institution agrees that it shall not lease, as lessor, any portion of the Project in a manner or for a term or under conditions which are inconsistent with the representations and covenants in the Institution's Tax Certificate.

[*Original Loan Agreement*]

Section 5.15 Indebtedness. The Institution agrees that the Institution shall not issue, incur, assume, create or have outstanding any Indebtedness without the prior written consent of the Authority, the Treasurer of the State and the Secretary of the Office of Policy and Management of the State, or their successors, *provided, however*, that the Institution retains the right to pledge the University Fee Receipts and Parking Fee Receipts and Housing Fee Receipts to secure Indebtedness of the Institution for which such consents have been obtained and which is incurred with respect to any other bonds issued through the Authority or its successors on a parity with, or subordinate to, any Indebtedness of the Institution with respect to the Bonds or any other bonds issued through the Authority or its successors.

[*Original Loan Agreement, 2nd Supp. Loan Agreement Sec. 2.1(d), 4th Supp. Loan Agreement Sec. 2.1(d)*]

Section 5.16 Student Parking Fees. The Institution agrees that the Institution shall account for Student Parking Fees separately and apart from all other fees and charges and shall account for Parking Fee Receipts as a separate item on its books and accounts and deposit such Parking Fee Receipts into a segregated fund or account, apart from University Fee Receipts and apart from all other fees and charges, at least quarterly.

[*Original Loan Agreement; 2nd Supp. Loan Agreement Sec. 2.1(e)*]

Section 5.17 Student Housing Fees. The Institution agrees that the Institution shall account for Student Housing Fees separately and apart from all other fees and charges and shall account for Housing Fee Receipts as a separate item on its books and accounts and deposit such Housing Fee Receipts into a segregated fund or account, apart from University Fee Receipts and Parking Fee Receipts and apart from all other fees and charges, at least quarterly.

[*Original Loan Agreement; 4th Supp. Loan Agreement Sec. 2.1(e)*]

Section 6.3 Continuing Disclosure; Financial Statements. (a) The Institution shall furnish, in a timely manner, to the Authority, the Trustee, each nationally recognized municipal securities information repository approved by the Securities and Exchange Commission ("SEC") for purposes of its

Rule 15c2-12 (the "Rule") or the Municipal Securities Rulemaking Board, (1) notice of any of the events described in subsection (b)(5)(i)(C) of the Rule, as such Rule may be amended from time to time, and (2) notice of the failure of the Institution to provide the annual financial information in the manner and as described in the next subsection of this Loan Agreement.

(b) The Institution shall furnish, and shall cause each "obligated person" as defined in the Rule to furnish, to the Authority, the Trustee, each nationally recognized municipal securities information repository approved by the SEC for purposes of the Rule or the Municipal Securities Rulemaking Board, within eight (8) months after the end of each Fiscal Year, beginning no later than the Fiscal Year ending June 30, 1996, annual financial information (including operating data) of the Institution, of the type included in the final Official Statement for the Bonds, including audited financial statements (if any) of the Institution for the most recent prior Fiscal Year prepared in accordance with generally accepted accounting principles (or describing any exceptions therefrom) and the information set forth in the Continuing Disclosure Agreement. The Institution shall take all actions and furnish any other information necessary to comply with the Rule and the Continuing Disclosure Agreement.

[*Original Loan Agreement*]

Section 8.1 Events of Default. As used herein an "Event of Default" exists if any of the following occurs and is continuing:

(a) **Principal, Interest, Premium, etc.** Failure by the Institution to make when due any payment required under subsection (a), (b) or (c) of *Section 2.4* hereof or failure by the Institution to pay in full any payment of principal or interest on the Note when due; or

(b) **Other Payments**. Failure by the Institution to pay when due any amount required to be paid under this Loan Agreement other than any amount referred to in subsection (a), (b) or (c) of *Section 2.4* hereof or any amount of principal or interest due on the Note, which failure continues for a period of ten (10) days; or

(c) **Covenants, Representations, etc.** Failure by the Institution to observe and perform any covenant, condition or agreement herein or in the Tax Certificate on its part to be observed or performed, or failure of any representation made by the Institution herein or in the Tax Certificate to be correct in all material respects, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Institution by the Trustee or to the Institution and the Trustee by the Authority; *provided, however,* that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, in the sole judgment of the Authority, the Institution shall in good faith commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or

(d) **Liquidation, etc.** Except to the extent permitted by *Section 5.8* hereof, the Institution shall liquidate or dissolve its affairs, or dispose of or transfer all or substantially all of its assets; or

(e) **Indenture Event of Default.** An event of default (as defined in the Indenture) shall have occurred under the Indenture; or

(f) **Default With Respect to Other Indebtedness.** The Institution shall default in the payment of any other Indebtedness (other than the Note), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur; *provided, however* that such default shall not constitute an Event of Default within the meaning of this Section if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of such Indebtedness under the laws of Connecticut or other laws governing such proceeding (i) the Institution in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (ii) if sufficient moneys are escrowed with a bank or trust corporation for the payment of such Indebtedness; or

(g) **Delay or Discontinuance.** The acquisition, construction, improvement, equipping, renovation or repair of the Project is discontinued or delayed for a length of time or in a manner which the Authority believes threatens the ability of the Institution to repay the loan made hereunder or threatens the exclusion from gross income of the interest on the Bonds.

[*Original Loan Agreement*]

Section 8.2 Remedies. (a) Upon the occurrence and continuance of any Event of Default hereunder and further upon the condition that, in accordance with the terms of the Indenture, the Bonds shall have been declared to be immediately due and payable pursuant to any provision of the Indenture, the loan payments required by subsections (a), (b) and (c) of *Section 2.4* hereof and the payments required by the Note shall, without further action, become and be immediately due and payable.

[*Original Loan Agreement*]

(b) Upon the occurrence and continuance of any Event of Default hereunder, the Authority may, or the Trustee may at the direction of the Authority, subject to the terms of the Indenture, take any action at law or in equity to collect any payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Institution hereunder or to protect the interests securing the same, and the Authority may, or the Trustee may at the direction of the Authority, without limiting the generality of the foregoing, exercise any or all rights and remedies given hereby or available hereunder and may take any action at law or in equity to collect any payments then due or thereafter to become due, or to enforce performance of any obligation, agreement or covenant of the Institution hereunder or under the Note.

[*Original Loan Agreement; 1st Supp. Loan Agreement Sec. 2.1(b); as amended May 1, 2011*]

(c) Any amounts collected from the Institution pursuant to this *Section 8.2* shall be applied in accordance with the Indenture.

[*Original Loan Agreement*]

Section 9.1. Indemnification. [Summary.] The Institution agrees to indemnify and hold harmless the Authority, the Paying Agent, the Trustee and their members, directors, officers, officials, employees, counsels, consultants and agents for certain untrue statement or misleading statements of a material fact contained in portions of the Official Statement or omissions of certain material facts from portions of the Official Statement, from other information required to be provided by the Institution under the Loan Agreement, and from certain other matters.

Section 10.2 Amendment. Subject to *Section 4.1(g)*, the Authority hereby reserves the right, together with the Institution, with the consent of the Trustee and to the extent permitted by *Section 6.6* of the Indenture: (i) to amend or modify the terms of this Loan Agreement (and the Note) in any respect consistent with the Act, (ii) to extend the term hereof (or of the Note) or the time for making any payment hereunder or thereunder, or (iii) to continue to make construction advances after the initial completion date for the Project.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 10.4 Term of Loan Agreement. This Loan Agreement shall remain in full force and effect from the effective date of this Loan Agreement, which shall be the date of delivery of the Bonds authorized under the Indenture, until the date on which the principal of and redemption premium, if any, and interest on the Bonds and any other costs of the Authority, the Trustee and the Paying Agent with respect to the Bonds shall have been fully paid or provision for the payment thereof shall have been made as provided by the Indenture, at which time the Authority shall release and cancel this Loan Agreement and the Note. The foregoing shall not affect the validity and continuing effectiveness of any of the provisions hereof which by their terms survive the expiration of this Loan Agreement.

[*Original Loan Agreement, as amended May 1, 2011*]

Section 10.6 Limitation of Liability. The liability of the Authority to make the loan to the Institution pursuant to *Section 2.1* hereof to carry out the Project, including any change orders, shall be limited to the making of payments from the Construction Fund pursuant to the Indenture. Nothing in this Loan Agreement shall impose any other such liability on the Authority, its members, officers, employees, counsel or agents to make payments to carry out the Project, whether contractual or otherwise. The Institution shall indemnify the Authority and all such other parties and save them harmless against any liability intended to be precluded by this Section. The provisions of this Section shall survive the termination of this Loan Agreement.

[*Original Loan Agreement*]

Section 10.7 Third Party Beneficiaries. The Institution agrees that the Trustee and the Paying Agent shall be third party beneficiaries of this Loan Agreement to the extent that any of the provisions hereof relate to or provide rights to the Trustee or the Paying Agent.

[*Original Loan Agreement*]

Section 10.8 Waivers and Consents by Authority. Any waiver, consent, notice or request authorized to be given by the provisions of this Loan Agreement may be given by an Authorized Officer of the Authority in writing.

[*Original Loan Agreement*]

Section 10.10 State Agreement. The Authority and the Bondowners shall have the benefit of the State's covenant and agreement contained in Section 3(e) of Public Act No. 95-270 as in effect on the date hereof: "(e) The state covenants with the authority and with the purchasers and all other subsequent owners and transferees of obligations issued by the authority for the benefit of the Connecticut State University System pursuant to this section and said sections 10a-186a and 10a-187, in consideration of the financing by the authority and the acceptance of and payment for the securities of the authority, until all obligations of the Connecticut State University System and all costs and expenses in connection with any action or proceeding in connection therewith, are fully met and discharged, unless expressly

permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the Connecticut State University System with the authority or for the benefit of such other parties, that the state (1) will not create or cause to be created any lien or charge on the assets or revenues pledged to secure such obligations of the Connecticut State University System, prior to or on parity with a lien or pledge created thereon pursuant to this act; (2) will not in any way impair the rights, exemptions or remedies of the authority or the owners of such bonds of the authority; and (3) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the Connecticut State University System to take such action as may be necessary to fulfill the terms of its obligations in connection with its borrowing from the authority; provided that nothing herein shall preclude the state from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter this act if and when adequate provision shall be made by law for the protection of the authority and the holders of any outstanding securities of the authority, pursuant to the agreement of the Connecticut State University System with the authority and pursuant to the indenture or other instrument under which the bonds of the authority are issued."

[*Original Loan Agreement*]

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
University of Hartford Issue, Series A dated July 1, 1966	$4,100,000	$4,100,000	$0
Middlesex Memorial Hospital Issue, Series A dated July 1, 1967	9,300,000	9,300,000	0
Danbury Hospital Issue, Series A dated July 1, 1968	8,500,000	8,500,000	0
Mount Sinai Hospital Issue, Series A dated July 1, 1968	11,450,000	11,450,000	0
New Britain General Hospital Issue, Series A dated July 1, 1968	5,540,000	5,540,000	0
New Haven College Issue, Series A dated July 1, 1968	2,950,000	2,950,000	0
Rockville General Hospital Issue, Series A dated July 1, 1968	3,400,000	3,400,000	0
Lawrence and Memorial Hospitals Issue, Series A dated July 1, 1969	5,380,000	5,380,000	0
University of Hartford Issue, Series B dated July 1, 1969	6,680,000	6,680,000	0
Danbury Hospital Issue, Series B dated July 1, 1970	1,500,000	1,500,000	0
Waterbury Hospital Issue, Series A dated July 1, 1970	10,950,000	10,950,000	0
Windham Hospital Issue, Series A dated July 1, 1970	3,860,000	3,860,000	0
Yale University Issue, Series A dated July 1, 1970	2,440,000	2,440,000	0
Yale University Issue, Series B dated July 1, 1970	12,300,000	12,300,000	0
Charlotte Hungerford Hospital Issue, Series A dated July 1, 1971	2,400,000	2,400,000	0
St. Francis Hospital Issue, Series A dated July 1, 1971	16,700,000	16,700,000	0
University of Bridgeport Issue, Series A dated July 1, 1971	7,500,000	7,500,000	0
Yale-New Haven Hospital Issue, Series A dated July 1, 1971	9,250,000	9,250,000	0
Wesleyan University Issue, Series A dated July 1, 1972	30,550,000	30,550,000	0
Yale University Issue, Series C dated July 1, 1972	2,780,000	2,780,000	0
St. Vincent's Hospital Issue, Series A dated July 1, 1973	23,450,000	23,450,000	0
Middlesex Memorial Hospital Issue, Series B dated July 1, 1974	8,220,000	8,220,000	0
Norwalk Hospital Issue, Series A dated March 1, 1976	13,800,000	13,800,000	0
Danbury Hospital Issue, Series C-1976 dated July 1, 1976	19,750,000	19,750,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Yale University Issue, Series D dated July 1, 1976	16,400,000	16,400,000	0
Fairfield University Issue, Series A dated July 1, 1977	4,150,000	4,150,000	0
Trinity College Issue, Series A dated July 1, 1977	6,000,000	6,000,000	0
Yale-New Haven Hospital Issue, Series B-1979 dated July 1, 1979	59,500,000	59,500,000	0
Hartford Hospital Issue, Series A dated September 12, 1979	1,800,000	1,800,000	0
St. Mary's Hospital Issue, Series A dated January 1, 1980	25,985,000	25,985,000	0
Fairfield University Issue, Series B dated July 1, 1980	4,680,000	4,680,000	0
Connecticut Hospice Issue, Series A dated July 16, 1980	1,450,000	1,450,000	0
Quinnipiac College Issue, Series A dated October 22, 1980	1,900,000	1,900,000	0
University of New Haven Issue, Series B dated April 15, 1981	5,210,000	5,210,000	0
Manchester Memorial Hospital Issue, Series A dated June 1, 1981	14,800,000	14,800,000	0
Meriden-Wallingford Hospital Issue, Series A dated July 1, 1981	24,200,000	24,200,000	0
Fairfield University Issue, Series C dated November 12, 1981	3,500,000	3,500,000	0
Yale-New Haven Hospital Issue, Series C-1981 dated March 1, 1982	6,500,000	6,500,000	0
Community Health Care Center Plan Issue, Series A dated December 22, 1982	2,500,000	2,500,000	0
Yale University Issue, Series E dated February 9, 1983	28,500,000	28,500,000	0
Yale University Issue, Series F dated March 1, 1983	30,250,000	30,250,000	0
Wesleyan University Issue, Series B dated March 15, 1983	16,175,000	16,175,000	0
Danbury Hospital Issue, Series D dated April 15, 1983	49,995,000	49,995,000	0
William W. Backus Hospital Issue, Series A dated November 22, 1983	3,060,000	3,060,000	0
Connecticut College Issue, Series A dated January 1, 1984	4,250,000	4,250,000	0
Stamford Hospital Issue, Series A dated May 1, 1984	19,410,000	19,410,000	0
Hospital of St. Raphael Issue, Series A dated October 1, 1984	45,030,000	45,030,000	0
Fairfield University Issue, Series D dated November 20, 1984	2,300,000	2,300,000	0
Hospital Equipment Issue, Series A dated March 1, 1985	14,530,000	14,530,000	0

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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
University of New Haven Issue, Series C dated June 27, 1985	2,275,000	2,275,000	0
Yale-New Haven Hospital Issue, Series D dated July 1, 1985	45,900,000	45,900,000	0
Yale University Issue, Series G,H,I and J dated October 15, 1985	90,400,000	90,400,000	0
Yale-New Haven Hospital Issue, Series E dated November 1, 1985	15,000,000	15,000,000	0
William W. Backus Hospital Issue, Series B dated November 15, 1985	4,860,000	4,860,000	0
Hartford Graduate Center Issue, Series A dated November 20, 1985	5,700,000	5,700,000	0
Trinity College Issue, Series B dated December 30, 1985	10,700,000	10,700,000	0
Center for Continuing Care Center of Greater Stamford Issue, Series A dated May 1, 1986	8,015,000	8,015,000	0
Manchester Memorial Hospital Issue, Series B dated November 15, 1986	15,325,000	15,325,000	0
Hebrew Home and Hospital Issue, Series A dated January 1, 1987	21,760,000	21,760,000	0
Yale University Issue, Series K dated March 1, 1987	34,290,000	34,290,000	0
Fairfield University Issue, Series E dated July 1, 1987	15,575,000	15,575,000	0
Capital Asset Pool Issue, Series A dated February 1, 1988	10,930,000	10,930,000	0
University of Hartford Issue, Series C dated April 1, 1988	61,915,000	61,915,000	0
Yale University Issue, Series L,M,N,O dated July 28, 1988	90,000,000	90,000,000	0
St. Mary's Hospital Issue, Series B dated August 15, 1988	33,645,000	33,645,000	0
Wesleyan University Issue, Series C dated September 22, 1988	38,300,000	38,300,000	0
Bradley Health Care Issue, Series A dated December 1, 1988	7,385,000	7,385,000	0
Hospital of Saint Raphael Issue, Series B & C dated December 1, 1988	72,440,000	72,440,000	0
Kingswood-Oxford School Issue, Series A dated April 15, 1989	2,800,000	2,800,000	0
Lutheran General Health Care System dated April 15, 1989	10,650,000	10,650,000	0
Stamford Hospital Issue, Series B dated June 1, 1989	10,450,000	10,450,000	0
Yale University Issue, Series P dated September 27, 1989	6,350,000	6,350,000	0
Fairfield University Issue, Series F dated October 1, 1989	11,700,000	11,700,000	0
Capital Asset Pool Issue, Series B dated November 1, 1989	23,275,000	23,275,000	0

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SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Quinnipiac College Issue, Series B dated November 15, 1989	11,340,000	11,340,000	0
Manchester Memorial Hospital Issue, Series C dated January 15, 1990	5,005,000	5,005,000	0
Lawrence and Memorial Hospital Issue, Series B dated February 1,1990	9,295,000	9,295,000	0
Bristol Hospital Issue, Series A dated March 1, 1990	18,250,000	18,250,000	0
Taft School Issue, Series A dated April 15, 1990	11,870,000	11,870,000	0
Windham Hospital Issue, Series B dated June 13, 1990	20,600,000	20,600,000	0
Loomis Chaffee School Issue, Series A dated June 28, 1990	7,000,000	7,000,000	0
St. Mary's Hospital Issue, Series C dated August 1, 1990	18,980,000	18,980,000	0
Charlotte Hungerford Hospital Issue, Series B dated September 20, 1990	10,900,000	10,900,000	0
Quinnipiac College Issue, Series C dated November 1, 1990	4,000,000	4,000,000	0
Waterbury Hospital Issue, Series B dated November 1, 1990	20,130,000	20,130,000	0
Yale-New Haven Hospital Issue, Series F dated November 1, 1990	124,395,000	124,395,000	0
Kent School Issue, Series A dated December 1, 1990	26,000,000	26,000,000	0
Capital Asset Issue, Series C dated December 1, 1990	13,180,000	13,180,000	0
Hospital of Saint Raphael Issue, Series D & E dated April 1, 1991	20,280,000	20,280,000	0
Stamford Hospital Issue, Series C, D & E dated May 1, 1991	22,240,000	22,240,000	0
Connecticut College Issue, Series B dated August 31, 1991	5,800,000	5,800,000	0
Danbury Hospital Issue, Series E dated September 1, 1991	37,620,000	37,620,000	0
Sharon Health Care, Inc. Issue, Series A dated November 1, 1991	7,290,000	7,290,000	0
New Britain Memorial Hospital Issue, Series A dated December 1, 1991	44,805,000	44,805,000	0
Tolland County Health Care, Inc. Issue, Series A dated December 1, 1991	8,900,000	8,900,000	0
Johnson Evergreen Corporation Issue, Series A dated January 1, 1992	8,590,000	8,590,000	0
Saint Francis Hospital Issue, Series B dated January 1, 1992	27,845,000	27,845,000	0
Hospital of Saint Raphael Issue, Series F & G dated January 1, 1992	28,025,000	28,025,000	0
Middlesex Hospital Issue, Series C,D,E,F & G dated March 1, 1992	38,940,000	38,940,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Bridgeport Hospital Issue, Series A dated March 1, 1992	25,890,000	25,890,000	0
Yale-New Haven Hospital Issue, Series G dated April 1, 1992	34,315,000	34,315,000	0
Lawrence and Memorial Hospital, Series C dated April 1, 1992	51,950,000	51,950,000	0
Norwalk Health Care Issue, Series A dated May 1, 1992	13,060,000	13,060,000	0
Norwalk Hospital Issue, Series B, C & D dated May 15, 1992	23,100,000	23,100,000	0
Trinity College Issue, Series C dated July 1, 1992	20,370,000	20,370,000	0
Yale University Issue, Series Q & R dated August 3, 1992	87,600,000	87,600,000	0
William W. Backus Hospital Issue, Series C dated September 1, 1992	14,700,000	14,700,000	0
University of Hartford Issue, Series D dated October 1, 1992	76,720,000	76,720,000	0
Sacred Heart University Issue, Series A dated November 1, 1992	6,160,000	6,160,000	0
Manchester Memorial Hospital Issue, Series D dated February 1, 1993	8,430,000	8,430,000	0
Griffin Hospital Issue, Series A dated March 1, 1993	30,285,000	30,285,000	0
The Taft School Issue, Series B dated July 1, 1993	13,425,000	13,425,000	0
Quinnipiac College Issue, Series D dated August 1, 1993	50,700,000	50,700,000	0
Fairfield University Issue, Series G dated September 15, 1993	25,255,000	25,255,000	0
Sacred Heart University Issue, Series B dated October 1, 1993	12,500,000	12,500,000	0
Saint Francis Hospital Issue, Series C dated October 1, 1993	110,505,000	108,315,000	2,190,000
Forman School Issue, Series A dated November 12, 1993	4,000,000	3,600,000	400,000
Hospital of Saint Raphael Issue, Series H & I dated November 1, 1993	73,575,000	73,575,000	0
Lawrence and Memorial Hospital Issue, Series D dated December 1, 1993	58,165,000	58,165,000	0
New Britain General Hospital Issue, Series B dated April 1, 1994	48,870,000	48,870,000	0
Trinity College Issue, Series D dated April 1, 1994	17,000,000	17,000,000	0
Newington Children's Hospital Issue, Series A dated August 15, 1994	53,750,000	53,750,000	0
Choate Rosemary Hall Issue, Series A dated November 15, 1994	25,070,000	25,070,000	0
Pomfret School Issue, Series A dated January 25, 1995	7,785,000	7,785,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
The Loomis Chaffee School Issue, Series B dated January 1, 1995	10,260,000	10,260,000	0
Bridgeport Hospital Issue, Series B dated April 12, 1995	31,500,000	31,500,000	0
Kent School Issue, Series B dated July 1, 1995	26,915,000	26,915,000	0
Day Kimball Hospital Issue, Series A dated November 1, 1995	19,150,000	6,680,000	12,470,000
Bridgeport Hospital Issue, Series C dated December 1, 1995	54,805,000	54,805,000	0
Danbury Hospital Issue, Series F dated January 1, 1996	20,000,000	20,000,000	0
Greenwich Academy Issue, Series A dated March 1, 1996	16,000,000	16,000,000	0
Greenwich Hospital Issue, Series A dated March 1, 1996	62,905,000	62,905,000	0
Sacred Heart University Issue, Series C dated April 1, 1996	35,395,000	35,395,000	0
Westminster School Issue, Series A dated May 1, 1996	10,195,000	10,195,000	0
University of New Haven Issue, Series D dated May 1, 1996	24,400,000	24,400,000	0
Taft School Issue, Series C dated June 1, 1996	16,730,000	16,730,000	0
Trinity College Issue, Series E dated July 1, 1996	35,000,000	35,000,000	0
Yale-New Haven Hospital Issue, Series H dated July 1, 1996	120,240,000	120,240,000	0
Veterans Memorial Medical Center, Series A dated August 1, 1996	69,785,000	69,785,000	0
The Loomis Chaffee School Issue, Series C dated August 1, 1996	11,435,000	11,435,000	0
Stamford Hospital Issue, Series F dated October 15, 1996	23,645,000	23,645,000	0
Windham Hospital Issue, Series C dated December 1, 1996	20,200,000	20,200,000	0
Connecticut College Issue, Series C dated January 1, 1997	33,620,000	33,620,000	0
Yale University Issue, Series S dated April 3, 1997	135,865,000	0	135,865,000
Sacred Heart University Issue, Series D dated April 1, 1997	6,185,000	6,185,000	0
William W. Backus Hospital Issue, Series D dated April 1, 1997	17,240,000	17,240,000	0
St. Mary's Hospital Issue, Series D & E dated May 1, 1997	47,150,000	23,925,000	23,225,000
Choate Rosemary Hall Issue, Series B dated June 15, 1997	33,075,000	33,075,000	0
Edgehill Issue, Series A & B dated July 1, 1997(Ser. A) July 23, 1997(Ser. B)	84,370,000	84,370,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Suffield Academy Issue, Series A dated September 1, 1997	8,070,000	8,070,000	0
Sharon Hospital Issue, Series A dated September 30,1997	7,610,000	7,610,000	0
Middlesex Hospital Issue, Series H & I dated September 1, 1997	55,440,000	55,440,000	0
Yale University Issue, Series T dated November 5, 1997	250,000,000	0	250,000,000
Hospital for Special Care Issue, Series B dated December 1, 1997	69,795,000	69,795,000	0
Masonicare Issue, Series A dated December 1, 1997	53,045,000	53,045,000	0
Bradley Health Care Issue, Series B Jerome Home Issue, Series C dated December 22, 1997	23,410,000	23,410,000	0
Hospital of St. Raphael Issue, Series J & K dated January 8, 1998	28,800,000	28,800,000	0
Trinity College Issue, Series F dated April 1, 1998	41,570,000	31,765,000	9,805,000
Masonicare Issue, Series B dated May 1, 1998	11,085,000	11,085,000	0
Taft School Issue, Series D dated May 1, 1998	17,060,000	16,290,000	770,000
New Opportunities for Waterbury Issue, Series A & B dated April 15, 1998	5,795,000	5,795,000	0
Hopkins School Issue, Series A dated June 1, 1998	10,000,000	10,000,000	0
Canterbury School Issue, Series A dated August 1, 1998	10,230,000	2,765,000	7,465,000
Charlotte Hungerford Hospital Issue, Series C dated August 14, 1998	14,340,000	13,140,000	1,200,000
William W. Backus Hospital Issue, Series E dated August 1, 1998	13,655,000	6,140,000	7,515,000
Fairfield University Issue, Series H dated July 15, 1998	28,000,000	28,000,000	0
Salisbury School Issue, Series A dated October 1, 1998	16,135,000	16,135,000	0
Sacred Heart University Issue, Series E dated December 1, 1998	76,020,000	76,020,000	0
Quinnipiac College Issue, Series E dated December 1, 1998	59,660,000	59,660,000	0
Hebrew Home and Hospital Issue, Series B dated January 1, 1999	19,215,000	19,215,000	0
(Charity Obligated Group) St. Vincent's Medical Center/Hall-Brooke Issue, Series 1999B dated February 4, 1999	45,000,000	45,000,000	0
Stamford Hospital Issue, Series G & H dated March 1, 1999(Ser G) March 24, 1999(Ser	97,440,000	97,440,000	0
Norwalk Hospital Issue, Series E & F dated April 1, 1999	31,480,000	22,920,000	8,560,000

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SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Westminster School Issue, Series B dated April 1, 1999	7,960,000	7,960,000	0
Yale University Issue, Series U dated April 29, 1999	250,000,000	0	250,000,000
Saint Joseph College Issue, Series A dated May 1, 1999	11,400,000	11,400,000	0
Brunswick School Issue, Series A dated May 1, 1999	44,635,000	44,635,000	0
The University of Connecticut Foundation Issue, Series A, dated August 1, 1999	8,000,000	8,000,000	0
Miss Porter's School Issue, Series A dated August 15, 1999	10,000,000	10,000,000	0
Fairfield University Issue, Series I dated August 1, 1999	70,000,000	70,000,000	0
The Horace Bushnell Memorial Hall Issue, Issue, Series A, dated September 1, 1999	15,000,000	15,000,000	0
Danbury Hospital Issue, Series G dated September 1, 1999	43,240,000	43,240,000	0
Catholic Health East Issue, Series 1999F dated September 15, 1999	18,610,000	18,610,000	0
Ascension Health Issue, Series A dated November 1, 1999	44,500,000	13,915,000	30,585,000
Covenant Retirement Communities Issue, Series A dated December 2, 1999	10,040,000	10,040,000	0
Waterbury Hospital Issue, Series C dated December 1, 1999	27,140,000	27,140,000	0
Summerwood at University Park Issue, Series A dated February 3, 2000	11,200,000	11,200,000	0
Gaylord Hospital Issue, Series A dated February 22, 2000	12,920,000	12,920,000	0
Eastern Connecticut Health Network Issue, Series A dated February 1, 2000	58,170,000	48,230,000	9,940,000
The Ethel Walker School Issue, Series A dated March 1, 2000	8,500,000	8,500,000	0
Community Renewal Team Issue, Series A dated March 16, 2000	4,325,000	2,465,000	1,860,000
Taft School Issue, Series E dated April 27, 2000	12,000,000	0	12,000,000
Lauralton School Issue, Series A dated June 14, 2000	3,400,000	3,400,000	0
Connecticut College Issue, Series D dated June 1, 2000	12,000,000	12,000,000	0
The Marvelwood School Issue, Series A dated June 29, 2000	5,535,000	5,535,000	0
The Hotchkiss School Issue, Series A dated August 3, 2000	35,000,000	0	35,000,000
Hartford Hospital Issue, Series B dated August 3, 2000	31,175,000	31,175,000	0
The Rectory School Issue, Series A dated November 9, 2000	7,100,000	7,100,000	0

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SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Westover School Issue, Series A dated November 1, 2000	10,000,000	10,000,000	0
Edgehill Issue, Series C dated December 13, 2000	22,000,000	22,000,000	0
Kent School Issue, Series C dated February 15, 2001	10,500,000	10,500,000	0
Trinity College Issue, Series G dated March 1,2001	50,000,000	50,000,000	0
Loomis Chaffee School Issue, Series D dated May 1, 2001	27,625,000	27,625,000	0
The Gunnery School Issue, Series A dated May 1, 2001	11,455,000	11,455,000	0
Greenwich Academy Issue, Series B dated May 1, 2001	32,920,000	32,920,000	0
United Methodist Home of Sharon Issue, Series A, dated June 1, 2001	7,740,000	7,740,000	0
Wesleyan University Issue, Series D dated June 7, 2001	93,000,000	93,000,000	0
Yale University Issue, Series V dated July 12, 2001	200,000,000	0	200,000,000
Middlesex Hospital Issue, Series J dated July 25, 2001	11,895,000	11,895,000	0
The Whitby School Issue, Series A dated August 3, 2001	6,000,000	6,000,000	0
Fairfield University Issue, Series J dated August 1, 2001	18,000,000	18,000,000	0
Taft School Issue, Series F dated August 15,2001	11,480,000	11,480,000	0
The Williams School Issue, Series A dated October 18, 2001	5,500,000	1,230,000	4,270,000
Loomis Chaffee School Issue, Series E dated October 1, 2001	11,155,000	11,155,000	0
Quinnipiac University Issue, Series F dated October 31, 2001	60,000,000	60,000,000	0
Washington Montessori School Issue, Series A, dated November 30, 2001	7,990,000	7,990,000	0
Bristol Hospital Issue, Series B dated January 31, 2002	38,000,000	9,290,000	28,710,000
Westminster School Issue, Series C dated February 20, 2002	8,250,000	900,000	7,350,000
Greater Hartford YMCA Issue, Series A dated March 28, 2002	16,180,000	16,180,000	0
University of Hartford Issue, Series E dated April 1, 2002	75,000,000	75,000,000	0
Yale University Issue, Series W dated May 1, 2002	89,520,000	89,520,000	0
Health Care Capital Asset Program Issue, Series A-1, dated May 16, 2002	36,110,000	36,110,000	0
Saint Francis Hospital Issue, Series D dated May 1, 2002	25,250,000	12,650,000	12,600,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Kingswood-Oxford School Issue, Series B dated June 5, 2002	12,000,000	1,940,000	10,060,000
Connecticut College Issue, Series E dated July 1, 2002	17,785,000	17,785,000	0
The Village for Families and Children Issue, Series A & B, dated November 1, 2002	14,000,000	2,615,000	11,385,000
Middlesex Hospital Issue, Series K dated November 15, 2002	15,500,000	15,500,000	0
Klingberg Family Centers Issue, Series A dated December 4, 2002	6,750,000	6,750,000	0
Yale University Issue, Series X-1, X-2 & X-3 dated January 8, 2003	350,000,000	0	350,000,000
Brunswick School Issue, Series B dated April 1, 2003	17,500,000	17,500,000	0
Boys & Girls Club of Greenwich Issue, Series A dated May 29, 2003	14,800,000	14,800,000	0
Wesleyan University Issue, Series E dated July 17, 2003	62,000,000	62,000,000	0
King & Low-Heywood Thomas School Issue, Series A, dated August 27, 2003	11,005,000	1,890,000	9,115,000
Central Connecticut Coast YMCA Issue, Series A, dated September 11, 2003	4,500,000	1,170,000	3,330,000
Quinnipiac University Issue, Series G dated November 18, 2003	16,340,000	16,340,000	0
Sacred Heart University Issue, Series F dated December 11, 2003	21,700,000	2,655,000	19,045,000
Salisbury School Issue, Series B dated February 19, 2004	5,510,000	5,510,000	0
Fairfield University Issue, Series K dated April 14, 2004	38,075,000	38,075,000	0
University of Hartford Issue, Series F dated May 6, 2004	25,000,000	25,000,000	0
Connecticut Children's Medical Center Issue, Series B & C, dated May 13, 2004	44,985,000	44,985,000	0
Lawrence and Memorial Hospital Issue, Series E dated June 24, 2004	22,990,000	0	22,990,000
Greenwich Academy Issue, Series C dated June 25, 2004	11,770,000	11,770,000	0
Norwich Free Academy Issue, Series A dated June 1, 2004	18,740,000	2,925,000	15,815,000
Trinity College Issue, Series H dated July 8, 2004	33,370,000	8,410,000	24,960,000
Eastern Connecticut Health Network Issue, Series B, dated July 21, 2004	20,000,000	20,000,000	0
Greenwich Academy Issue, Series D dated September 1, 2004	15,490,000	3,765,000	11,725,000
Kent School Issue, Series D dated October 6, 2004	21,725,000	6,745,000	14,980,000
Trinity College Issue, Series I dated December 9, 2004	15,000,000	15,000,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
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SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Hospital of Saint Raphael Issue, Series L&M dated December 16, 2004	59,945,000	59,945,000	0
Griffin Hospital Issue, Series B dated February 1, 2005	24,800,000	7,600,000	17,200,000
Eagle Hill School Issue, Series A dated May 11, 2005	5,990,000	850,000	5,140,000
Avon Old Farms School Issue, Series A dated May 12, 2005	21,670,000	2,845,000	18,825,000
Westminster School Issue, Series D dated June 1, 2005	9,260,000	2,285,000	6,975,000
Ridgefield Academy Issue, Series A dated June 17, 2005	12,000,000	1,510,000	10,490,000
Greenwich Family YMCA Issue, Series A dated August 4, 2005	20,165,000	1,990,000	18,175,000
William W. Backus Hospital Issue, Series F&G dated August 10, 2005	58,135,000	6,385,000	51,750,000
University of New Haven Issue, Series E&F dated August 17, 2005	32,350,000	9,545,000	22,805,000
Wesleyan University Issue, Series F dated September 1, 2005	48,000,000	48,000,000	0
Yale University Issue, Series Y dated October 5, 2005	300,000,000	0	300,000,000
The Loomis Chaffee School Issue, Series F dated October 27, 2005	34,135,000	2,700,000	31,435,000
Fairfield University Issue, Series L1&2 dated November 3, 2005	106,575,000	106,575,000	0
Eastern Connecticut Health Network Issue, Series C, dated November 9, 2005	37,065,000	2,930,000	34,135,000
Mansfield Center for Nursing and Rehabilitation Issue, Series B, dated December 15, 2005	7,095,000	1,995,000	5,100,000
Fairfield University Issue, Series L-1(2nd Tranche) dated December 15, 2005	10,000,000	10,000,000	0
Avon Old Farms School Issue, Series B dated March 9, 2006	7,000,000	865,000	6,135,000
Danbury Hospital Issue, Series H&I dated March 16, 2006	81,560,000	40,000,000	41,560,000
Greenwich Hospital Issue, Series B dated April 6, 2006	56,600,000	56,600,000	0
Yale-New Haven Hospital Issue, Series I dated April 7, 2006	111,800,000	111,800,000	0
Miss Porter's School Issue, Series B dated June 16, 2006	18,130,000	785,000	17,345,000
University of Hartford Issue, Series G dated June 22, 2006	50,000,000	4,440,000	45,560,000
Greenwich Adult Day Care Issue, Series A dated June 29, 2006	4,030,000	935,000	3,095,000
The Children's School Issue, Series A dated July 24, 2006	6,835,000	660,000	6,175,000
Canterbury School Issue, Series B dated July 27, 2006	11,805,000	385,000	11,420,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
University of New Haven Issue, Series G dated August 29, 2006	15,890,000	2,595,000	13,295,000
Yale-New Haven Hospital Issue, Series J dated September 26, 2006	280,855,000	121,745,000	159,110,000
Middlesex Hospital Issue, Series L&M dated December 7, 2006	39,380,000	5,535,000	33,845,000
Quinnipiac University Issue, Series H dated December 13, 2006	67,495,000	0	67,495,000
The UConn Foundation Issue, Series B dated January 23, 2007	7,290,000	1,260,000	6,030,000
Trinity College Issue, Series J&K dated March 7, 2007	74,805,000	2,275,000	72,530,000
Greenwich Academy Issue, Series E dated March 22, 2007	26,435,000	0	26,435,000
Jerome Home Issue, Series D Mulberry Gardens Issue, Series E dated March 29, 2007	16,050,000	5,175,000	10,875,000
Connecticut College Issue, Series F&G dated April 4, 2007	40,855,000	0	40,855,000
The Stanwich School Issue, Series A dated May 3, 2007	15,500,000	315,000	15,185,000
Griffin Hospital Issue, Series C&D dated May 15, 2007	34,050,000	1,400,000	32,650,000
Chase Collegiate School Issue, Series A dated June 7, 2007	11,060,000	825,000	10,235,000
Choate Rosemary School Issue, Series C dated June 21, 2007	42,000,000	42,000,000	0
Hospital for Special Care Issue, Series C&D dated June 28, 2007	61,635,000	18,930,000	42,705,000
Gaylord Hospital Issue, Series B dated July 3, 2007	21,530,000	3,065,000	18,465,000
Westover School Issue, Series B dated July 11, 2007	9,180,000	1,275,000	7,905,000
University of Bridgeport Issue, Series B dated August 10, 2007	21,175,000	21,175,000	0
Renbrook School Issue, Series A dated September 13, 2007	8,000,000	8,000,000	0
Yale University Issue, Series Z dated October 4, 2007	600,000,000	0	600,000,000
Masonicare Issue, Series C&D dated October 31, 2007	116,065,000	42,385,000	73,680,000
Hoffman SummerWood Issue, Series B dated November 7, 2007	17,055,000	655,000	16,400,000
Suffield Academy Issue, Series B dated November 8, 2007	12,640,000	4,060,000	8,580,000
Westminster School Issue, Series E dated November 9, 2007	19,230,000	165,000	19,065,000
Windham Hospital Issue, Series D dated November 15, 2007	19,745,000	19,745,000	0
Quinnipiac College Issue, Series I-K dated December 20, 2007	416,465,000	19,040,000	397,425,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Pierce Memorial Baptist Home Issue, Series A dated January 17, 2008	8,575,000	505,000	8,070,000
Choate Rosemary Hall Issue, Series D dated April 2, 2008	42,415,000	4,320,000	38,095,000
Saint Joseph College Issue, Series B dated April 3, 2008	15,000,000	1,805,000	13,195,000
Fairfield University Issue, Series M dated April 10, 2008	39,440,000	7,055,000	32,385,000
Greenwich Hospital Issue, Series C dated May 7, 2008	53,630,000	10,985,000	42,645,000
Yale-New Haven Hospital Issue, Series K&L dated May 14, 2008	216,565,000	14,150,000	202,415,000
Salisbury School Issue, Series C dated May 22, 2008	48,160,000	0	48,160,000
Saint Francis Hospital Issue, Series E dated May 29, 2008	39,745,000	0	39,745,000
Healthcare Capital Asset Program Issue, Series B-1, dated June 18, 2008	30,000,000	30,000,000	0
Hopkins School Issue, Series B dated June 26, 2008	9,240,000	525,000	8,715,000
Danbury Hospital Issue, Series J dated June 27, 2008	35,580,000	35,580,000	0
Saint Francis Hospital Issue, Series F dated June 30, 2008	175,000,000	0	175,000,000
University of New Haven Issue, Series H dated July 2, 2008	46,000,000	1,795,000	44,205,000
Loomis Chaffee School Issue, Series G dated July 22, 2008	25,745,000	800,000	24,945,000
Hamden Hall Country Day School Issue, Series A, dated July 31, 2008	18,235,000	785,000	17,450,000
Trinity College Issue, Series L dated August 5, 2008	15,345,000	1,860,000	13,485,000
Hospital of Central Connecticut, Series A dated August 8, 2008	33,690,000	33,690,000	0
Taft School Issue, Series G dated August 13, 2008	16,905,000	6,695,000	10,210,000
Fairfield University Issue, Series N dated August 21, 2008	108,210,000	9,765,000	98,445,000
Greater Hartford YMCA Issue, Series B dated December 1, 2008	26,580,000	26,580,000	0
Kent School Issue, Series E dated December 17, 2008	10,155,000	800,000	9,355,000
Taft School Issue, Series H dated December 23, 2008	8,500,000	0	8,500,000
Eastern Connecticut Health Network, Series D dated May 14, 2009	15,250,000	933,000	14,317,000
Ethel Walker School Issue, Series B dated October 5, 2009	8,220,000	200,000	8,020,000
Hopkins School Issue, Series C dated December 10, 2009	7,930,000	835,000	7,095,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Yale University Issue, Series 2010-A dated February 24, 2010	529,975,000	0	529,975,000
Fairfield University Issue, Series O&P dated March 17, 2010	84,915,000	920,000	83,995,000
Ascension Health Issue, Series 2010 dated March 25, 2010	93,265,000	0	93,265,000
Catholic Health East Issue, Series 2010 dated April 7, 2010	19,560,000	145,000	19,415,000
Westminster School Issue, Series F dated April 14, 2010	6,350,000	505,000	5,845,000
Wesleyan University Issue, Series G&H dated May 18, 2010	206,580,000	0	206,580,000
Stamford Hospital Issue, Series I dated May 27, 2010	132,990,000	8,605,000	124,385,000
Trinity College Issue, Series M dated June 29, 2010	22,230,000	1,545,000	20,685,000
Hospital for Special Care Issue, Series E dated July 15, 2010	20,185,000	1,075,000	19,110,000
St. Francis Hospital Issue, Series G dated September 30, 2010	29,870,000	825,000	29,045,000
Mitchell College Issue, Series A dated November 2, 1010	14,300,000	518,303	13,781,697
University of Bridgeport Issue, Series C dated December 9, 2010	30,000,000	744,680	29,255,320
Norwalk Hospital Issue, Series G, H & I dated December 9, 2010	46,840,000	3,005,000	43,835,000
Eastern Connecticut Health Network Issue, Series E, dated 12/21/10	20,145,000	2,075,000	18,070,000
Yale-New Haven Hospital Issue, Series M dated December 22, 2010	104,390,000	4,215,000	100,175,000
Waterbury Hospital Issue, Series D dated December 22, 2010	25,918,000	747,405	25,170,595
Seabury Retirement Community Issue, Series A dated December 23, 2010	21,000,000	3,465,000	17,535,000
CIL Community Resources Issue, Series A dated June 9, 2011	12,020,000	410,000	11,610,000
Western Connecticut Health Network Issue, Series K, dated June 15, 2011	33,035,000	3,573,834	29,461,166
Sacred Heart University Issue, Series G dated June 29, 2011	43,905,000	915,000	42,990,000
Connecticut College Issue, Series H dated June 30, 2011	16,095,000	125,000	15,970,000
Connecticut Children's Medical Center Issue, Series D, dated June 30, 2011	41,580,000	1,050,000	40,530,000
Western Connecticut Health Network Issue, Series L, dated July 13, 2011	96,000,000	0	96,000,000
Western Connecticut Health Network Issue, Series M, dated July 13, 2011	46,030,000	0	46,030,000
Middlesex Hospital Issue, Series N dated July 26, 2011	37,360,000	2,180,000	35,180,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Loomis Chaffee School, Series H dated August 23, 2011	7,740,000	450,000	7,290,000
Lawrence and Memorial Hospital Issue Series F, dated September 15, 2011	58,940,000	2,885,000	56,055,000
Hartford HealthCare Issue, Series A&B dated September 29, 2011	325,815,000	0	325,815,000
Western Connecticut Health Network Issue, Series N, dated November 22, 2011	39,880,000	0	39,880,000
Rectory School Issue, Series B dated January 5, 2012	7,500,000	98,880	7,401,120
Sacred Heart University Issue, Series H dated February 14, 2012	47,740,000	2,115,000	45,625,000
The Horace Bushnell Memorial Hall Issue, Series B, dated March 15, 2012	12,800,000	130,000	12,670,000
Brunswick School Issue, Series C dated March 29, 2012	38,470,000	295,000	38,175,000
Connecticut College Issue, Series I dated April 4, 2012	12,240,000	580,000	11,660,000
Winston Preparatory School Issue, Series A dated April 13, 2012	11,377,500	0	11,377,500
University of Hartford Issue, Series H & I dated April 26, 2012	58,600,000	278,928	58,321,072
Greater Hartford YMCA Issue, Series C dated April 27, 2012	26,660,000	725,000	25,935,000
Bridgeport Hospital Issue, Series D dated May 31, 2012	36,415,000	0	36,415,000
Pomfret School Issue, Series B dated June 14, 2012	17,750,000	0	17,750,000
Stamford Hospital Issue, Series J dated June 20, 2012	250,000,000	0	250,000,000
Westminster School Issue, Series G dated June 29, 2012	6,125,000	0	6,125,000
Renbrook School Issue, Series B dated August 22, 2012	8,600,000	53,000	8,547,000
Masonicare Issue, Series E dated September 5, 2012	33,000,000	72,000	32,928,000
The Gunnery School Issue, Series B dated September 28, 2012	8,855,000	0	8,855,000
Special Capital Reserve Fund Program			
Cherry Brook Nursing Center Project dated January 15, 1993	9,380,000	3,835,000	5,545,000
Mansfield Center for Nursing and Rehabilitation Project, dated January 15, 1993	10,045,000	10,045,000	0
Noble Horizons Project dated January 15, 1993	6,435,000	6,435,000	0
St. Joseph's Living Center Project dated January 15, 1994	13,385,000	7,215,000	6,170,000
Sharon Health Care Project dated April 1, 1994	8,975,000	8,975,000	0
Maefair Health Care Center Project dated June 15, 1994	12,705,000	12,705,000	0
Saint Joseph's Manor Project dated July 1, 1994	12,805,000	12,805,000	0

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
The Pope John Paul II Center for Health Care Project, dated July 1, 1994	9,450,000	9,450,000	0
St. Camillus Health Care Center Project dated July 1, 1994	14,020,000	14,020,000	0
The Jewish Home for the Elderly of Fairfield County Project, dated August 15, 1994	7,750,000	7,750,000	0
Shady Knoll Health Center, Inc. Project dated September 1, 1994	10,460,000	10,460,000	0
Wadsworth Glen Health Care Center Project dated October 13, 1994	7,445,000	7,445,000	0
Highland View Manor, Inc. Project dated October 13, 1994	10,010,000	10,010,000	0
AHF/Hartford, Inc. Project dated November 15, 1994	45,495,000	45,495,000	0
AHF/Windsor, Inc. Project dated November 15, 1994	16,020,000	16,020,000	0
New Horizons Village Project dated November 15, 1994	10,050,000	6,325,000	3,725,000
Laurelwood Rehabilitation and Skilled Nursing Center Project dated November 15, 1994	13,800,000	13,800,000	0
Sheriden Woods Health Care Center, Inc. Project dated March 15, 1995	9,915,000	9,915,000	0
Abbott Terrace Health Center Project dated April 15, 1996	13,430,000	13,430,000	0
3030 Park Fairfield Health Center Project dated May 1, 1996	18,825,000	18,825,000	0
Connecticut State University System Issue, Series A, dated November 1, 1995	44,580,000	44,580,000	0
Connecticut State University System Issue, Series B, dated March 15, 1997	38,995,000	38,995,000	0
Connecticut State University System Issue, Series C, dated November 15, 1999	23,000,000	23,000,000	0
Connecticut State University System Issue, Series D, dated March 15, 2002	76,150,000	76,150,000	0
Connecticut State University System Issue, Series E, dated May 15, 2003	142,090,000	142,090,000	0
Connecticut State University System Issue, Series F, dated February 18, 2004	49,475,000	24,740,000	24,735,000
Connecticut State University System Issue, Series G&H, dated June 17, 2005	99,110,000	18,600,000	80,510,000
Connecticut State University System Issue, Series I, dated April 18, 2007	62,760,000	335,000	62,425,000
Connecticut State University System Issue, Series J&K, dated June 22, 2011	41,045,000	0	41,045,000
Connecticut State University System Issue, Series L, dated April 4, 2012	49,040,000	0	49,040,000

INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF OCTOBER 31, 2012

SERIES	AMOUNT ISSUED	AMOUNT RETIRED	AMOUNT OUTSTANDING
Child Care Facilities Program			
Series A & B dated November 1, 1998	10,520,000	10,520,000	0
Series C dated September 1, 1999	18,690,000	18,690,000	0
Series D dated August 1, 2000	3,940,000	3,940,000	0
Series E dated April 1, 2001	3,865,000	3,865,000	0
Series F dated December 20, 2006	19,165,000	1,485,000	17,680,000
Series G dated October 23, 2008	16,875,000	770,000	16,105,000
Series 2011 dated August 19, 2011	28,840,000	1,470,000	27,370,000
	$15,066,830,500	$7,298,040,030	$7,768,790,470

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APPENDIX I-G

[PROPOSED FORM OF BOND COUNSEL OPINION]

[Date of Closing]

State of Connecticut Health and
Educational Facilities Authority
10 Columbus Boulevard, 7th Floor
Hartford, Connecticut 06106-1978

Members of the Board of Directors:

We have examined a record of proceedings relating to the issuance and sale of $34,060,000 aggregate principal amount of Revenue Bonds, Connecticut State University System Issue, Series M, (the "Series M Bonds") of the State of Connecticut Health and Educational Facilities Authority (the "Authority"), a body politic and corporate constituting a public instrumentality of the State of Connecticut created and established pursuant to the State of Connecticut Health and Educational Facilities Authority Act, being Chapter 187 of the General Statutes of the State of Connecticut, Revision of 1958, as amended (the "Act").

The Series M Bonds delivered on the date hereof are dated and bear interest from January 10, 2013, payable on May 1 and November 1 in each year beginning May 1, 2013 until maturity or earlier redemption. The Series M Bonds are issuable only in the form of fully registered bonds in denominations of $5,000 or any integral multiple of $5,000.

The Series M Bonds bear interest at the interest rates per annum and mature on November 1 of each year in the years and principal amounts as follows:

$34,060,000 Series M Bonds

Year	Principal Amount	Interest Rate
2013	$ 865,000	3.00%
2014	1,095,000	4.00
2015	1,140,000	5.00
2016	1,195,000	5.00
2017	1,260,000	5.00
2018	1,320,000	5.00
2019	1,385,000	5.00
2020	1,455,000	5.00
2021	1,525,000	5.00
2022	1,605,000	5.00
2023	1,685,000	5.00
2024	1,770,000	5.00

Year	Principal Amount	Interest Rate
2025	1,860,000	5.00
2026	1,955,000	5.00
2027	2,050,000	5.00
2028	2,155,000	5.00
2029	2,260,000	5.00
2030	2,375,000	5.00
2031	2,490,000	5.00
2032	2,615,000	5.00

The Series M Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions as described in the Restated and Amended Trust Indenture dated as of May 1, 2011 (the "Restated Indenture"), as amended and supplemented by the Ninth Supplemental Trust Indenture, dated as of May 1, 2011, (the "Ninth Supplemental Indenture"), the Tenth Supplemental Trust Indenture dated as of May 1, 2011 (the "Tenth Supplemental Indenture"), the Eleventh Supplemental Trust Indenture dated as of March 1, 2012 (the "Eleventh Supplemental Indenture") and the Twelfth Supplemental Trust Indenture dated as of December 1, 2012 (the "Twelfth Supplemental Indenture") (the Restated Indenture, as amended and supplemented by the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture and the Twelfth Supplemental Indenture is referred to herein as the "Indenture"), by and between the Authority and U.S. Bank National Association (the "Trustee").

Principal of the Series M Bonds is payable upon presentation and surrender thereof at the principal office of U.S. Bank National Association, or its successor as paying agent of the Authority (the "Paying Agent"), except as otherwise provided in the Indenture for the payment of Series M Bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), upon partial redemption thereof. Interest on the Series M Bonds is payable on the interest payment dates, for the periods and to the owners of record as of the dates, as set forth in the Indenture.

We have examined one of the Series M Bonds as executed.

We have examined a certified copy of resolutions adopted by the Authority relating to the Series M Bonds, an executed copy of the Restated and Amended Loan Agreement, dated as of May 1, 2011 (the "Restated Loan Agreement"), as amended and supplemented by the Ninth Supplemental Loan Agreement, dated as of May 1, 2011 (the "Ninth Supplemental Loan Agreement"), the Tenth Supplemental Loan Agreement, dated as of May 1, 2011 (the "Tenth Supplemental Loan Agreement"), the Eleventh Supplemental Loan Agreement, dated as of March 1, 2012 (the "Eleventh Supplemental Loan Agreement") and the Twelfth Supplemental Loan Agreement, dated as of December 1, 2012 (the "Twelfth Supplemental Loan Agreement") by and between the Authority and Board of Trustees for the Connecticut State University System (the "Institution") (the Restated Loan Agreement as amended and supplemented by the Ninth Supplemental Loan Agreement, the Tenth Supplemental Loan Agreement, the Eleventh Supplemental Loan Agreement and the Twelfth Supplemental Loan Agreement is referred to herein as the "Loan Agreement"). We have also examined executed copies of the Series M Note from the Institution to the Authority in the form attached to the Twelfth Supplemental Loan Agreement to secure the Institution's obligation to make payments under the Loan Agreement, and an Assignment of the Series M Note, dated as of January 10, 2013 (the "Assignment of Series M Note") from the Authority to the Trustee. We have also examined an executed copy of the Series M Tax Certificate, dated the date hereof, including the appendices, certificates and attachments thereto (the "Series M Tax Certificate").

We have also examined the opinions of the Attorney General of the State of Connecticut as to certain matters concerning the Institution and of counsel to the Trustee as to certain matters concerning the Trustee.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Institution contained in the Indenture, the Loan Agreement and the Series M Tax Certificate, the record of proceedings and other certifications furnished to us, and certifications by officers of the Authority, the Institution and the Trustee without undertaking to verify the same by independent investigations.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Series M Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series M Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series M Bonds. Pursuant to the Indenture and the Loan Agreement and the Series M Tax Certificate, the Authority and the Institution have made certain representations and covenants relating to compliance with such requirements of the Code to ensure the exclusion of interest on the Series M Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Authority is a validly existing body politic and corporate constituting a public instrumentality of the State of Connecticut and has good right and lawful authority to issue the Series M Bonds and loan the proceeds thereof to the Institution and to receive and pledge the repayments of such loan and other amounts therefrom in accordance with the terms of the Loan Agreement and as provided in the Indenture.

2. The Authority has the right and power pursuant to the Act to enter into the Twelfth Supplemental Loan Agreement, the Twelfth Supplemental Indenture and the Assignment of Series M Note. The Twelfth Supplemental Indenture is permitted by the Restated Indenture as amended and supplemented by the Ninth Supplemental Indenture, Tenth Supplemental Indenture and Eleventh Supplemental Indenture, and the Twelfth Supplemental Loan Agreement, the Twelfth Supplemental Indenture and the Assignment of Series M Note have each been duly authorized, executed and delivered, are in full force and effect, and constitute valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or application of principles of equity.

3. The Series M Bonds have been duly authorized and issued by the Authority in accordance with law and the terms of the Indenture and are valid and binding special obligations of the Authority payable solely out of the revenues and other receipts, funds or moneys of the Authority pledged therefor pursuant to the Indenture, and from any amounts otherwise available under the Indenture for the payment thereof. The Series M Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefit of the Act and the Indenture, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or application of principles of equity.

4. The Indenture creates the valid pledge and assignment which it purports to create of all of the Authority's right, title and interest in the revenues or other receipts under and pursuant to the Loan Agreement and the Series M Note (except the rights specifically reserved thereunder) held by the Trustee

under and in accordance with the provisions of the Indenture and all moneys and securities held by the Trustee under and in accordance with the provisions of the Indenture (except for moneys and securities held in the Rebate Fund created thereunder), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein.

5. Pursuant to the Indenture, the Authority has validly covenanted in the manner and to the extent provided in the Indenture, among other things, that on or before each December 1, its Chairman or Vice Chairman shall certify to the Secretary of the Office of Policy and Management of the State and the Treasurer of the State, the amount, if any, necessary to restore the Special Capital Reserve Fund to an amount equal to the Required Minimum Capital Reserve Requirement provided for by the Indenture pursuant to the Act. Such sums stated in such certificate of its Chairman are validly deemed to be appropriated by the Act from the general fund of the State and such amounts shall be allotted and paid from such general fund to the Authority. Pursuant to the Indenture, the Authority has validly covenanted to cause such amounts to be deposited in the Special Capital Reserve Fund. Such appropriation and payment do not require further legislative approval.

6. Assuming the accuracy of the representations and compliance with the aforementioned tax covenants in the Loan Agreement, Indenture and Series M Tax Certificate, under existing statutes and court decisions, (a) interest on the Series M Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and (b) the interest on the Series M Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing such federal alternative minimum tax.

7. Under existing statutes, interest on the Series M 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.

Except as stated in the preceding paragraphs, we express no opinion as to any federal, state or local tax consequences with respect to the Series M Bonds or the interest thereon. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series M Bonds or the interest thereon, if any action is taken with respect to the Series M Bonds, or any changes are made in the requirements or procedures contained or referred to in the Indenture, the Series M Tax Certificate and other relevant documents upon the advice or with the approving opinion of other bond counsel. We express no opinion as to the effect of any pledge under the Indenture other than that expressed in paragraph 4. In rendering this opinion, we have assumed the power to enter into and perform, and the due authorization, execution and delivery, by all parties, other than the Authority, to the agreements to which the Authority is a party.

Respectfully submitted,

DAY PITNEY LLP

APPENDIX I-H

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Institution will agree, pursuant to a Continuing Disclosure Agreement for the Series M Bonds to be executed by the Institution 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 Series M Bonds, and (iii) timely notice of a failure by the Institution to provide the required annual financial information on or before the dates specified in the Continuing Disclosure Agreement for the Series M Bonds.

Series M Continuing Disclosure Agreement

This Series M Continuing Disclosure Agreement, is made as of the 10th day of January, 2013 (the "Disclosure Agreement"), by the Board of Trustees for the Connecticut State University System (the "Borrower") and U.S. Bank National Association, as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of $34,060,000 State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series M (the "Series M Bonds"). The Series M Bonds are being issued pursuant to a Restated and Amended Trust Indenture, dated as of May 1, 2011, as amended and supplemented by a Ninth Supplemental Trust Indenture dated as of May 1, 2011, a Tenth Supplemental Trust Indenture dated as of May 1, 2011, an Eleventh Supplemental Trust Indenture dated as of March 1, 2012 and a Twelfth Supplemental Trust Indenture dated as of December 1, 2012 (as amended and supplemented, the "Indenture") between the Connecticut Health and Educational Facilities Authority (the "Issuer") and U.S. Bank National Association, as Trustee (the "Trustee"). The proceeds of the Series M Bonds are being loaned by the Issuer to the Borrower pursuant to a Restated and Amended Loan Agreement, dated as of May 1, 2011, as amended and supplemented by a Ninth Supplemental Loan Agreement dated as of May 1, 2011, a Tenth Supplemental Loan Agreement dated as of May 1, 2011, an Eleventh Supplemental Loan Agreement dated as of March 1, 2012 and a Twelfth Supplemental Loan Agreement dated as of December 1, 2012 between the Issuer and the Borrower (as amended and supplemented, the "Loan Agreement"). Pursuant to *Section* 13.12 of the Indenture and *Section* 6.3 of the Loan Agreement, the Dissemination Agent and the Borrower covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the beneficial owners from time to time of the Series M Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). THE BORROWER AND THE DISSEMINATION AGENT ACKNOWLEDGE THAT THE ISSUER HAS UNDERTAKEN NO RESPONSIBILITY WITH RESPECT TO ANY REPORTS, NOTICES OR DISCLOSURES PROVIDED OR REQUIRED UNDER THIS DISCLOSURE AGREEMENT, AND HAS NO LIABILITY TO ANY PERSON, INCLUDING ANY HOLDER OF THE SERIES M BONDS, WITH RESPECT TO ANY SUCH REPORTS, NOTICES OR DISCLOSURES.

Section 2. Definitions.

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" means the President of the Board of Regents for Higher Education serving as the Board of Trustees for the Connecticut State University System or such officer's successor or his or her designee or successor to such position, or such other person as the Borrower shall designate in writing to the Dissemination Agent and the Trustee from time to time.

"Dissemination Agent" means U.S. Bank National Association acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and acceptable to the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as of the date of this Agreement.

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

"Participating Underwriters" means any or all of the original underwriters of the Series M Bonds required to comply with the Rule in connection with offering of the Series M Bonds.

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

"Trustee" means the trustee under the Indenture.

Section 3. Provision of Annual Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Borrower's fiscal year, commencing with the fiscal year ending June 30, 2013, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five (5) Business Days prior to said date, the Borrower shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) together with either (i) a letter authorizing the Dissemination Agent to file the Annual Report with each Repository, or (ii) a certificate confirming that the Borrower has provided the Annual Report to each Repository and confirming the names of each such Repository and the date the Annual Report was provided to each such Repository. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the financial statements of the Borrower may be submitted separately from the balance of the Annual Report.

(b) If by five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to each Repository, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Borrower and the Trustee of such fact and request a copy of the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to each Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the (i) Issuer and (ii) each Repository or the MSRB in substantially the form attached as *Exhibit A*.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository; and

(ii) file a report with the Borrower, the Issuer and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Borrower has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Disclosure Agreement, stating the date it was provided, and listing each Repository to which it was provided.

Section 4. Content of Annual Reports.

The Borrower's Annual Report shall contain or incorporate by reference the following:

(a) financial statements (including footnotes), prepared in accordance with generally accepted accounting principles or mandated State statutory principles as in effect, from time to time, of the Borrower, consisting of:

(i) balance sheet as of the close of the Borrower's most recent fiscal year (with comparative totals for the immediately preceding fiscal year);

(ii) statement of changes in fund balances for the most recent fiscal year (with comparative totals for the immediately preceding fiscal year); and

(iii) statements of current funds, revenue, expenditures and other changes in fund balance (with comparative totals for the immediately preceding fiscal year); and

(b) operating data of the Borrower for such preceding fiscal year of the type included in the official statement for the Series M Bonds, prepared from the records of the Borrower, regarding, and including without limitation:

(i) student applications, acceptances and enrollment;

(ii) tuition, fees and charges;

(iii) fundraising and endowment;

(iv) financial aid (federal and state);

(v) labor relations and pension plans; and

(vi) litigation deemed material to the financial operations of the Borrower.

The financial statements will be audited.

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.

The Borrower 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 Borrower agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Neither the Dissemination Agent nor the Trustee shall have any obligation to examine the contents of a report purporting to be any Annual Report in order to verify compliance with this Section 4.

Section 5. Reporting of Certain Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. modifications to rights of holders of the Series M Bonds, if material;
8. Series M Bond calls, if material, and tender offers;
9. Series M Bond defeasances;
10. release, substitution, or sale of property securing repayment of Series M Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Borrower or the State;
13. the consummation of a merger, consolidation, or acquisition involving the Borrower or the State or the sale of all or substantially all of the assets of the Borrower or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Borrower 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 above events with respect to the Series M Bonds. In order to assist the Borrower in complying with its undertaking in this Section 5, the Dissemination Agent agrees to use its best efforts to notify the Disclosure Representative in writing of the occurrence of any Listed Event as to which any officer in the Corporate Trust Administration Department of the Dissemination Agent obtains actual knowledge in the course of the performance of the duties of the Trustee under the Indenture.

Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent or otherwise, the Borrower shall notify the Dissemination Agent and provide a form of notice in writing by fax or hand delivery or other prompt communication method. Upon receipt from the Borrower of notice of the occurrence of a Listed Event, the Dissemination Agent shall promptly file the notice of such occurrence in the form provided by the Borrower with each Repository or the MSRB, with a copy to the Borrower and the Issuer.

(d) Each notice of a Listed Event shall be captioned "NOTICE OF EVENT" and shall prominently state the title, date of issuance and the CUSIP numbers of the Series M Bonds.

Section 6. Termination of Reporting Obligation.

(a) The Borrower's and Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series M Bonds. If the Borrower's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the original Borrower shall have no further responsibility hereunder if it is no longer an obligated person within the meaning of the Rule.

(b) In addition, this Disclosure Agreement, or any provision hereof, shall be null and void in the event that (1) the Borrower delivers to the Dissemination Agent an opinion of Bond Counsel or counsel expert in federal securities laws, addressed to the Issuer, the Trustee and the Dissemination Agent, to the effect that those portions of the Rule which require the provisions of this Disclosure Agreement, or any of such provisions, do not or no longer apply to the Series M Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to (i) each Repository and (ii) the Issuer. The Dissemination Agent shall so deliver such opinion within three Business Days after receipt.

Section 7. Dissemination Agent.

The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Borrower may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased), and any provision of this Disclosure Agreement may be waived, if (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Borrower, (ii) the Disclosure Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Disclosure Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Series M Bonds or an approving vote by the holders of not less than 51% of the aggregate principal amount of the Series M Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository or the MSRB. 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.

Section 9. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of an Event listed in Section 5 hereof, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of an Event listed in Section 5 hereof, in addition to that which is specifically required by this Disclosure Agreement, the

Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default.

In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the holders of at least 25% in aggregate principal amount of Outstanding Series M Bonds who have provided the Dissemination Agent with security and indemnity deemed reasonably acceptable to the Dissemination Agent, shall), or any Series M Bondholder may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default or an Event of Default under the Indenture or the Loan Agreement or the Series M Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent that the Dissemination Agent is required under the terms of this Disclosure Agreement to report any information, it is only required to report information that it receives from the Borrower in the form in which it is received, and the Dissemination Agent shall be under no responsibility or duty with respect to the accuracy and content of the information which it receives from the Borrower, provided, however, if the form of the information is deficient on its face, the Dissemination Agent shall so inform the Borrower, and the Borrower shall cure any such deficiency as to form. The Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series M Bonds.

(b) Unless otherwise provided by contract with the Dissemination Agent, the Borrower shall pay or cause to be paid to the Dissemination Agent after reasonable notice to the Borrower in light of the reimbursement sought to be received, reasonable reimbursement for its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Borrower shall indemnify and save the Dissemination Agent harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or default. None of the provisions contained in this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Borrower under this Section to compensate the Dissemination Agent, to pay or reimburse the Dissemination Agent for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Dissemination Agent shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriters, and the beneficial owners from time to time of the Series M Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of Connecticut; provided, however, that as and to the extent any questions of law regarding the Rule (and the requirements thereof) arise hereunder, such matters shall be governed by federal law.

Section 15. Statutory Authority.

The Institution is authorized to enter into this Disclosure Agreement pursuant to Section 10a-89b of the Connecticut General Statutes.

BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY SYSTEM

By the Board of Regents for Higher Education serving as the Board of Trustees for the Connecticut State University System

By:_____
Name: Philip Austin
Title: Interim President of the Board of Regents for Higher Education

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: Elizabeth C. Hammer
Title: Vice President

Approved as to form

By: _____
Associate Attorney General

EXHIBIT A
NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: _____

Name of Bond Issue: _____

Name of Borrower: _____

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Series M Bonds as required by the Continuing Disclosure Agreement, dated as of January 10, 2013, between the Borrower and the undersigned Dissemination Agent and by Section 6.3 of the Restated and Amended Loan Agreement, dated as of May 1, 2011, as supplemented and amended, between the Issuer and the above-referenced Borrower. The Borrower anticipates that the Annual Report will be filed by _____.

Dated:

U.S. Bank National Association,
as Dissemination Agent

By: _____
Name:
Title:

APPENDIX I-H

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 Series M Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, and (ii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Series M Bonds.

Series M Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the 10th day of January, 2013 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $34,060,000 State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Connecticut State University System Issue, Series M (the "Series M Bonds"), and U.S. Bank National Association, as Trustee for the Series M Bonds (the "Trustee"). The Series M Bonds are being issued pursuant to the Restated and Amended Trust Indenture, dated as of May 1, 2011, as amended and supplemented by a Ninth Supplemental Trust Indenture dated as of May 1, 2011, a Tenth Supplemental Trust Indenture dated as of May 1, 2011, an Eleventh Supplemental Trust Indenture dated as of March 1, 2012 and a Twelfth Supplemental Trust Indenture dated as of December 1, 2012 between the State of Connecticut Health and Educational Facilities Authority (the "Issuer") and the Trustee, as supplemented and amended from time to time (the "Indenture") for the benefit of the beneficial owners from time to time of the Series M Bonds.

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

"Final Official Statement" means the Introduction to Parts II and III, Part II and Part III of the official statement of the Issuer dated December 19, 2012 prepared in connection with the Series M 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, 2012) as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

8. 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.

(Not applicable to State).

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

The State agrees to provide or cause to be provided, in a timely manner, to 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 Series M Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Series M 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 Series M Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this

Agreement or five business days with respect to the undertakings set forth in Section 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Series M 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 Series M Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2 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 and the Trustee 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 Series M 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 Series M Bonds or an approving vote by the holders of not less than 51% of the aggregate principal amount of the Series M Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

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

STATE OF CONNECTICUT

By:_____
Denise L. Nappier
Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:_____
Name: Elizabeth C. Hammer
Title: Vice President

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OFFICIAL NOTICE OF SALE

$36,135,000* STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Revenue Bonds, Connecticut State University System Issue, Series M

Electronic bids will be received by the State of Connecticut Health and Educational Facilities Authority (the "Authority") for the purchase of all (but not less than all) of the Authority's $36,135,000* Revenue Bonds, Connecticut State University System, Series M Bonds (the "Series M Bonds").

The bids on the Series M Bonds will be received until: 11:00 a.m., Eastern Standard Time, Wednesday, December 19, 2012.

All bids will be received electronically via PARITY® ("*PARITY")*. The Series M Bonds will be dated as of the date of delivery and will bear interest from the delivery date, payable on May 1, 2013 and on each November 1 and May 1 thereafter.

The Series M Bonds will bear interest at the rate or rates per annum stated in the successful bid and will mature on November 1, in the years and amounts as follows:

Year	Principal Amount*
2013	$1,100,000
2014	1,385,000
2015	1,425,000
2016	1,455,000
2017	1,495,000
2018	1,530,000
2019	1,565,000
2020	1,615,000
2021	1,665,000
2022	1,710,000
2023	1,760,000
2024	1,835,000
2025	1,905,000
2026	1,985,000
2027	2,065,000
2028	2,150,000
2029	2,235,000
2030	2,325,000
2031	2,415,000
2032	2,515,000

* *Preliminary, subject to change. Based on the bids of the successful underwriter for the Series M Bonds, part or all of the Series M Bonds may be designated as term bonds of one or more maturities. Any term bond must consist of the total principal payments of two or more consecutive years, bear a single interest rate and mature on the latest of such years. The term bonds will be subject to redemption prior to maturity by sinking fund redemption payments equal to the amounts listed as maturities in the above table.*

Electronic Bids

Bids shall be submitted for the Series M Bonds electronically via *PARITY* pursuant to this notice until 11:00 a.m., EST, on December 19, 2012 but no bid will be received after the time for receiving bids specified above. For the purpose of the bidding process, the time as maintained on *PARITY* shall constitute the official time. To the extent any instruction or directions set forth in *PARITY* conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY,* potential bidders may contact:

Public Financial Management, Inc.
99 Summer St., Suite 1020
Boston, MA 02110
Attn: Jeremy Bass
Telephone: (617) 330-6914

who is acting as financial advisor to the Authority, or

PARITY Customer Support
1359 Broadway, 2nd Floor
New York, NY 10018
Telephone: (212) 849-5021
E-Mail Notices: parity@i-deal.com

Right to Modify or Amend Notice of Sale; Right to Postpone Sale

The Authority reserves the right to modify or amend this Official Notice of Sale. If any modifications occur, supplemental information with respect to the Series M Bonds will be communicated via www.tm3.com ("TM3") not later than 5:00 p.m., EST, on the day preceding the day on which proposals may be submitted, and bidders shall bid upon the Series M Bonds based upon the terms thereof set forth in this Official Notice of Sale, as modified.

In addition, the Authority reserves the right to postpone the date established for the receipt of bids. In the event of a postponement, the new date and time of sale and any revised date of expected delivery will be announced via TM3 not later than 10:00 a.m., EST, on the day on which proposals may be submitted. On any such alternative sale date, bidders may submit electronic bids for the purchase of the Series M Bonds in conformity with the provisions of this Official Notice of Sale, except for the changed date and time of sale and any revised date of delivery.

Changes to Preliminary Principal Amounts

The preliminary aggregate principal amount of the Series M Bonds and the preliminary annual principal amounts of each maturity of the Series M Bonds as set forth in this Notice of Sale may be revised before the last time for submitting bids for the purchase of the Series M Bonds. ANY SUCH REVISIONS WILL BE ANNOUNCED ON TM3 NOT LATER THAN 5:00 P.M., EST, ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS.

Changes to Revised Principal Amounts

After selecting the winning bids, the Authority will determine the final aggregate principal amount of the Series M Bonds and each final annual principal amount of each maturity of the Series M Bonds. In determining the final amounts of the Series M Bonds, the Authority will not reduce or increase the revised aggregate principal amount by more than 15% of such amount. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS**. The dollar amount bid by each successful bidder for the Series M Bonds will be adjusted to reflect any adjustment in the aggregate principal amount and final maturity schedule of the Series M Bonds. Such adjusted bid price will

reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the per bond underwriter's discount as calculated from the bid and the initial reoffering prices provided and required to be delivered to the Authority as stated herein. The interest rate specified by the successful bidder for each maturity and the Initial Reoffering Prices for each maturity will not change. The final aggregate principal amount and maturity amounts and the adjusted bid price for the Series M Bonds will be communicated to the successful bidder by 11:00 A.M., EASTERN STANDARD TIME, on the first business day following the sale.

Mandatory Sinking Fund Redemption

If the successful bidder designates certain consecutive principal amounts of the Series M Bonds to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on November 1 of the first year which has been combined to form such term bond and continuing on November 1 in each year thereafter until the stated maturity date of such term bond. The amount redeemed in any year shall be equal to the amount otherwise maturing as a serial bond for such year set forth in the Official Bid Form as adjusted in accordance with the provisions described above under "Adjustment of Maturity Schedule."

Book-Entry-Only

The Series M Bonds will be issued only as fully registered bonds without coupons, and when issued, will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series M Bonds. Purchases of the Series M Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in the Series M Bonds.

Principal and semiannual interest on the Series M Bonds will be paid by U. S. Bank National Association, as Paying Agent. Principal will be payable on November 1 of the years in which the Series M Bonds mature and interest will be payable on May 1, 2013, and semiannually thereafter on May 1 and November 1 by check or draft mailed to the Bondowners of record as of the close of business on the fifteenth day of the month preceding such interest payment date. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, and dispersal of such payments to the Beneficial Owners is the responsibility of DTC, the DTC Participants, and the Indirect Participants. None of the Authority, the Trustee, or the Institution will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, DTC Participants or persons acting through DTC Participants.

Details of Bonds

The information in this Official Notice of Sale is only a brief summary of certain provisions of the Series M Bonds, of the security therefor and of the other terms thereof. For further information as to the Series M Bonds, including the covenants and pledges with respect thereto, reference is hereby made to the Preliminary Official Statement dated December 14, 2012.

Redemption Provisions

The Series M Bonds are subject to redemption as set forth in the Preliminary Official Statement. The Series M Bonds maturing on or before November 1, 2022 are not subject to redemption prior to maturity unless redeemed from excess moneys in the Construction Fund (as such term is defined in the Loan Agreement) or from insurance or condemnation proceeds. The Series M Bonds maturing after November 1, 2022 are subject to redemption in whole or in part at any time, on or after November 1, 2022, at par plus accrued interest to the redemption date in any order of maturity or sinking fund redemption as directed by the Institution.

Term bonds, if any, will be subject to mandatory sinking fund redemptions on November 1 in the year or years immediately prior to the stated maturity of such term bonds, in amounts as indicated in the foregoing maturity schedule as adjusted as provided herein, at the principal amount thereof (without premium).

Security

The Series M Bonds will be issued and secured under the provisions of the Restated and Amended Trust Indenture from the Authority to the Trustee dated as of May 1, 2011, as supplemented and amended by a Ninth Supplemental Trust Indenture dated as of May 1, 2011, a Tenth Supplemental Trust Indenture dated as of May 1, 2011, an Eleventh Supplemental Trust Indenture dated as of March 1, 2012 and a Twelfth Supplemental Trust Indenture dated as of December 1, 2012 (as supplemented and amended, the "Trust Indenture"). Proceeds of the Series M Bonds will be used to finance certain projects of the Board of Trustees for the Connecticut State University System (the "Institution"), to pay costs of issuance, and to fund, if necessary, the Special Capital Reserve Fund so that the amount therein equals the Required Minimum Capital Reserve Requirement.

The Series M Bonds are equally and ratably secured by the Series M Note of the Institution. The Series M Note will be issued pursuant to a Restated and Amended Loan Agreement between the Institution and the Authority dated as of May 1, 2011, as supplemented and amended by a Ninth Supplemental Loan Agreement dated as of May 1, 2011, a Tenth Supplemental Loan Agreement dated as of May 1, 2011, an Eleventh Supplemental Loan Agreement dated as of March 1, 2011 and a Twelfth Supplemental Loan Agreement dated as of December 1, 2012 (as supplemented and amended, the "Loan Agreement"). The loan repayment obligations of the Institution are equally and ratably secured by a pledge of the University Fee Receipts, the Student Parking Fee Receipts at Eastern, Central, Southern, and Western Connecticut State Universities and Student Housing Fee Receipts at Eastern, Southern, and Western Connecticut State Universities. The Series M Bonds will be secured on a parity with one another and with the Authority's outstanding Series F Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, Series K Bonds, Series L Bonds and future bond issues of the Authority issued on behalf of the Institution.

The Series M Bonds are special obligations of the Authority, a body politic and corporate constituting a public instrumentality of the State of Connecticut. The Series M Bonds are payable from the Revenues derived by the Authority under the Loan Agreement and the amounts, if any, certified by the Chairman of the Authority, as necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve Requirement and deemed appropriated from the State's general fund and paid to the Authority pursuant to the Act, all as more fully described in the Preliminary Official Statement. In the opinion of Bond Counsel, such appropriation and payment from the general fund of the State does not require further legislative approval.

THE AUTHORITY HAS NO TAXING POWER. THE SERIES M BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Additional Bonds

The Trust Indenture and Loan Agreement authorize the issuance of additional bonds secured on a parity with the Series M Bonds and additional debt of the Institution secured on a parity with the debt of the Institution that secures the Series M Bonds.

Form of Bid

Each bid must be for all of the Series M Bonds, must be a bid not less than 100% of the par value of the bonds, plus accrued interest, and must state in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent the rate or rates of interest per annum which the Series M Bonds of the several maturities are to bear, and only one interest rate may be stated for each Series M Bond of the same maturity. For the Series M Bonds the bid must not be more than 120% of the par value of the Series M Bonds. No maturity may have a dollar price less than 98%. Bidders shall specify any consecutive maturities which are to be combined into term bonds with annual sinking fund redemption. In addition, bidders are requested to supply an estimate of the true interest cost resulting from their bid, computed as prescribed below under the caption "Award, Delivery and Payment," which shall be considered as informative only and not binding on either the bidder or the Authority. Each bid must be in accordance with the terms and conditions set forth herein.

Any prospective bidder must be a subscriber of PARITY's competitive bidding system. To become a subscriber call PARITY at (212) 849-5021. The Authority neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

An electronic bid made through the facilities of *PARITY* shall be deemed an irrevocable offer, in response to the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Authority. By submitting a bid for the Series M Bonds via *PARITY*, the bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Series M Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Authority will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Series M Bonds on the terms described in the Official Notice of Sale. If any provision of this Official Notice of Sale shall conflict with information provided by *PARITY*, this Official Notice of Sale shall control. The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of *PARITY*, the use of such facilities being the sole risk of the prospective bidder.

Disclaimer - Each *PARITY* prospective electronic bidder shall be solely responsible to make necessary arrangements to access *PARITY* for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Authority nor *PARITY* shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Authority nor *PARITY* shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*. The Authority is using *PARITY* as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Series M Bonds. The Authority is not bound by any advice and determination of *PARITY* to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY* are the sole responsibility of the bidders; and the Authority is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Series M Bonds, the prospective bidder should telephone *PARITY* at (212) 849-5021. If any provision of this Notice shall conflict with information provided by *PARITY*, this Official Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale.

Good Faith Deposit

In order to guarantee performance by the successful bidder for the Series M Bonds, the successful bidders must submit a good faith deposit in the amount of $360,000 for the Series M Bonds (the "Series M Good Faith Deposit") to the Authority.

The Series M Good Faith Deposit shall be submitted by wire transfer to the Authority in immediately available funds not later than 3:00 p.m., EST on the day of acceptance of the proposal. Wire instructions will be provided to each successful bidder upon notification of the award.

The Series M Good Faith Deposit submitted by the successful bidders for the Series M Bonds will be deposited by the Authority and applied to the purchase price of the Series M Bonds. In the event the successful bidder fails to carry out the terms of its proposal to purchase the Series M Bonds, the Series M Good Faith Deposit shall be forfeited and paid to the Authority as liquidated damages, which are stipulated by the bidder upon its submission of its bid. The successful bidder waives any right to claim that the Authority's or the Institution's actual damages are less than the principal amount of the Series M Good Faith Deposit. No interest will be paid upon the Series M Good Faith Deposit. If the aggregate principal amount of the Series M Bonds is adjusted as described under the captions "Changes to Preliminary Principal Amounts" or "Changes to Revised Principal Amounts", the successful bidder will not be required to deposit an additional Series M Good Faith Deposit.

Official Statement

The Preliminary Official Statement dated December 14, 2012 has been "deemed final" for the purpose of SEC Rule 15c2-12, subject to the omissions permitted by paragraph (b)(1) of such Rule, but is subject to revision and amendment. The Authority will provide the successful bidder such reasonable number of printed copies of the final Official Statement as such bidder may request no later than seven business days after the day the sale of the Series M Bonds are awarded. Up to 50 copies of the final Official Statement will be furnished without cost to the successful bidder for the Series M Bonds. Additional copies, if desired, will be made available at the successful bidder's expense.

Award, Delivery and Payment

If legally acceptable bids are received complying with this Official Notice of Sale and unless all bids are rejected by the Authority, the Series M Bonds will be awarded to the successful bidder by 11:00 A.M., EASTERN STANDARD TIME, on the first business day following the sale. The successful bidder shall be the responsible bidder submitting the bid resulting in the lowest true interest cost. The true interest cost for the Series M Bonds (expressed as an annual interest rate) will be that rate which, as of January 10, 2013, discounts semiannually all future principal and interest payments to the aggregate bid price. Accrued interest, if any, will be paid by the successful bidder. The true interest cost shall be based upon the principal amount of each maturity of the Series M Bonds as set forth in the maturity schedule above and the bid price and interest rates set forth in the proposal for the Series M Bonds submitted in accordance with this Official Notice of Sale. It is requested that each proposal be accompanied by a computation of such true interest cost under the terms of the proposal in accordance with the method of calculation described in this paragraph (computed to six decimal places), but such computation is not to be considered as part of the proposal for the Series M Bonds. In the event that two or more bidders have bid the same true interest cost (calculated to six decimal places), the Authority shall determine by lot which of the bidders shall be awarded the Series M Bonds.

Delivery of the Series M Bonds is expected to occur through the facilities of DTC in New York, New York on or about January 10, 2013. The successful bidder for the Series M Bonds shall pay for the Series M Bonds on the date of delivery in **IMMEDIATELY AVAILABLE FEDERAL FUNDS** by 10:00 a.m., EST. Any expenses of providing immediately available funds shall be borne by the successful bidder. Payment on the delivery date shall be made in an amount equal to the price bid for the Series M Bonds, plus accrued interest, if any, less the amount of the Series M Good Faith Deposit. If the Series M Bonds are not ready for delivery within sixty (60) days of the date of sale, the successful bidder may withdraw its bid and receive the return of its Series M Good Faith Deposit.

Reoffering Price

The successful bidder will, within one hour after being notified of the award of the Series M Bonds, advise the Authority of the initial public reoffering prices of the Series M Bonds. The successful bidder will also be required, prior to delivery of the Series M Bonds, to furnish to the Authority a certificate acceptable to the Authority's Bond Counsel stating the amount of the initial reoffering price to the public (excluding bond houses and brokers) at which a substantial portion (at least 10%) of the Series M Bonds of each maturity were sold and that there was a bona fide public offering made of each maturity. The certificate shall state that it is made on the best knowledge, information and belief of the successful bidder after appropriate investigation.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Series M Bonds, but the Authority will assume no obligation for the assignment or printing of such numbers on the Series M Bonds or for the correctness of such numbers, and neither the failure to print such numbers on the Series M Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder of the Series M Bonds to accept delivery of and make payment for the Series M Bonds. All expenses for any CUSIP Service Bureau charges must be paid for by the successful bidder.

Bond Counsel Opinion and Tax Status

The opinion of Day Pitney LLP, Bond Counsel, will cover, among other matters, the following matters (1) that the Series M Bonds will be valid and binding special obligations of the Authority payable solely out of the revenues and other receipts, funds or moneys of the Authority pledged therefor pursuant to the Trust Indenture, and from any amounts otherwise available under the Trust Indenture for the payment thereof; (2) that, assuming the accuracy of the representations and compliance with the tax covenants in the bond, loan, and tax documents, under existing statutes and court decisions, (a) interest on the Series M Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and (b) the interest on the Series M Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing such federal alternative minimum tax and (3) that, under existing statutes, interest on the Series M Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

The opinion of Bond Counsel will also include a statement to the effect that as of the date of delivery of the Series M Bonds they are of the opinion that the sections of the Official Statement entitled Part I "The Authority" (excluding the subsection "Authority Membership and Organization" and "Indebtedness of the Authority"), "The Series M Bonds" (excluding the subsection "Book-Entry-Only System"), "Tax Status" and "Non-Impairment Pledge of the State" and Appendix I-C - "Definitions of Certain Terms", Appendix I-D - "Summary of Certain Provisions of the Indenture", and Appendix I-E - "Summary of Certain Provisions of the Loan Agreement" are correct in all material respects, and that no facts have come to their attention which would lead them to believe that such sections of the Official Statement contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Documents to be Delivered at Closing

At the time of delivery of the Series M Bonds, the successful bidder(s) will be furnished, without cost, the opinion of Day Pitney LLP, Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix I-G to the Official Statement relating to the Series M Bonds. As soon as possible thereafter, the successful bidder(s) will be furnished with a record of the proceedings taken in connection with the issuance of the Series M Bonds, including a no litigation certificate in the usual and customary form.

On the date of delivery of the Series M Bonds, the Authority and the successful bidder(s) will be furnished with: (i) a certificate of an officer of the Institution to the effect that as of such date the Official Statement (except for any underwriting information and any information that relates solely to the Authority, DTC, the State of Connecticut and any bond insurer) does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (ii) a letter of the Institution in which it will agree, to the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, to indemnify the Authority, certain others and the successful bidder for the Series M Bonds against losses, claims, damages and liabilities arising out of any untrue statements or omission of statements of a material fact contained in the portions of the Official Statement described in the above mentioned certificate of an officer of the Institution; and (iii) a signed copy of each of the Continuing Disclosure Agreements as described in the Official Statement.

The Authority will furnish the successful bidder of the Series M Bonds with its certificate stating that the portions of the Official Statement as of its date and as of the date of delivery of the Series M Bonds concerning the Authority, the Series M Bonds, the Loan Agreement, the Assignment and the Trust Indenture (excluding underwriting information and any information concerning DTC and the book-entry system) did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The successful bidder for the Series M Bonds will be furnished a certificate of the Treasurer or Deputy Treasurer of the State of Connecticut to the effect that (a) the statements and information contained in sthe Introduction to Parts II and III, Part II, and Part III of the Official Statement, as of their dates, were true and correct in all material respects and did not omit to state any material fact which should be included in the Introduction to Parts II and III, Part II, or Part III to make the statements and information therein not misleading, and (b) as of the date of delivery of the Series M Bonds, there has been no material adverse change in the financial condition of the State (other than in the ordinary course of the operations of the State) from that set forth in or contemplated by the Introduction to Parts II and III, Part II, and Part III of the Official Statement.

The obligation of the Authority to deliver the Series M Bonds is subject to fulfillment by the Institution and its counsel of various requirements of the Authority in order for the Authority to enter into the Loan Agreement, Trust Indenture, Tax Certificate and other closing documents and so as to enable Bond Counsel to provide its opinions and the Authority to fulfill all the other requirements for delivery of the Series M Bonds as specified in this Official Notice of Sale. If for any reason the Authority determines in good faith that it is not able to deliver the Series M Bonds by the delivery date specified in the Official Notice of Sale it shall promptly notify the successful bidder and shall promptly return the respective Series M Good Faith Deposit.

Additional Information

Copies of the Trust Indenture, the Loan Agreement, this Official Notice of Sale, the Official Bid Form for the Series M Bonds, and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the State of Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106-1978, (860) 520-4700.

Right of Rejection

The Authority reserves the right to reject any or all bids for any reason. Any bid not complying with the terms of this Official Notice of Sale or specifying any conditions in addition to those contained herein may be rejected. The Authority reserves the right to waive any irregularity or informality in compliance with the terms of the Official Notice of Sale to the extent permitted by law.

Date: December 14, 2012.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: Jeffrey A. Asher
Executive Director

INTRODUCTION TO PARTS II AND III

The statements and information contained in **Part II** and **Part III** of this Official Statement reflect only information available as of their respective dates. This **Introduction to Parts II and III** provides certain additional information through December 14, 2012 limited to the matters discussed below. The information in this **Introduction to Parts II and III, Part II** and **Part III** is subject to change without notice, and investors should not assume that there has been no change in the affairs of the State with respect to the matters discussed below since the date of this **Introduction to Parts II and III** or any other change in the affairs of the State since the respective dates of **Part II** and **Part III**.

STATE GENERAL FUND

Page II-3. The following information supplements the information under the heading **Fiscal Year 2012-2013 Operations:**

In the monthly report of the Comptroller dated December 3, 2012, for the General Fund for the 2012-13 fiscal year, as of the period ending October 31, 2012, the Comptroller projected a General Fund deficit of $415 million on a budgetary basis and a $462.5 million deficit on a GAAP basis. Such GAAP basis deficit reflects the additional GAAP deficit for the 2012-13 fiscal year and does not reflect the total accumulated unreserved fund balance. The Comptroller's estimates are $50 million higher than the Office of Policy and Management's estimates for the same period and are attributable to a higher spending projection. The Comptroller noted that additional budget risk factors include unreimbursed costs from Hurricane Sandy and potential federal reductions associated with the Budget Control Act of 2011 along with national and international economic factors which could further erode the consensus revenue forecast, all of which the Comptroller will be monitoring. In accordance with Section 4-85(b) of the Connecticut General Statutes, the Comptroller certified that the deficit exceeds one percent of total General Fund appropriations requiring the Governor to submit a deficit mitigation plan within 30 days of the Comptroller's December 3, 2012 certification.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, audits or State actions will not result in changes to the final results of the fiscal year 2012-13 operations of the General Fund.

Pursuant to Section 4-85(b) of the Connecticut General Statutes, the Governor implemented General Fund rescissions for the 2012-13 fiscal year in the amount $170.4 million effective November 28, 2012. The General Assembly tentatively plans to schedule a special session on or about December 19, 2012 to vote on deficit mitigation measures.

STATE DEBT AND OTHER FUNDS, DEBT AND LIABILITIES

Page III-38, Table 7; page III-42, Table 8; page III-45, Table 10; page III-47, Table 12; page III-52, Table 15. The following information supplements the information included in such pages and tables:

On November 28, 2012, the State issued 175,215,000 of its General Obligation Bonds (2012 Series G) maturing in varying amounts on and between October 15, 2013 and October 15, 2032 and bearing interest at rates ranging from 1.50% to 5.00% per annum.

In December 2012, the State expects to issue (i) $502,290,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2012 Series A and (ii) $125,100,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2012 Series B.

Page III-41. The following information supplements the information under the caption ***Types of Direct Obligation Debt – Certain Short-Term Borrowings*** under the heading **State Direct General Obligation Debt:**

On December 3, 2012, pursuant to the Treasurer's request, the Governor provided his approval for the borrowings from time to time by the Treasurer on behalf of the State on such terms and in such amounts in the aggregate not to exceed $550 million as the Treasurer shall determine in accordance with Section 3-16 of the Connecticut General Statutes. Pursuant to such approval, the Treasurer has arranged a $300 million 364-day revolving credit facility which could be drawn upon if needed.

SUPPLEMENT TO

THE OFFICIAL STATEMENT OF THE STATE OF CONNECTICUT DATED NOVEMBER 6, 2012

Supplement Dated November 15, 2012

The following information supplements the information included in **Part II** and **Part III** of the November 6, 2012 Official Statement under the heading **STATE GENERAL FUND**. The information in this Supplement is subject to change without notice, and investors should not assume that there have been no other changes in the affairs of the State since the date of the Official Statement.

Fiscal Accountability Report. The Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis, on November 15, 2012, each submitted a fiscal accountability report for the current fiscal year and the next ensuing three fiscal years. The Office of Fiscal Analysis projected, on a budgetary basis, a General Fund deficit of $320.7 million for fiscal year ending June 30, 2013, and General Fund deficits for fiscal years ending June 30 of 2014, 2015, and 2016 of $1,138.1 million, $1,016.4 million, and $934.1 million, respectively. The Office of Policy and Management in its report projected, on a budgetary basis, a General Fund deficit of $365.0 million for fiscal year ending June 30, 2013, and General Fund deficits for fiscal years ending June 30 of 2014, 2015, and 2016 of $1,080.0 million, $858.6 million, and $807.1 million, respectively. The projections in each report were based on current services and certain other assumptions. The State has a balanced budget requirement and an expenditure cap as discussed at **Page III-6** under the heading **The Budgetary Process – *Balanced Budget Requirement***. As such, budgets adopted for the future fiscal years will need to comply with those requirements. The Office of Policy and Management projected these current services estimates to exceed the State's expenditure cap by $1,242.0 million, $1,814.8 million, and $2,238.1 million in fiscal years ending June 30, 2014, 2015, and 2016, respectively. The Office of Fiscal Analysis similarly projected these current services estimates to exceed the State's expenditure cap by $1,361.9 million, $2,014.7 million, and $2,406.2 million in fiscal years ending June 30, 2014, 2015, and 2016, respectively. Thus, significant expenditure reductions will be needed to remain below the expenditure cap. Factoring in only those total expenditures allowed by the expenditure cap, as opposed to expenditures based on the costs of continuing current operations in accordance with current law, the Office of Policy and Management projected, on a budgetary basis, for fiscal years ending June 30, 2014, 2015, and 2016 General Fund surpluses of $100.0 million, $829.4 million, and $1,275.2 million, respectively. As a result, the figures included in these reports do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools. The projections of the Office of Policy and Management and the Office of Fiscal Analysis are only estimates and the information in each of the fiscal accountability reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not indicate changes in the final result of such fiscal years.

This Supplement is an integral part of the November 6, 2012 Official Statement. Investors should read this Supplement together with the November 6, 2012 Official Statement to obtain information essential to making an informed investment decision.

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PART II

INFORMATION SUPPLEMENT

OF THE STATE OF CONNECTICUT

November 6, 2012

The Annual Information Statement of the State of Connecticut (the "State"), dated February 27, 2012, appears in this Official Statement as **Part III** and contains information through February 27, 2012. The State expects to provide an updating Information Supplement from time to time in the future, which will appear in this location as Part II of future Official Statements or Reoffering Circulars of the State.

This Information Supplement updates certain information in the February 27, 2012 Annual Information Statement through November 6, 2012. The information in this **Part II** and **Part III** is subject to change without notice, and investors should not assume that there has been no change in the affairs of the State since the date of this **Part II**.

FINANCIAL PROCEDURES; STATE GENERAL FUND; STATE DEBT; APPENDIX III-E

The following information supplements certain information contained under the sections **FINANCIAL PROCEDURES, STATE GENERAL FUND, STATE DEBT AND APPENDIX III-E** related to information with respect to the State's Budget Reserve Fund and early redemption of a portion of the State's Economic Recovery Notes (2009 Series A) from the 2010-11 fiscal year surplus reserved for such purpose:

Pursuant to Public Act No. 12-104, the sum of $222.4 million previously reserved from the surplus in the 2010-11 fiscal year to redeem early a portion of the State's outstanding Economic Recovery Notes (2009 Series A) was credited to the budget reserve fund established pursuant to Section 4-30a of the General Statutes and $143.6 million of such sum is expected to be transferred from the budget reserve fund to the resources of the General Fund for the 2011-12 fiscal year. An additional $14.5 million will be added to the budget reserve fund balance reflecting the unassigned portion of the fund balance reserves from the prior fiscal year, leaving a balance in the budget reserve fund of $93.4 million. See discussion under **STATE GENERAL FUND** below.

STATE GENERAL FUND

Page III-27. The following information supplements the information under the heading **Fiscal Year 2011-2012 Operations:**

Pursuant to the Comptroller's unaudited preliminary financial results dated September 4, 2012, the Comptroller estimated the General Fund revenues for the 2011-12 fiscal year were $18,561.6 million, General Fund expenditures and miscellaneous adjustments were $18,705.2 million and the General Fund balance for the 2011-12 fiscal year was estimated to have a deficit of $143.6 million. The Comptroller indicated prior year fund reserves made available for use in the 2011-12 fiscal year eliminated the General Fund deficit. The Comptroller noted that in accordance with Public Act No. 11-48, at the close of fiscal year 2011-12, up to $75 million of budgetary basis surplus in the General Fund was reserved to offset any fiscal year 2011-12 increase in the fund's GAAP basis unassigned balance, referred to as the GAAP deficit. With the absence of a budgetary basis surplus, this provision is not operable and $75 million will therefore not be reserved for such purpose for fiscal year 2011-12. Final audited financial statements for the 2011-12 fiscal year are anticipated to be transmitted by December 31, 2012.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by the Comptroller will not reflect changes in the estimated or final result of the fiscal year 2011-12 operations of the General Fund. In addition, adjustments or audit or actions of the Governor or General Assembly may also result in changes in the final result of the fiscal year 2011-12 operations of the General Fund. The Comptroller's final estimates for the fiscal year 2011-12 operations of the General Fund have been outlined in **Appendix III-E** to this **Part II**.

Page III-28. The following information supplements the information under the caption ***Revised Consensus Revenues*** under the heading **Fiscal Year 2011-2012 Operations:**

The Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued on April 30, 2012, a revision of their previous consensus revenue estimates. The revised General Fund revenue estimates for fiscal years ending June 30 of 2012, 2013, 2014, 2015 and 2016 were $18,545.3 million, $19,067.8 million, $19,954.3 million, $21,171.8 million and $22,126.8 million, respectively. These represent reductions from the previous estimates of $148.6 million, $234.5 million, $311.5 million, $359.9 million, $371.2 million, respectively. 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 audit or actions of the Governor or General Assembly will not result in changes to the final results of the fiscal years reported. The Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued on November 9, 2012, their consensus revenue estimates covering fiscal years ending June 30 of 2013, 2014, 2015 and 2016. See discussion under the caption ***Consensus Revenue Estimates*** under the heading **Fiscal Year 2012-2013 Operations** below.

Page III-28. The following information supplements the information under the heading **Midterm Budget Adjustments:**

The General Assembly passed, and the Governor signed into law, Public Act No. 12-104 and Public Act No. 12-1 of the June Special Session which makes mid-term budget revisions for fiscal year 2012-13. Based upon the most recent consensus revenue estimate issued April 30, 2012 by the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis, revenues are anticipated to be $19,143.2 million, expenditures are anticipated to be $19,140.1 million, and the revised budget would result in a General Fund surplus of $3.1 million for fiscal year 2012-13 and would be $142.3 million below the expenditure cap.

The revised fiscal year 2012-13 budget includes policy changes that will result in $75.4 million in additional revenue above the consensus revenue forecast. The more significant changes include: (i) a $70.1 million reduction in the General Fund transfer to the Transportation Fund for fiscal year 2012-13, (ii) a $26.0 million reduction in expected federal revenue collections due primarily to expenditure changes made to federally reimbursable programs, and (iii) $5.2 million in additional revenue due to the expansion of alcoholic beverage sales to Sunday and certain holidays. The revised budget includes additional appropriations of $187.5 million compared to the originally adopted budget for fiscal year 2012-13. The more significant changes include: (i) a $93.8 million increase to local education funding, the largest component of which is a $50 million increase to the Education Cost Sharing formula, and (ii) an $85.3 million increase to the State Employees Retirement System.

The revised fiscal year 2012-13 budget includes an increase of $601.3 million in general obligation bond authorizations to take effect in fiscal year 2012-13. The adjustments emphasize investments in State facilities, housing, and education. The General Assembly passed legislation which was signed by the Governor necessary to implement certain aspects of the revised budget at a special session held on June 12, 2012, more fully discussed below.

Fiscal Year 2012-2013 Operations:

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management on August 20, 2012 for the General Fund for the 2012-13 fiscal year, as of the period ending July 31, 2012, the Office of Policy and Management did not materially revise its estimates from budgeted amounts. In the monthly estimates provided by the Office of Policy and Management on September 20, 2012 for the General Fund for the 2012-13 fiscal year, as of the period ending August 31, 2012, General Fund revenues were estimated at $19,193.2 million, General Fund expenditures and adjustments (including net appropriations continued and estimated lapses) were estimated at $19,220.1 and the General Fund for the 2012-13 fiscal year was estimated to have a deficit of $26.9 million under a budgetary basis and $74.4 million under a GAAP basis. The Secretary of the Office of Policy and Management noted that the revenue forecast that underlies the fiscal year 2012-13 budget assumes a modestly accelerating national expansion which has yet to materialize. In addition, the Department of Revenue Services continues to process income tax collections due September 17, 2012 and thus it is premature to draw any conclusions from collection information to date. Finally, the Secretary of the Office of Policy and Management noted that at the national level, the prospects of sequestration and the expiration of tax cuts and other significant federal policies in January 2013 continue to lend a high level of uncertainty to the revenue forecast. In the monthly estimates provided by the Office of Policy and Management on October 19, 2012 for the General Fund for the 2012-13 fiscal year, as of the period ending September 30, 2012, General Fund revenues were estimated at $19,160.0 million, General Fund expenditures and adjustments (including net appropriations continued and estimated lapses) were estimated at $19,220.1 and the General Fund for the 2012-13 fiscal year was estimated to have a deficit of $60.1 million under a budgetary basis and $107.6 million under a GAAP basis. The Secretary of the Office of Policy and Management noted that the revenue forecast continues to assume a modestly accelerating national expansion which has yet to materialize. Additionally, the Secretary of the Office of Policy and Management noted that they are closely watching revenue collections from the sales tax, which appear to be weaker than expected and also noted that the continued political gridlock and brinksmanship at the national level relative to addressing the budget and economy, including the prospects of sequestration and the expiration of tax cuts and other significant federal policies in January 2013, coupled with global economic concerns, continue to lend a high level of uncertainty to the revenue forecast.

By statute, the State's fiscal position is reported monthly by the Comptroller. In the monthly report of the Comptroller dated September 4, 2012 for the 2012-13 fiscal year as of the period ending July 31, 2012, the Comptroller indicated that the Office of Policy and Management is projecting a surplus of $3.1 million in the General Fund for fiscal year 2012-13 on a budgetary basis. On a GAAP basis, these projections yield a deficit of $46.9 million. In accordance with Public Act No. 11-48, if a General Fund surplus develops during the fiscal year, up to $50 million will be applied to the GAAP deficit with any remaining balance used toward the payment of a portion of the State's outstanding Economic Recovery Notes (Series 2009). In the monthly report of the Comptroller dated October 1, 2012 for the 2012-13 fiscal year as of the period ending August 31, 2012, the Comptroller indicated that the Office of Policy and Management is projecting a deficit of $26.9 million in the General Fund for fiscal year 2012-13 on a budgetary basis and he is in general agreement with such projection. The Comptroller also indicated that reserves of $47.5 million were budgeted for General Fund GAAP conversion. However, in accordance with the provisions of Public Act No. 11-48, such application of these reserves are required only to the extent that there is an increase in the General Fund's unreserved fund balance in the 2011-12 fiscal year. The reserves are to be released in the amount of that increase, not to exceed $50 million. The unreserved fund balance for the 2011-12 fiscal year will not be

available until January and therefore, an accurate estimate of the GAAP conversion deficit is not available at this time.

In the monthly report of the Comptroller dated November 1, 2012 for the 2012-13 fiscal year as of the period ending September 30, 2012, the Comptroller indicated that the Office of Policy and Management is projecting a deficit of $60.1 million in the General Fund for fiscal year 2012-13 on a budgetary basis. The Comptroller again indicated that reserves of $47.5 million were budgeted for General Fund GAAP conversion. However, in accordance with the provisions of Public Act No. 11-48, such application of these reserves are required only to the extent that there is an increase in the General Fund's unreserved fund balance in the 2011-12 fiscal year. The reserves are to be released in the amount of that increase, not to exceed $50 million. The unreserved fund balance for the 2011-12 fiscal year will not be available until January and therefore, an accurate estimate of the GAAP conversion deficit is not available at this time. The Comptroller indicated he was concerned with the deterioration in General Fund revenue collection to date, specifically in the sales tax category, as sales tax receipts through the end of September 2012 were running significantly below last year's total for the same period. He indicated this to be especially troubling in light of slower personal income growth in the State which has historically shown a correlation to sales tax receipts. He indicated that historically approximately 15% of net sales tax revenue is posted through September, so it was premature to alter the projection this month based on the limits of the data trend. However, he indicated he is carefully monitoring collections to determine the need for future revenue adjustments. The Comptroller indicated another budget concern moving forward is the potential sequestration of federal funds and the expiration of tax reductions in January 2013. The Comptroller indicated that the implications of this action are significant for the State's economy and will exacerbate an already historically slow national recovery.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by the Office of Policy and Management, the Comptroller or other State agencies will not reflect changes in the estimated or final result of the fiscal year 2012-13 operations of the General Fund. In addition, adjustments or audit or actions of the Governor or General Assembly may also result in changes in the final result of the fiscal year 2012-13 operations of the General Fund. Neither the Office of Policy and Management's nor the Comptroller's estimates for the fiscal year 2012-13 operations of the General Fund have been outlined in **Appendix III-E** to this **Part II**.

On October 29, 2012, the State experienced a storm which caused substantial damage in portions of the State, particularly in its shoreline communities. The State is engaged in recovery efforts which may result in unbudgeted expenses which have yet to be quantified. The State expects a large portion of these expenses to be reimbursed by the federal government.

Consensus Revenue Estimates. On November 9, 2012, the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued their consensus revenue estimates covering fiscal years ending June 30 of 2013, 2014, 2015 and 2016. The revised General Fund revenue estimates for fiscal years ending June 30 of 2013, 2014, 2015 and 2016 were $19,015.1 million, $19,723.6 million, $21,032.3 million and $22,136.6 million, respectively. These consensus revenue estimates are expected to be used as the revenue basis for the fiscal accountability reports of the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis to be issued on November 15, 2012, which will estimate the General Fund's ending balance for each of the four fiscal years ending June 30, 2016 based on current services and other assumptions. The revenue estimate for fiscal year 2012-13 is $144.9 million less than the Office of Policy and Management's revenue estimate of October 19, 2012 for such fiscal year, described above. These revenue estimates reflect, in some cases, increased federal grants due to larger increases in expenditures than were estimated in previous projections. The combination of these two factors will likely result in further downward adjustments in the State's General Fund position. Given the revised consensus revenue

estimates, it is likely that the forthcoming fiscal accountability reports will indicate ending balances that are less than the balances projected in their last fiscal accountability reports, which are discussed on **Page III-28** of this Official Statement, will likely result in greater deficit projections for fiscal year 2012-13 and may result in deficit projections in later fiscal years. The projections in the consensus revenue estimates and the fiscal accountability report are only estimates and no assurance can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audits or State actions will not result in changes to the final results for the fiscal years reported. The next consensus revenue estimates are expected on January 15, 2013.

Page III-29. The information under the caption ***First Five*** under the heading **State Economic Initiatives** is amended by the deletion of "Ticket Network" from such section and supplemented by the following:

Eight companies including Cigna, ESPN, NBC Sports and Bridgewater Associates have agreed to participate in this program.

Pages III-32, Table 3; III-35, Table 6.

Tables 3 and 6 in Part III have been corrected in Part III for typographical errors (marked with an asterisk).

FINANCIAL PROCEDURES; STATE GENERAL FUND; STATE DEBT; OTHER FUNDS, DEBT AND LIABILITIES

The following information supplements certain information contained under the sections **FINANCIAL PROCEDURES, STATE GENERAL FUND, STATE DEBT, and OTHER FUNDS, DEBT AND LIABILITIES** relating to legislation passed at the special session of the legislature held on June 12, 2012:

Public Act No. 12-1 of the June 2012 Special Session, among other items, provides for the transfer of all powers and duties of the Connecticut Development Authority to Connecticut Innovations, Incorporated. The General Assembly also authorized an additional $10 million in general obligation bond authorizations, $5 million to take effect in fiscal year 2012-13 and $5 million to take effect in fiscal year 2013-14.

Public Act No. 12-2 of the June 2012 Special Session, among other items, extends certain deadlines for the provision of consensus revenue estimates. The date by which consensus revenue estimates for the current biennium and the three following fiscal years must be provided was changed from October 15 to November 10 annually. The act also provided expanded bonding authority to the Clean Energy Finance and Investment Authority, which was formed in 2011 to promote and finance clean energy initiatives in the State. Subject to conditions, including approvals by the Secretary of the Office of Policy and Management and the State Treasurer, up to $50 million of its bonds may be secured by a special capital reserve fund.

STATE GENERAL FUND and APPENDIX III-C

Pages III-32, Table 3; III-34, Table 5; III-35, Table 6 and ***Appendix III-C.*** The following information supplements the information included in such pages, tables and appendix:

The Comptroller expects to restate the GAAP fund balance within the General Fund for the fiscal year ending June 30, 2011 in the financial statements to be prepared for the fiscal year ending June 30, 2012. It is anticipated that the restatement of such fund balance will be detailed in Note 23 of the State's basic financial statements included in the State's Comprehensive Annual Financial Report

to be prepared for fiscal year ending June 30, 2012. The adjustment arises from an under reporting of the General Fund tax receivable balance accrued for GAAP purposes but not for budgetary-basis purposes in the amount of $172.7 million, which results in an understatement of GAAP income tax revenue by that same amount. The adjustment improves both the State's GAAP operating position and GAAP fund balance in the State's fiscal year ending June 30, 2011 and should be considered in reviewing the GAAP based financial information included in the referenced tables and appendix. Budgetary-basis financial reporting is not affected. The Comptroller is implementing financial control measures to avoid such an under reporting in the future.

STATE DEBT

Page III-38. **TABLE 7** is revised as follows:

TABLE 7

Statutory Debt Limit
as of September 1, 2012

Total General Fund Tax Receipts	$14,408,165,000	
Multiplier	1.6	
Debt Limit		$23,053,064,000
Outstanding Debt[(a)]	$10,545,011,657	
Guaranteed Debt[(b)]	$ 904,885,000	
Authorized Debt[(c)]	$ 5,798,990,139	
Total Subject to Debt Limit		$17,248,886,796
Less Debt Retirement Funds[(d)]	$ 8,460,052	
Aggregate Net Debt		$17,240,426,744
Debt Incurring Margin		$ 5,812,637,255

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes General Obligation Notes (Economic Recovery 2009 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short term revenue anticipation notes, CRDA Bonds, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds and lease financings other than the Middletown Courthouse and the Juvenile Training School.

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

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for 2012-13 fiscal year.

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

SOURCE: State Treasurer's Office

Page III-42. **TABLE 8** is revised as follows:

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of September 1, 2012
(In Thousands)

General Obligation Bonds	$ 11,215,202
Pension Obligation Bonds	2,330,036
UConn 2000 Bonds	903,550
Other [(b)]	221,635
Long Term General Obligation Debt Total	14,670,423
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	14,670,423
Deduct:	
University Auxiliary Services [(c)]	8,460
Net Direct General Obligation Debt	$14,661,963

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

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

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

SOURCE: State Treasurer's Office

Page III-45. **TABLE 10** is revised as follows:

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] as of September 1, 2012

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2013	$ 1,184,139,289	$ 645,381,914	$ 1,829,521,203
2014	1,151,755,017	645,334,367	1,797,089,385
2015	1,132,206,365	583,638,030	1,715,844,395
2016	1,107,575,061	533,984,809	1,641,559,870
2017	858,734,988	485,036,625	1,343,771,613
2018	850,732,299	448,029,844	1,298,762,142
2019	800,491,471	406,486,049	1,206,977,521
2020	703,980,614	371,159,554	1,075,140,168
2021	704,246,206	335,613,966	1,039,860,172
2022	688,824,111	352,059,512	1,040,883,624
2023	702,376,122	330,009,433	1,032,385,555
2024	629,109,066	324,587,119	953,696,186
2025-2032	4,071,752,437	1,021,622,068	5,093,374,504
Totals	$ 14,585,923,046	$ 6,482,943,291	$ 21,068,866,337

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($14,585,923,046), plus accreted interest ($84,499,678), total the amount of such long-term debt ($14,670,422,724) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

(b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds, including capital appreciation bonds issued pursuant to the College Savings Bond Program. Capital appreciation bonds mature in fiscal years 2013-2025.

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

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 20,000,000	2013-2014	4.25%
2003	77,700,000	8,900,000	2013	5.50
2005*	300,000,000	280,000,000	2016-2023	4.50
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	298,085,000	2013-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50
2012	212,400,000	212,400,000	2013-2020	3.50

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

SOURCE: State Treasurer's Office

Page III-46. **TABLE 11** is revised as follows:

TABLE 11

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

Fiscal Year	Gross Debt	Net Debt
2002	$ 8,623,009	$ 8,496,151
2003	9,513,380[a]	9,463,962[a]
2004	9,940,945[b]	9,895,717[b]
2005	10,168,006[c]	10,121,035[c]
2006	10,403,634[d]	10,361,226[d]
2007	10,615,810	10,580,359
2008	13,076,942[e]	13,042,524[e]
2009	13,945,108[f]	13,921,725[f]
2010	15,004,732[g]	14,987,088[g]
2011	14,574,791[h]	14,561,944[h]
2012	14,557,051[i]	14,548,591[i]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 Pension Obligation Bonds.
(f) Includes $2,289,598,815 Pension Obligation Bonds.
(g) Includes $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(h) Includes $2,314,197,063 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(i) Includes $2,327,670,401 Pension Obligation Bonds and $747,935,000 Economic Recovery Notes.

SOURCE: State Treasurer's Office

Page III-47. **TABLE 12** is revised as follows:

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of September 1, 2012
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$29,255,263	$2,276,578	$1,837,792	$52,750	$33,422,383
Amount Authorized	25,728,563	2,276,578	1,837,792	52,750	29,895,684
Amount Issued	23,693,848	2,276,578	1,598,792	49,155	27,618,373
Authorized but Unissued	2,034,716	0	239,000	3,595	2,277,311
Available for Authorization	3,526,699	0	0	0	3,526,699

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, and excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery 2009 Series A) and lease financings.

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

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

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

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

Pages II-6, II-7, II-8 and II-10. **Tables 7, 8, 10 and 12** of this **Part II** are further supplemented by the following information:

In October 2012, the State issued (i) $219,865,000 General Obligation Bonds (2012 Series D) - SIFMA Index Bonds maturing in varying amounts on and between September 15, 2013 and September 15, 2024 and bearing interest at variable interest rates based on the SIFMA Index; (ii) $280,135,000 General Obligation Bonds (2012 Series E) maturing in varying amounts on and between September 15, 2020 and September 15, 2032 and bearing interest at rates ranging from 2.00% to 5.00% per annum; and (iii) $69,790,000 General Obligation Refunding Bonds (2012 Series F) maturing in varying amounts on and between March 15, 2013 and September 15, 2015 and bearing interest at rates ranging from 1% to 4% per annum.

On or about November 16, 2012, the State expects to issue $224,785,000 Taxable General Obligation Bonds (2012 Series B) maturing in varying amounts on and between October 15, 2014 and October 15, 2022 and bearing interest at rates ranging from 0.465% to 2.551% per annum.

Page III-48. **TABLE 13** is revised as follows:

TABLE 13

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Authorizations	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,564.5	$1,195.4	$1,147.2	$1,724.8	$2,664.4
Reductions	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)
Net New Authorizations	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,564.5	$1,054.9	$ 672.6	$1,714.0	$2,642.1

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 2004 through 2013, 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 2013. **See Table 14**.

SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

Page III-52; **TABLE 15** is revised as follows:

TABLE 15

Special Tax Obligation Bonds
As of September 1, 2012
(In Millions)

	New Money	Refundings[(a)]	Total
Bond Acts in Effect	$ 11,155	N/A	$ 11,155
Amount Authorized	10,526	N/A	10,526
Amount Issued	7,518	$ 3,762	11,280
Authorized but Unissued	3,008	N/A	3,008
Available for Authorization	629	N/A	629
Amount Outstanding	2,185	1,035	3,220

(a) Refunding Bonds do not require legislative approval.

SOURCE: State Treasurer's Office

Page III-55. The following information supplements the information under the caption ***Capital City Economic Development Authority ("CCEDA"):***

Pursuant to Public Act No. 12-147, the name of CCEDA has been changed to the Capital Region Development Authority ("CRDA"). In addition to its existing powers, CRDA received broader powers over development and redevelopment in the City of Hartford and the surrounding towns, including East Hartford. CRDA's board is made up of 13 members, four of whom are appointed by the Governor, two of whom are appointed by the Mayor of Hartford, and two of whom are appointed by legislative leadership. The Mayors of Hartford and East Hartford, the Secretary of

OPM, and the Commissioners of Transportation and Economic and Community Development will serve as ex-officio members of the Board.

Page III-56, III-57, III-60, **Table 16.** The following information supplements the information under the captions ***Connecticut Health and Educational Facilities Authority ("CHEFA")*** and ***Connecticut Higher Education Supplemental Loan Authority ("CHESLA")*** and under the heading **Connecticut Health and Educational Facilities Authority** in **Table 16** on ***Page III-60:***

Pursuant to Public Act No 12-149, effective July 1, 2012, CHESLA was statutorily consolidated with CHEFA by becoming a subsidiary of CHEFA. Also, in addition to other projects currently authorized, CHEFA is now authorized to issue revenue bonds which may be secured by one or more special capital reserve funds to finance projects for any constituent unit of the State higher education system. No statutory limit is imposed on such additional permitted projects and no debt with respect to such additional permitted projects has been issued.

Pages III-60 and III-61; **TABLE 16** is revised as follows:

TABLE 16

Special Capital Reserve Fund Debt
(In Millions)

	Authorized SCRF or Guaranteed Debt As of 10/1/12	Outstanding SCRF or Guaranteed Debt As of 10/1/12	Minimum Capital Reserve Requirement As of 10/1/12
Indebtedness Secured by Special Capital Reserve Funds or Guaranteed by State			
Capital Region Development Authority	(a)	$ 0.0	$ 0.0
Clean Energy Finance and Investment Authority	$ 50.0	0.0	0.0
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Innovations			
Umbrella Bond Program	300.0	0.0	0.0
General Obligation Bond Program	30.6	3.05	1.5
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	15.4	1.8
Connecticut State University System	(a)	256.1	26.8
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	166.1	19.4
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,556.4	274.3
Special Needs Housing Mortgage Finance Program	(a)	63.6	4.6

	Authorized SCRF or Guaranteed Debt As of 10/1/12	Outstanding SCRF or Guaranteed Debt As of 10/1/12	Minimum Capital Reserve Requirement As of 10/1/12
Connecticut Resources Recovery Authority	725.0	26.9	10.9
University of Connecticut Student Fee Revenue Bonds	(a)	0.0	0.0
City of Waterbury Special Capital Reserve Fund Bonds	100.0	0.0	0.0
Southeastern Connecticut Water Authority	15.0	1.3	N.A.

(a) No statutory limit.

Page III-62. The following information supplements the information under the caption ***School Construction Grant Commitments*** under the heading **Other Debt Service and Contractual Commitments:**

The State has authorized new school construction grant commitments of approximately $345 million which take effect in the 2012-13 fiscal year.

As of June 30, 2012, the Commissioner estimates that current grant obligations under the grant program established in 1997 are approximately $2,508 million which includes approximately $8,102 million in grants approved as of such date less payments already made of $5,594 million.

As of June 30, 2012, under the grant program prior to 1997 the State is obligated to various cities, towns and regional school districts for approximately $174 million in aggregate principal installment payments and $23 million in aggregate interest subsidies, for a total of $197 million.

PENSION AND RETIREMENT SYSTEMS

Page III-64. The following information updates information under the heading **State Employees' Retirement Fund**:

As of June 30, 2012, the market value of the fund's investment assets was $8,468 million. For periods ending June 30, 2012, the Treasurer has realized annualized net returns on investment assets in the State Employees' Retirement Fund of 7.44% over the past twenty years, of 5.82% over the past fifteen years, of 5.91% over the past ten years and of 1.07% over the past five years.

Page III-66. The following sentence is added to the end of the third paragraph under the caption ***February 2012 Interim Actuarial Valuation*** under the heading **State Employees' Retirement Fund**:

The General Assembly did not act on the agreement to eliminate SEBAC IV and SEBAC V provisions related to the deferral of pension funding by March 9, 2012, so it was deemed approved.

Page III-68. The following information supplements the information under the heading ***Governor's Proposed FYE 2013 Midterm Budget Adjustments***:

As indicated above, the elimination of the SEBAC IV and SEBAC V provisions related to the deferral of pension funding was deemed approved in accordance with the Governor's proposal. The budget for fiscal year ending June 30, 2013 included a General Fund appropriation of $721,490,818 to implement the first year of the proposed funding plan, in accordance with the Governor's proposal which is an amount equal to the State's annual required contribution. The other elements of the Governor's proposal are yet to be implemented.

Page III-74. The following sub-heading and information is added as a final sub-heading under the heading **State Employees' Retirement Fund**

2012 Investigation Report

The State Employees' Retirement Commission received a final experience investigation report dated September 12, 2012 prepared by the actuaries for the State Employees' Retirement Fund for the four-year period ending June 30, 2011, assessing the reasonableness of the actuarial assumptions and valuation methods used by the retirement system. As a result of the study, the actuaries recommended that certain assumptions be revised by the State Employees' Retirement Fund for future use. The recommendations were considered by the State Employees Retirement Commission's Actuarial Subcommittee at its meetings held on August 22, 2012 and September 12, 2012. The revised assumptions will be incorporated into the actuarial valuation to be completed as of June 30, 2012 and used to calculate the State's employer contribution requirements for fiscal years ending June 30, 2014 and June 30, 2015.

Generally, the actuaries' final report found the current economic assumptions to be within a reasonable range of assumptions, however they made recommendations that have been considered by the Actuarial Subcommittee. These include assumed price inflation of 2.75%, investment return of 8.00% and wage inflation of 3.75%. The actuaries also recommended that some of the demographic assumptions be changed, including a slight decrease in the total number of withdrawals from active service, an increase in disability retirement and a decrease in the mortality rate, with no changes to service retirement and salary scale. The State Employees Retirement Commission accepted the recommendations made by the Actuarial Subcommittee which approved the demographic and economic assumptions which will result in changes to the unfunded accrued liability, funding ratio and annual required contribution rates.

The actuaries' analysis of the impact of the recommended changes, if applied to the results of the February 2012 interim actuarial valuation as of June 30, 2011, would result in an increase in the unfunded accrued liability from $11,004.0 million to $12,213.7 million, a decrease in the funding ratio from 47.9% to 45.3% and an increase in the employer annual required contribution rate from 28.86% to 31.92% of payroll.

The actuaries performed a statistical analysis of long-term expectations and analyzed the 25th and 75th percentile of long-term return expectations consistent with Actuarial Standards of Practice and recommended a reasonable range for the investment return assumption of 7.3% to 9.1% based on a price inflation of 3%. The current 8.25% return assumption was revised to 8.00% which continues in the reasonable range for investment return assumptions.

Currently, the projected unit credit cost method is used in the Fund's actuarial valuation. While the actuaries indicated there is no issue with this method, they suggested the Commission may want to consider changing to the entry age normal cost method for several reasons, including that it is the only method allowed under new GASB standards. The valuation cost method currently in place

may not be changed without the agreement of SEBAC and approval by the legislature. Under this scenario, if applied to the February 2012 interim actuarial valuation results as of June 30, 2011 and further incorporating the other recommended changes indicated in the experience investigation report, the unfunded accrued liability would increase to $12,904.4 million, the funding ratio would decrease to 44.0% and the employer annual required contribution rate would increase to 32.67% of payroll.

Draft October 2012 Actuarial Valuation

The State Employees Retirement Commission has received a draft actuarial valuation dated October 10, 2012. The valuation is prepared as of June 30, 2012 and includes changes to the actuarial assumptions adopted by the Commission in connection with the 2012 Investigation Report discussed above, which includes, among other changes, a revision from the previous 8.25% investment return assumption to an 8.00% investment return assumption.

The October 2012 draft actuarial valuation indicated that the State Employees' Retirement Fund had assets with an actuarial value of $9,745.0 million as of June 30, 2012. The October 2012 draft actuarial valuation also indicated that the market value of the State Employees' Retirement Fund's investment assets was $8,468.5 million as of June 30, 2012, including cash in custody and certain receivables. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions. The October 2012 draft actuarial valuation indicated that as of June 30, 2012, the State Employees' Retirement Fund had actuarial accrued liabilities of $23,018.8 million and an unfunded actuarial accrued liability of $13,273.8 million. The October 2012 draft actuarial valuation indicated that as of June 30, 2012 the State Employees' Retirement Fund had a funded ratio of 42.3% based on the actuarial value of the assets. Based on the stated market value of assets, the State Employees' Retirement Fund had a funded ratio of 36.8% as of June 30, 2012. The October 2012 draft actuarial valuation determined the employer contribution requirement, which contribution is sufficient to meet GASB standards, to be $1,268.9 million for fiscal year ending June 30, 2014 and $1,379.2 million for fiscal year ending June 30, 2015, resulting in an annual employer contribution rate of 37.82% of payroll and 43.94% of payroll, respectively. The amount determined for fiscal years ending June 30, 2014 and June 30, 2015 have not yet been included in any adopted budget by the State as the budget for the year is not yet due.

Page III-74. The following information updates information under the heading **Teachers' Retirement Fund**:

As of June 30, 2012, the market value of the fund's investment assets was $13,473.7 million. For periods ending June 30, 2012, the Treasurer has realized annualized net returns on investment assets in the Teachers' Retirement Fund of 7.56% over the past twenty years, of 5.95% over the past fifteen years, of 6.08% over the past ten years and of 1.27% over the past five years.

Page III-75. The following information updates information under the heading **Teachers' Retirement Fund**:

October 2012 Actuarial Valuation

The Teachers' Retirement Fund received an actuarial valuation dated October 24, 2012. The October 2012 actuarial valuation indicated that the Teachers' Retirement Fund had assets with an actuarial value of $13,734.8 million as of June 30, 2012. It also indicated the market value of the Teachers' Retirement Fund's investment assets was $13,473.7 million as of June 30, 2012. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions. The October 2012 actuarial valuation also indicated that as of June 30, 2012, the Teachers' Retirement

Fund had actuarial accrued liabilities of $24,862.2 million and an unfunded actuarial accrued liability of $11,127.4 million. The October 2012 actuarial valuation indicated that as of June 30, 2012 the Teachers' Retirement Fund had a funded ratio of 55.24% based on the actuarial value of the assets. Based on a market value of assets, the Teachers' Retirement Fund had a funded ratio of 54.19% as of June 30, 2012.

The October 2012 actuarial valuation was based upon the same actuarial assumptions and methods as the November 2010 actuarial valuation. These included an 8.50% earnings assumption, and projected salary increases of 4% to 7.50% and cost-of-living adjustments of 3.0% annually for members retired before September 1, 1992 and 2.0% for members retired on and after September 1, 1992. The October 2012 actuarial valuation uses an amortization method that calculates the amortization payment for the Teachers' Retirement Fund's unfunded actuarial accrued liability, that is included in the actuarially recommended employer contribution requirement rate of contribution based on a level percentage of payroll payments over a declining period of years, starting with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992. The net effective amortization period for the computed State contribution amounts for fiscal years ending June 30, 2012 and June 30, 2013 is 22.4 years. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the Teachers' Retirement Fund is not anticipated to be reduced significantly until the latter years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to an active members' current year of service.

The October 2012 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet GASB standards: (i) $948.5 million for fiscal year ending June 30, 2014, and (ii) $984.1 million for fiscal year ending June 30, 2015. The State has not appropriated such amounts as the State's budget for such years is not yet due.

Page III-82. The following information supplements the fourth and fifth paragraphs under the caption ***Other Post-Employment Benefits – State Employees*** under the heading **Social Security and Other Post-Employment Benefits:**

The State received an actuarial report dated May 16, 2012 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 the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. The May 2012 valuation indicates an OPEB actuarial accrued liability as of June 30, 2011 of $17.954 billion and an unfunded actuarial accrued liability of $17.905 billion, a decrease of approximately $8.662 billion in unfunded actuarial accrued liability as determined by the prior actuarial valuation. The actuarial valuation determined the amount of the annual required contribution for fiscal year ending June 30, 2012, based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 26 years remaining as of June 30, 2011), to be $1.355 billion, and the annual OPEB cost to be $1.405 billion, applying a 5.7% discount rate. The annual OPEB cost adjusts the annual required contribution for timing differences between the annual required contribution and contributions in relation to the annual required contribution. The May 2012 valuation indicates a Net OPEB Obligation of $4.930 billion for the fiscal year ending June 30, 2011. The Net OPEB Obligation is the cumulative difference between the annual required contribution and actual contributions made, with adjustments for timing differences between cash and accrual accounting and to prevent double counting of OPEB plan costs. Certain assumption changes since the prior valuation include (i) changing the discount rate from 4.5% to 5.7%, (ii) updating medical, prescription drug and dental claim costs for recent

experience and adjusting trend rates on each, (iii) assuming an explicit administrative expense of $271 per participant increasing at 3% per year, (iv) adjusting the assumption for Medicare Part B as well as the associated trend assumption, and (v) adjusting the retiree contribution increase rate. The valuation includes the evaluation of recent plan changes made pursuant to SEBAC 2011, discussed on page III-66.

Page III-83. The following information supplements the second paragraph under the caption ***Other Post-Employment Benefits – Teachers*** under the heading **Social Security and Other Post-Employment Benefits:**

Other Post-Employment Benefits – Teachers

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board has received an actuarial valuation dated October 2012 of the State's liability as of June 30, 2012 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 actuarial liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable. The report indicates an actuarial accrued liability as of June 30, 2012 of $3,048.3 million on an unfunded basis, based upon certain stated assumptions including a 4.5% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2012 the plan had no present assets for valuation purposes. The actuarial valuation determined a $180.5 million employer contribution requirement for fiscal year ending June 30, 2013 and $187.2 million for fiscal year ending June 30, 2014, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.5% discount rate.

LITIGATION

Page III-86. The following paragraph is added as the last paragraph under the caption ***Sheff v. O'Neill****:*

Currently, the State has just completed Year 4 of the Stipulation which requires that it meet 80% of demand for reduced racially isolated school settings by end of year 5 (June 2013). The State met 68% of demand for year 4 based on numbers submitted October 1, 2011. The internal benchmark for that year was 65%. However, children are still being placed through Open Choice and it is anticipated the percentage will improve. If, at the end of Year 5, the State falls short of the 80% goal by more than 1%, it will be deemed a material breach which may result in court action. However, notwithstanding a failure to meet the 80% demand standard, there is no material breach if a minimum of 41% of Hartford-resident minority students are in a reduced-isolation setting by the end of Year 5. Per the Stipulation, the parties may enter into negotiations beginning in September 2012 to extend the Stipulation one year to June 2014 in order to permit further progress towards benchmarks.

Page III-87. The second and third sentence are revised under the caption ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.****:*

Plaintiffs claim the students' State constitutional rights to a free public education under Article VIII, Section 1, equality of rights under Article I, Section 1 and equal protection of the laws under Article I, Section 20 are being violated by the alleged inequitable and inadequate financing of their schools by the State. In particular, plaintiffs claim for a variety of reasons that the State's primary statutory mechanism for the distribution of State aid for public schools currently fails to ensure both

substantially equal educational opportunities and a suitable education for some students, as purportedly reflected by both the educational challenges they face and their poor performance on state standardized measures.

Page III-89. The following sentence is added after the second sentence under the caption ***Schaghticoke Tribal Nation***:

In February 2012, the land claim defendants filed a motion for judgment on the pleadings, which is pending.

Page III-89. The last two sentences are revised under the caption ***Eastern Pequot Tribe***:

On January 13, 2012, a group claiming to represent the Eastern Pequot filed an appeal in the federal district court for the District of Columbia, challenging on various grounds the denial of federal recognition. In February 2012, the land claim defendants filed a motion for judgment on the pleadings, which is pending.

Page III-89. The last sentence is revised under the caption ***State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. The State of Connecticut, et al.***:

The Court had established a schedule for discovery and anticipated trial date, but the matter has been stayed until at least October 2012 by agreement of the parties while they discuss possible settlement.

Page III-89 The following information revises the seventh and subsequent sentences under the caption ***Connecticut Association of Health Care Facilities v. Rell***:

The case was stayed in the trial court, until 45 days after the U.S. Supreme Court issued its opinion in three consolidated cases arising out of the U.S. Court of Appeals for the Ninth Circuit addressing the availability of a claim similar to the plaintiff's, at which time the parties must jointly report to court. On February 22, 2012, the Supreme Court issued its opinion in *Douglas v. Independent Living Center*. That decision effectively eliminated most of the plaintiff's case because of the court's deference to the federal approval of the Medicaid plan challenged in that case and its identification of the federal Administrative Procedure Act review of that approval as the appropriate avenue for challenging a state plan instead of a court action. Connecticut's Medicaid plan had been approved by the federal Center for Medicare and Medicaid Services. Plaintiff chose not to proceed on the claim for which a preliminary injunction was denied but not dismissed, electing instead to appeal the dismissal of their takings claim. No schedule has been set for the appeal at this time.

Page III-90. The last sentence is revised and an additional sentence is added under the caption ***Paul Shafer and Joshua Harder v. Bremby***:

The State filed an objection to the motion for preliminary injunction and a motion to dismiss on the grounds that plaintiffs may not bring an action under 42 USC § 1983 for violation of the Medicaid reasonable promptness standard. The State plans on filing a motion for summary judgment on some of the Medicaid claims in early October 2012.

Page III-90. The following paragraph has been revised:

Briggs v. Bremby is a class action lawsuit filed on March 6, 2012 in federal district court challenging the Department of Social Services' ("DSS") failure to process applications for the Supplemental Nutrition Assistance Program ("SNAP"), commonly known as food stamps in a timely fashion, within 30 days for most applicants and within seven days when an applicant falls within immediate need criteria for expedited processing. Plaintiffs allege that DSS has failed to comply with

the food stamp statutes and federal regulations that require eligibility to be determined with "reasonable promptness" and the related federal implementing regulations. Plaintiffs seek declaratory relief, as well as preliminary and permanent injunctive relief to enjoin DSS from failing or refusing to process applications for food stamps and to provide these benefits on a timely basis. The State filed an objection to the motion for preliminary injunction and filed a motion to dismiss on the grounds that plaintiffs may not bring an action under 42 USC § 1983 for violation of the food stamp processing standard.

APPENDIX III-A

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

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any
Covered by Collective Bargaining		
Correctional Officers	9.07%	Contract in place through 6/30/2016
Correctional Supervisor	0.84	Contract in place through 6/30/2012[b]
Administrative Clerical	7.53	Contract in place through 6/30/2016
Service/Maintenance	7.37	Contract in place through 6/30/2016
Health Care Non-Professional	6.32	Contract in place through 6/30/2016
Social and Human Services	7.72	Contract in place through 6/30/2016
Administrative and Residual	5.85	Contract in place through 6/30/2016
Health Care Professional	5.89	Contract in place through 6/30/2016
Engineering, Scientific and Technical	4.78	Contract in place through 6/30/2016
UConn Faculty	3.08	Contract in place through 6/30/2016
UCHC University Health Professionals	4.26	Contract in place through 6/30/2016
UConn - Non-Faculty	3.27	Contract in place through 6/30/2016
State University Faculty	3.45	Contract in place through 6/30/2016
Judicial – Non-Professional	2.68	Contract in place through 6/30/2016
Judicial - Professional	2.53	Contract in place through 6/30/2016
Community College Faculty – AFT	0.36	Contract in place through 6/30/2016
Community College Faculty – CCCC	1.19	Contract in place through 6/30/2016
Community College Administration – CCCC	1.26	Contract in place through 6/30/2016
Community College Administration – AFSCME	0.16	Contract in place through 6/30/2016
Community College AFT Counsel/Librarian	0.03	Contract in place through 6/30/2016
Vocational Technical School Faculty	2.16	Contract in place through 6/30/2016
State Police	2.08	Contract in place through 6/30/2011[c]
State Police Lts & Captains	0.08	Contract in place through 6/30/2016
Protective Services	1.60	Contract in place through 6/30/2016
Education A	0.50	Contract in place through 6/30/2016
Education B	1.30	Contract in place through 6/30/2016
American Federation of School Administration	0.10	Contract in place through 6/30/2016
State University Non-Faculty Professional	1.46	Contract in place through 6/30/2016
UCHC – Faculty	1.04	Contract in place through 6/30/2016
UConn – Law School Faculty	0.10	Contract in place through 6/30/2016
Judicial Judges	0.55	Contract in place through 6/30/2016
Judicial – Law Clerks	0.14	Contract in place through 6/30/2016
Connecticut Association Prosecutors	0.47	Contract in place through 6/30/2016
Criminal Justice Residual	0.24	Contract in place through 6/30/2016
Higher Education – Professional Employees	0.07	Contract in place through 6/30/2016

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any
Covered by Collective Bargaining		
Board State Academic Awards Professional	0.12	Contract in place through 6/30/2016
Judicial – Judicial Marshalls	1.38	Contract in place through 6/30/2016
DPDS Public Defenders	0.36	Contract in place through 6/30/2016
DPDS Chief Public Defenders	0.04	Contract in place through 6/30/2016
Criminal Justice Inspectors	0.14	Contract in place through 6/30/2016
Division Public Defender Services – Statutory	0.00	Contract in place through 6/30/2016
Judicial – Supervisor Judicial Marshals	0.11	Contract in place through 6/30/2013
Total Covered by Collective Bargaining	91.69%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	8.09%	Not Applicable
Total Not Covered by Collective Bargaining	8.31%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 51,417 filled full-time positions as of June 30, 2012.

(b) Contract negotiations beginning in Fall 2012.

(c) Currently in negotiation.

SOURCE: Office of Policy and Management

APPENDIX III-B

Page III-B-16. The following row is added to **TABLE B-18** as follows:

TABLE B-18
Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
2012[a] [b]	7.9%	7.0%	8.2%

(a) Reflects average for the first six months.

(b) On a preliminary basis, Connecticut's average unemployment rate for September 2012 was 8.9% compared to the national average of 7.8% for the same period. No assurances can be provided that such rates will not change.

SOURCE: Connecticut State Labor Department

APPENDIX III-D

Page III-D-4. The General Fund Balance Sheet is supplemented as follows:

Balance Sheet[a]
As of June 30
(In Thousands)

(Unaudited)

	2012 (unaudited)
Assets	
Accrued Taxes Receivable	$ 1,336,954.0
Accrued Accounts Receivable	27,839.0
Loans Receivable	3,418.9
Total Assets	$ 1,368,211.9
Liabilities, Reserves and Surplus	
Liabilities	
Deficiency in Cash and Short-Term Investments	$ 1,218,807.0
Due to Other Funds – Year End Adjustments	$ 300.6
Total Liabilities	$ 1,219,107.6
Reserves	
Petty Cash Funds	$ 805.6
Statutory Surplus Reserves	14,528.9
Appropriations Continued to Following Year	130,350.8
Reserve for Receivables	3,418.9
Total Reserves	$ 149,104.2
Unappropriated Surplus (Deficit)	0
Total Liabilities, Reserves, and Surplus	$ 1,368,211.9

(a) The State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein.

APPENDIX III-E

Appendix III-E to this **Part II** reflects the adopted budgets for fiscal years 2010-11, 2011-12 and 2012-13, the final financial results on a budgetary basis for fiscal year 2010-11 and the unaudited preliminary financial results on a budgetary basis for fiscal year 2011-12.

GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2010-2011
ADOPTED BIENNIAL BUDGET FOR FISCAL YEARS 2011-2012 AND 2012-2013
UNAUDITED PRELIMINARY FINANCIAL RESULTS FOR FISCAL YEAR 2011-12
(In Millions)

	Adopted Budget 2010-11[c]	Final Financial Results 2010-11[f]	Adopted Budget 2011-12[h]	Unaudited Preliminary Financial Results 2011-12[s]	Revised Adopted Budget 2012-13[t]
Revenues					
Taxes					
Personal Income Tax	$ 6,682.5	$ 7,246.4	$ 8,660.8[i]	$ 8,310.8[i]	$ 8,554.3[i]
Sales & Use	3,164.9	3,353.2	3,789.0[j]	3,830.1[j]	4,045.9[j]
Corporation	662.9	794.5	707.7[k]	716.5[k]	793.0[k]
Public Service	271.4	269.8	268.7	250.4	275.2
Inheritance & Estate	99.0	237.6	158.0	191.7	166.2
Insurance Companies	223.9	220.6	237.2[l]	237.6[l]	234.4[l]
Cigarettes	386.5	404.1	443.8[l]	421.0[l]	411.1[l]
Real Estate Conveyance	113.2	94.8	90.3	107.5	100.3
Oil Companies	107.7	169.2	93.1	146.1	182.6
Electric Generation Tax	--	--	71.0[m]	69.5[m]	71.0[m]
Alcoholic Beverages	48.1	48.9	56.9[l]	60.6[l]	59.3[l]
Admissions and Dues	36.5	34.5	39.6[l]	34.4[l]	39.6[l]
Health Provider Tax	--	--	526.3[n]	516.9[n]	530.7[n]
Miscellaneous	144.9	140.5	15.9	19.9	20.1
Total Taxes	$11,941.5	$13,014.1	$15,158.3	$14,913.1	$15,483.8
Less Refunds of Taxes	(1,009.3)	(956.1)	(1,020.0)	(995.0)	(950.6)
Less Earned Income Tax	--	--	(110.2)	(110.2)	(116.5)
Less R&D Credit Exchange	(10.5)	(8.6)	(9.0)	(3.6)	(8.5)
Net Taxes	$10,921.7	$12,049.5	$14,019.1	$13,804.4	$14,408.2
Other Revenues					
Transfers- Special Revenues	295.1	293.1	288.4	313.8	305.1
Indian Gaming Payments	365.8	359.6	375.5	344.6	336.2
Licenses, Permits, Fees	235.4	250.4	271.2	283.4	258.8
Sales of Commodities & Services	34.3	35.5	36.4	35.0	34.8
Rents, Fines & Escheats	99.5	157.8	127.4	123.4	107.7
Investment Income	6.5	0.0	2.9	1.0	2.8
Miscellaneous	167.0	178.7	163.0	192.0	162.9
Less Refunds of Payments	(0.9)	(1.9)	(38.3)[o]	(85.4)[o]	(50.0)[o]
Total Other Revenue	$ 1,202.7	$ 1,273.3	$ 1,226.5	1,207.8	$ 1,158.3
Other Sources					
Federal Grants	4,256.0[d]	4,235.2[d]	3,589.7[d]	3,607.2[d]	3,629.0[d]
Transfers to the Resources of the General Fund	1,246.5[e]	116.0[e]	--	--	--
Transfers from Tobacco Settlement Funds	102.3	95.3	96.1	96.1	93.1
Transfers to Other Funds[a]	(61.8)	(61.8)	(142.8)	(153.8)	(145.5)
Total Other Sources	$ 5,543.0	$ 4,384.7	$ 3,543.0	$ 3,549.5	$ 3,576.7
Total Budgeted Revenue[b]	$17,667.4	$17,707.5	$18,788.6	$18,561.6	$19,143.2

	Adopted Budget 2010-11[c]	Final Financial Results 2010-11[f]	Adopted Budget 2011-12[h]	Unaudited Preliminary Financial Results 2011-12[s]	Revised Adopted Budget 2012-13[t]
Appropriations/Expenditures					
Legislative	$ 80.4	$ 66.3	$ 80.1	$ 67.5	$ 76.2
General Government	502.8	475.3	655.9	608.9	614.9
Regulation & Protection	258.0	256.1	270.2	261.5	243.5
Conservation & Development	132.1	124.7	150.7	139.3	137.1
Health & Hospitals	1,723.0	1,723.4	1,886.2	1,782.7	1,837.7
Human Services	5,161.0	5,400.0	5,785.9[p]	5,834.6	5,834.2[p]
Education, Libraries & Museums	4,080.6	4,065.3	4,321.8	4,245.9	4,380.6
Corrections	1,501.0	1,482.3	1,576.5	1,472.7	1,450.8
Judicial	552.5	560.8	576.1	546.5	543.2
Non- Functional					
Debt Service	1,672.7	1,564.3	1,894.1	1,813.4	1,870.9
Miscellaneous	2,299.4	2,206.0	2,288.1	1,938.7	2,267.3
Subtotal	$17,963.5	$ 17,924.7	$ 19,485.6	$ 18,711.7	$ 19,256.4
Other Reductions and Lapses	(296.3)	--	(777.9)[q]	-	(116.3)[q]
Net Appropriations/Expenditures	$17,667.2	$ 17,924.7	$ 18,707.7	$ 18,711.7	$ 19,140.1
Surplus (or Deficit) from Operations	0.2	(217.2)	80.9	(150.1)	3.1
Miscellaneous Adjustments	--	4.2	--	6.5	--
Reserve for GAAP	--	--	(75.0)[r]	--[r]	--[r]
Statutory Transfer from Restricted Purposes	--	449.9	--	--	--
Balance[b]	$ 0.2	$ 236.9[g]	$ 5.9	$(143.6)	$ 3.1

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns and the Special Transportation Fund. The amounts for fiscal years 2011-12 and 2012-13 include transfers of $61.8 million in each year to the Mashantucket Pequot Fund for grants to towns, and $81.6 million in fiscal year 2011-12 and $102.7 million in fiscal year 2012-13 to the Special Transportation Fund.

(b) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Per Section 4-30b of the Connecticut General Statutes and notwithstanding the requirement of Section 4-30a, after the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding notes issued under Section 3-20g of the Connecticut General Statutes.

(c) Per Public Act No. 09-3 of the June 2009 Special Session; Public Act No. 09-8, Public Act No. 09-7 and Public Act No. 09-5 of the September 2009 Special Session; Public Act No. 10-3 and Public Act No. 10-179 of the February Session; and Public Act No. 10-1 and Public Act No. 10-2 of the June Special Session. Pursuant to Public Act No. 10-179, any General Fund surplus in Fiscal Year 2009-10 shall be transferred to Fiscal Year 2010-11. See footnotes (e) and (g).

(d) The revised adopted budget for fiscal year 2010-11 assumed $932.0 million in federal ARRA funds, but this amount has been reduced to $773.1 million in the final financial results column. The budget for fiscal years 2011-12 and 2012-13 reflects the loss of federal ARRA funds and other adjustments.

(e) Pursuant to Public Act No. 10-3, as amended, includes transfers from the budget reserve fund of $103.2 million for 2010-11. Pursuant to Public Act No. 10-179 includes $140.0 million transferred from balance for 2009-10 to fiscal year 2010-11.

(f) Per the Comptroller's audited financial results dated December 31, 2011 for the fiscal year ending June 30, 2011, as adjusted by the Office of Policy and Management to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(g) In accordance with a labor agreement, $14.5 million of this surplus will be deposited in the Other Post Employment Benefit Trust Fund. Public Act No. 12-104 required a transfer of $222.4 million to the budget reserve fund.

(h) Per Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

(i) Includes rate increases, reduction of the property tax credit, and enactment of an Earned Income Tax credit.

(j) Includes rate increases and elimination of exemptions.

(k) Includes extension of the tax surcharge and other miscellaneous changes.

(l) Includes rate increases and/or elimination of exemptions.

(m) Includes the imposition of a new tax on electric generators.

(n) Includes the imposition of a new provider tax on hospitals and intermediate care facilities along with an increase in the existing tax on nursing home providers, which were previously included within the miscellaneous tax category.

(o) Consistent with the Consensus Revenue Forecast and per the budget, certain refunds of escheated property will now be reported as Refunds of Payments, instead of a Miscellaneous Adjustment.

(p) Includes additional appropriations related to the Health Provider Tax.

(q) Includes $658.2 million in fiscal year 2011-12 and $844.3 million in fiscal year 2012-13 for labor concessions.

(r) Pursuant to Public Act No. 11-48, notwithstanding the provisions of Sections 4-30a and 4-30b of the General Statutes, after the accounts for the fiscal years ending June 30, 2012, and June 30, 2013, are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount, not to exceed seventy-five million dollars for the fiscal year ending June 30, 2012, and fifty million dollars for the fiscal year ending June 30, 2013, to be applied to any net increase in unreserved negative General Fund balance beyond the amount reported by the Comptroller as of June 30, 2011, before any other reserve required by any provision of the general statutes is determined.

(s) Per the State Comptroller's unaudited preliminary financial results for fiscal year 2011-12 issued September 1, 2012.

(t) Per Public Act No. 12-104 as amended by Public Act No. 12-1 of the June Special Session.

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

PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 27, 2012

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 27, 2012. For information about the State after February 27, 2012, the State expects to provide an updating Information Supplement from time to time. The reader should refer to the Information Supplement, if any, set forth in this Official Statement immediately preceding this Annual Information Statement. This Annual Information Statement and the Information Supplement that precedes it, if any, and any appendices attached thereto, should be read collectively and in their entirety.

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

The Annual Information Statement and the most recent Information Supplement, if any, may be obtained, when prepared, by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

Constitutional Elected Officers

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

Executive Branch Officers

* Secretary of the Office of Policy and Management	Benjamin Barnes
* Acting Commissioner of Construction Services	Donald J. DeFronzo
Commissioner of Transportation	James P. Redeker

Legislative Branch Officers

President Pro Tempore of the Senate	Sen. Donald E. Williams, Jr.
Speaker of the House of Representatives	Rep. Christopher G. Donovan
* Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Eileen M. Daily Rep. Patricia M. Widlitz
* Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Andrew W. Roraback Rep. Sean J. Williams
Auditors of Public Accounts	John C. Geragosian Robert M. Ward

* Denotes member of the State Bond Commission

PART III
February 27, 2012

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

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INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

THE STATE OF CONNECTICUT

Governmental Organization and Services

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

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

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

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

State Economy

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State. The State's population grew at a rate which exceeded the United States' rate of population growth during the period 1940 to 1970, and slowed substantially during the past four decades. The State has extensive transportation and utility services to support its economy.

Connecticut's economic performance is measured by personal income, which has been among the highest in the nation on a per capita basis, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which demonstrated slower growth in the early 2000s, but expanded at a healthy pace in 2004, surpassing the New England growth rates for the period from 2000 to 2009. Since then, Connecticut's annual growth in gross state product has mostly performed better than the New England region, but mostly slower than the Nation. Connecticut's nonagricultural employment reached a high in March of 2008 with 1,712,700 persons employed, but began declining with the onset of the recession falling to 1,593,500 jobs by January 2010.

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

FINANCIAL PROCEDURES

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

Budget Discipline

Balanced Budget Requirement

The State Constitution provides that the General Assembly may not authorize General Fund expenditures in excess of General Fund revenues. See **The Budgetary Process – *Balanced Budget Requirement*** below.

Biennial Budget

The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly. See **The Budgetary Process – *Biennium Budget*** below.

Budget Reserve Fund

By statute, any General Fund surplus is directed to the Budget Reserve Fund until such fund equals 10% of annual expenditures, unless otherwise directed by law. Currently, prior to any deposit to the Budget Reserve Fund, certain portions of the surplus are directed towards debt retirement and other long term obligations and reserves of the State. See **Financial Controls – *Unappropriated Surplus – Budget Reserve Fund*** below.

Spending Controls

Spending Cap and Controls

The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions. The legislative and executive branch each have other tools to control spending, including the appropriations process, encumbrance requirements, agency expenditure plans, and authority to reduce allotments. See **The Budgetary Process** and **Financial Controls** below.

Debt Limit

By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission. See **STATE DEBT – State Direct General Obligation Debt – *Statutory Debt Limit***.

Line Item Veto

Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. See **The Budgetary Process – *Line Item Veto*** below.

Rescission Authority and Deficit Mitigation

The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1%. The Governor is authorized to reduce allotments and may make further reductions with legislative backing. See **Financial Controls – *Governor's Role*** below.

Regular Revenue Forecasting and Monitoring of Fiscal Progress; Multiple-Year Planning Tools

These include monthly reports from the Comptroller and OPM within the executive branch, and periodic reports from other governmental entities, including the legislature's Office of Fiscal Analysis. See **The Budgetary Process – *Consensus Revenue Estimates*, The Budgetary Process – *Fiscal Accountability Report***, and **Financial Controls – *Comptroller's Role*** below.

Transition to GAAP

Legislation was passed in 2011 directing a transition from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board. See **Accounting Procedures – *Transition to GAAP*** below.

The Budgetary Process

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

The Supreme Court has ruled that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly, which has not yet occurred. In the interim, the General Assembly has been following a provision of the General Statutes, which contains the same budget cap as the constitutional amendment. In addition to the exclusion of debt service from the budget cap, this statute also excludes statutory grants to distressed municipalities, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, and payments from surplus for certain debt retirement and additional state employee pension contributions.

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

Budget Document. By statute the budget document shall contain the Governor's budget message, and the Governor's program for meeting the expenditure needs of the State as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated

basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The budget document also includes the Governor's recommended appropriations from the General Fund and all special and agency funds. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. In addition, based on the consensus revenues described below under ***Consensus Revenue Estimates***, the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. Finally, the budget document contains the Governor's recommendations concerning the State's economy and analysis of the impact on the economy of the proposed spending and revenue programs.

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

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

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

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

Fiscal Accountability Report. By November fifteenth annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) an estimate of State revenues, expenditures and ending balance for each fund, for the current biennium and the next ensuing three fiscal

years, and the assumptions on which such estimates are based; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30, annually, the legislative committees then meet with the Secretary of the Office of Policy and Management and the Director of the legislative Office of Fiscal Analysis to consider the submitted reports.

Financial Controls

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

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

Comptroller's Role. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications as authorized by statute. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund. 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. Each warrant, draft or order upon the Treasurer must specify the particular appropriation against which it is drawn, and no money may be paid by the Treasurer absent such specification. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. The Treasurer also has primary responsibility for the investment of State funds and the issuance of debt of the State.

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

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

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

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 10 % of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

After the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding economic recovery notes issued to fund the deficit in the General Fund for the fiscal year ending June 30, 2009, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan to provide revenues for the fiscal year ending June 30, 2011. By statute, the Treasurer was directed to transfer (i) and did transfer, $1,278.5 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2010 and (ii) $103.2 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2011. These transfers reduced the budget reserve fund to $0.0.

As part of the State's transition to Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board ("GAAP"), and notwithstanding the above, legislation passed in 2011 requires that certain amounts of unappropriated surplus be reserved to address the GAAP deficit, all as further discussed below in **Accounting Procedures – *Transition to GAAP***.

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

Accounting Procedures

Financial statements of the State are prepared annually on a modified cash basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 1 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

At the present time the State is not required to prepare financial statements in accordance with GAAP and does not prepare GAAP statements on an interim basis. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board. These reports include audited annual financial statements prepared in accordance with GAAP.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (4) the accrual of motor fuels tax revenue and motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (6) the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the fifteenth day of August immediately following the end of such fiscal year through the 2006-07 fiscal year and, pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111, the last day of July for fiscal year 2007-08 and thereafter; (7) the accrual of income tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (8) the accrual of nursing home provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (9) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; (10) the accrual of real estate conveyance tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (11) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal

government or other parties; (12) the accrual of electric generators tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (13) the accrual of hospital provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (14) the accrual of intermediate care use fee received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; and (15) the accrual of the amount of the outstanding balances required to be paid to the State for bottle deposits pursuant to Section 22a-245a of the General Statutes, and that is received by the State no later than five business days after the last day of July immediately following the end of such fiscal year.

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

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

The Treasurer is required to submit to the Governor and the Investment Advisory Council, by December 31 of each year, audited financial statements of the State's combined investment funds, and financial statements of the Short Term Investment Fund, the Second Injury Fund, and the Tax Exempt Proceeds Fund for the prior fiscal year. The Treasurer is also required to submit a monthly report to certain legislative members and the Office of Fiscal Analysis which includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash fund.

The State implemented an Enterprise Resource Planning system in 2003 called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses PeopleSoft technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system. Core-CT replaced many disparate agency based systems with a single statewide system that reduced overall maintenance costs and, in some cases, the need for double entry of data. The vast majority of State agency financial and human resources transactions are processed in Core-CT and the State is making a concerted effort to centralize all remaining processing within Core-CT. Core-CT is currently the book of record for all of the Comptroller's monthly and annual financial reports and provides formatted reports to all State agencies. Core-CT also provides a data warehouse used to develop custom reporting. While fully implemented and stabilized, Core-CT is currently in the process of an upgrade from PeopleSoft version 8.9 to version 9.1 to be fully implemented in 2012. Issues with the implementation of Core-CT caused a delay in the preparation of financial statements and reports for fiscal years 2004-05 and 2005-06. The initial Core-CT implementation issues have been resolved.

The audited legal accounting basis (modified cash) financial statements and the audited financial statements of the State prepared in accordance with generally accepted accounting principles (GAAP) for the fiscal year ending June 30, 2011 appear in **Parts III-C** and **III-D**.

Transition to GAAP

Legislation was passed in 2011 directed towards facilitating a transition from a modified cash basis of accounting to Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board ("GAAP"). This legislation requires that the budget, commencing with the fiscal year ending June 30, 2014, be prepared on a GAAP basis. Commencing with the fiscal year ending June 30, 2014, the Secretary of OPM must initiate a process intended to result in the implementation of the use of GAAP with respect to the preparation of the biennial budget. This transition includes changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. Commencing in the fiscal year ending June 30, 2014, the Governor shall account for the projected amount necessary to extinguish any unreserved negative balance for the prior year as reported in the most recently audited comprehensive annual financial report issued by the Comptroller prior to the start of the biennium in the budget document transmitted to the General Assembly.

To address the GAAP deficit expected to exist when the transition to GAAP occurs in fiscal year 2013-14 and notwithstanding the requirements set forth above in ***Unappropriated Surplus – Budget Reserve Fund*** with respect to the application of any unappropriated surplus, after the accounts for the fiscal years ending June 30, 2012 and June 30, 2013 are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount, not to exceed $75 million for the fiscal year ending June 30, 2012 and $50 million for the fiscal year ending June 30, 2013, before any other reserve required by any provision of the General Statutes is determined. These amounts reserved are to be applied to any net increase in an unreserved negative General Fund balance beyond the amount reported by the Comptroller as of June 30, 2011. Further, after the accounts for the fiscal year ending June 30, 2014 and each fiscal year thereafter are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount equal to the increment of the deferred charge determined by the Comptroller for such fiscal year, before any other reserve required by any provision of the General Statutes is determined.

Commencing June 30, 2014, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State now prepared on a modified cash basis. Beginning July 1, 2013, the Comptroller shall establish an opening combined balance sheet for all appropriated funds on the basis of GAAP. This combined balance sheet shall reflect as a deferred charge the aggregate of the accrued and unpaid expenses, liabilities, and other adjustments for the purposes of GAAP as of July 1, 2013. Such deferred charge shall be amortized in equal increments over a 15 year period commencing with the fiscal year ended June 30, 2014. Beginning in fiscal year 2013, the Comptroller's annual report shall be submitted to the Governor by September 30th and prepared in accordance with GAAP.

Investment and Cash Management

Treasurer's Role. The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest or reinvest funds under the control of the Treasurer in United States government or agency obligations, shares or interests in an investment company or trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements fully collateralized by such obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may also invest funds, excluding civil list funds, in the sale or acquisition of securities or obligations which the Treasurer is authorized to sell or acquire for purposes of any combined investment fund, subject to repurchase agreements with any securities dealer or bank included in the list of primary dealers prepared by the Federal Reserve Bank of New York. The Treasurer is also authorized to invest all or any part of any sinking fund in bonds in which savings banks may legally invest, provided such bonds mature prior to maturity of the bonds of the State which

are outstanding. The Treasurer is required to report by December 31 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Cash Management. The cash management system and the investment by the Treasurer of all State monies are based on the concept of available cash. The common cash pool, a component of the State's available cash, is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund. All banks holding major account balances for the State Treasury report these balances daily, enabling the Treasurer to maintain adequate cash to meet anticipated demands and to keep unneeded balances fully invested.

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

Medium Term Investment Fund. A 1997 statute created the Medium-Term Investment Fund. The Treasurer may purchase participation units of the fund for all trusts and other funds for which the Treasurer has investment responsibility. The Treasurer may sell participation units in the Medium-Term Investment Fund to all agencies, authorities, instrumentalities and political subdivisions of the State. The Treasurer is authorized to invest and reinvest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers' acceptances, repurchase agreements collateralized by such securities, and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest. The Medium-Term Investment Fund was implemented in September 2006.

Other Funds. Up to $100 million of the state's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to CGS 3-24k. In addition, investments are made in individual securities pursuant to CGS 3-31a. Allowable investments under CGS 3-31a include United States government and agency obligations, 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 CGS 3-31a, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $900 million.

Investment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. All invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an

expenditure is charged to the bond funds. In no case does the 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.

Tax Exempt Proceeds Fund. The Tax Exempt Proceeds Fund, Inc. ("TEPF"), was a diversified, open-end management investment company, registered under the Investment Company Act of 1940, established with the facilitation of the Treasurer. It existed to serve the particular federal income tax needs of entities that are issuers of tax-exempt state and local bonds, such as states and municipalities and their authorities, agencies, instrumentalities and subdivisions. All recipients of any grant or loan monies of the State funded from Connecticut tax-exempt bond proceeds were required to invest such monies in TEPF, unless the Treasurer waived the requirement. The Board of Directors and shareholders of TEPF approved a plan to dissolve, liquidate, and terminate TEPF. All TEPF accounts were liquidated and as of December 30, 2011 there were no shareholders in TEPF. Beginning December 1, 2011, payments of State bond-funded grants and loans are processed through the Automated Clearing House ("ACH") which replaces the 25-year-old TEPF.

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

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

STATE GENERAL FUND

The State finances most of its operations through its General Fund. However, certain State functions, such as the State's transportation budget, are financed through other State funds. See **OTHER FUNDS, DEBT AND LIABILITIES** herein. For budgetary purposes, the State's General Fund is currently accounted for on a modified cash basis of accounting (the "budgetary-basis"), which differs from generally accepted accounting principles ("GAAP"). The State is not presently required to prepare GAAP financial statements, although it has prepared such statements annually since 1988. Legislation was passed in 2011 directed towards facilitating a transition from a budgetary-basis of accounting to GAAP. For an explanation of the differences between the budgetary-basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for all civil list funds of the State for the fiscal year ending June 30, 2011 are included as **Appendix III-C** to this Annual Information Statement. Budgetary-basis financial statements for the General Fund audited for the fiscal years ending June 30, 2007 through June 30, 2011 are included in **Appendix III-D** to this Annual Information Statement. The adopted budget and final financial budgetary-basis results for the fiscal year ending June 30, 2011, the adopted budget and estimated (as of January 31, 2012) budget for the fiscal year ending June 30, 2012 and the adopted budget for the fiscal year ending June 30, 2013 are included as **Appendix III-E** to this Annual Information Statement. Unless otherwise stated, amounts set forth in the discussion which follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the budgetary-basis of accounting.

General Fund Revenues

Forecasted, Adopted and Historical Revenues

Procedure For Forecasting Revenues. Revenue forecasting in Connecticut incorporates a blend of econometric modeling and economic advice obtained from an array of expert sources. Some of these major sources include: "Blue Chip Economic Indicators" which is a compilation of the consensus forecast for major national economic indicators from the top 50 economic and financial institutions; Moody's Economy.com, a nationally recognized econometric forecasting firm; and "The Connecticut Economy," a University of Connecticut quarterly review written and edited by widely known State economists.

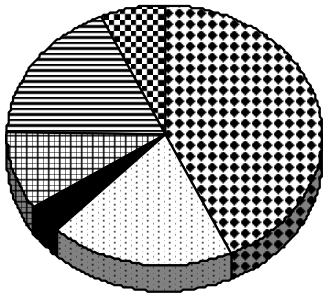
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a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

Fiscal Year 2011-2012 and 2012-2013 Adopted Revenues. General Fund revenues as forecasted at the adoption of the budget for the fiscal years ending June 30, 2012 and June 30, 2013 ("Adopted Revenues") are reflected in **Appendix III-E** to this Annual Information Statement. The State, as of the forecast date, expected to derive approximately 74.6 percent and 75.3 percent, respectively, of its General Fund revenues from taxes during the 2011-12 fiscal year and the 2012-13 fiscal year. The adopted budget and the final budgetary-basis results for the fiscal year ending June 30, 2011, the adopted budget and the estimated (as of January 31, 2012) budgetary basis results for the fiscal year ending June 30, 2012 and the adopted budget for the fiscal year ending June 30, 2013 are included in **Appendix III-E** to this Annual Information Statement.

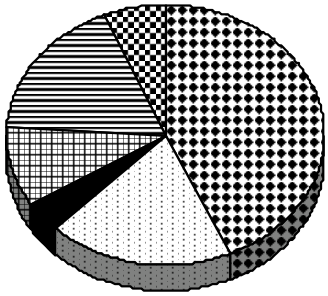
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. Miscellaneous fees, receipts, transfers and unrestricted Federal grants account for most of the other General Fund revenue. A summary of anticipated General Fund revenue sources based on the Adopted Revenues, for the fiscal years ending June 30, 2012 and June 30, 2013, are set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues 2011-2012
$18,788.6[a]



Adopted Revenues 2012-2013
$19,441.0[a]



Personal Income Tax	$ 8,660.8	43.1%
Sales and Use Tax	3,789.0	18.8%
Corporate Business Tax	707.7	3.5%
Other Taxes[b]	2,000.8	9.9%
Unrestricted Federal Grants	3,589.7	17.9%
Other Non-Tax Revenues[c]	1,360.9	6.8%

Personal Income Tax	$ 9,025.5	43.2%
Sales and Use Tax	3,955.4	18.9%
Corporate Business Tax	799.8	3.8%
Other Taxes[b]	2,039.6	9.8%
Unrestricted Federal Grants	3,717.9	17.8%
Other Non-Tax Revenues[c]	1,349.7	6.5%

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 $20,108.9 million for fiscal year 2011-12 and $20,887.9 million for fiscal year 2012-13 and do not reflect tax refunds, R&D Credit Exchange and transfers to other funds of $1,320.3 million for fiscal year 2011-12 and $1,446.9 million for fiscal year 2012-13. See **Appendix III-E** for anticipated adjustments to adopted tax revenues.

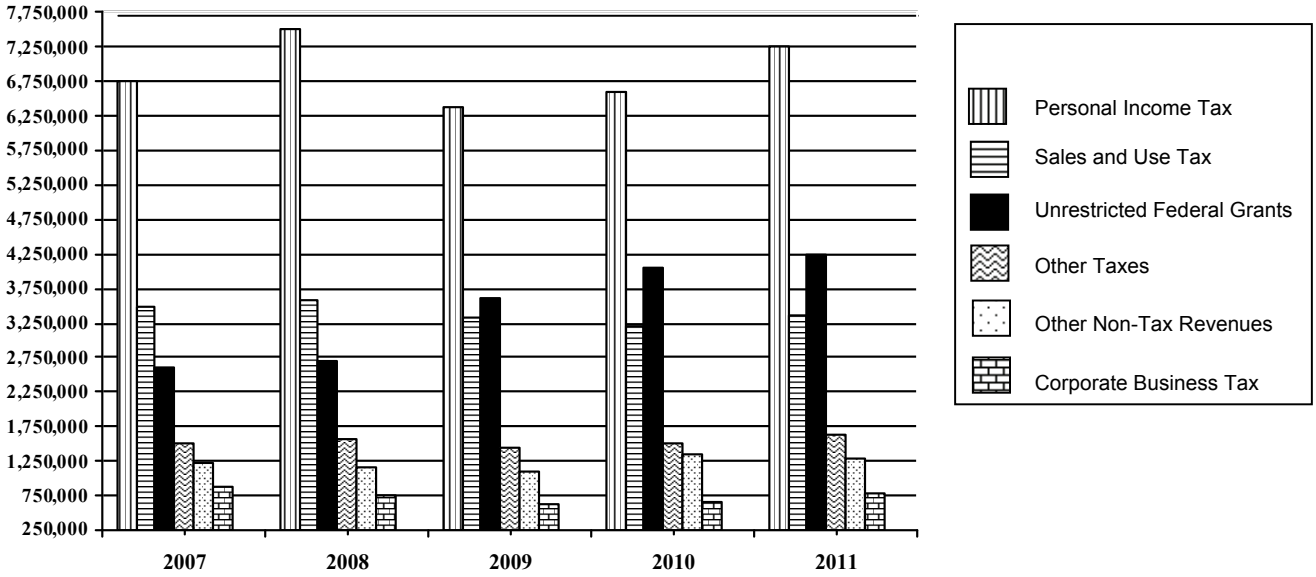
(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers, electric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

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

SOURCE: Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years ending June 30, 2007 through 2011 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

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



	2007	2008	2009	2010	2011
Taxes:					
Personal Income Tax	$ 6,749,462	$ 7,512,688	$ 6,385,856	$ 6,586,099	$ 7,246,431
Sales Tax	3,496,110	3,582,317	3,318,752	3,203,988	3,353,230
Corporate Business Tax	890,730	733,942[d]	615,921	667,132	794,473
Other Taxes[b]	1,517,553	1,558,511	1,448,448	1,507,283	1,619,985
Subtotal	12,653,855	13,387,458	11,768,977	11,964,502	13,014,119
R & D Credit Exchange	(5,983)	(11,363)	(8,428)	(8,937)	(8,598)
Refunds of Taxes	(746,539)	(852,184)	(1,052,286)	(1,061,433)	(956,054)
Total Net Taxes	$11,901,333	$12,523,911	$10,708,263	$10,894,132	$12,049,467
Other Revenue:					
Federal Grants (Unrestricted)	$ 2,602,774	$ 2,701,603	$ 3,619,490	$ 4,066,314	$ 4,235,178
Other Non-Tax Revenues[c]	1,224,753	1,164,272	1,105,217	1,363,385	1,273,290
Transfers to Other Funds	(86,300)	(86,300)	(86,300)	(61,800)	(61,800)
Transfers from Other Funds	100,000	115,300	354,131[e]	1,426,498[f]	211,319
Total Other Revenues	$ 3,841,227	$ 3,894,875	$ 4,992,538	$ 6,794,397	$ 5,657,987
Total Revenues	$15,742,560	$16,418,786	$15,700,801	$17,688,529	$17,707,454[g]

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

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

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

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

(e) For Fiscal Year 2009, $179.4 million of reserved fund balance within the General Fund was released for Fiscal Year 2009 operations and was posted under the "Transfer from Other Funds" category.

(f) Includes numerous transfers from other funds of the State, the largest of which is $1,278.5 million from the Budget Reserve Fund.

(g) Totals do not include the release of the Reserved Fund Balance in the amount of $449,868,589.

SOURCE: 2007, 2008, 2009, 2010 and 2011 Annual Reports of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a personal income tax on the income of residents of the State (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. The tax imposed is at the maximum rate of 6.7% on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from $12,000 to $24,000, with the lower end of the range increasing annually to $15,000 by taxable year 2015 for certain taxpayers. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at certain higher income levels. Neither the personal exemption nor the tax credit described above is available to trusts or estates. Legislation enacted in 1995 effected a graduated rate structure beginning in tax year 1996, and most recently revised for tax year 2011. Under this revised structure, the top rate increases to 6.7% 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, under the revised rate structure effective income year 2011, the lower rates are fully phased out for joint filers earning over $700,000. In addition, an income tax credit for property taxes paid of $500 per filer for tax years beginning on or after January 1, 2006, was decreased to $300 per filer for tax years beginning on or after January 1, 2011. Taxpayers also are subject to a Connecticut minimum tax based on their liability, if any, for payment of the federal alternative minimum tax.

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

Corporation Business Tax. The Corporation Business Tax is imposed on any corporation, joint stock company or association, any dissolved corporation that continues to conduct business, any electric distribution company or fiduciary of any of the foregoing which carries on or has the right to carry on business within the State or owns or leases property or maintains an office within the State or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, that does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. The Corporation Business Tax provides for three methods of computation. The taxpayer's liability is the greatest amount computed under any of the three methods.

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

three methods, determine which calculation produces the greatest tax, and pay that amount to the State. In 2002 the State limited corporation credits from reducing tax liability by more than 70%. The State imposed a corporation business tax surcharge of 20% for income year 2003, 25% for income year 2004, 20% for income year 2006. There was no corporation business tax surcharge for income year 2005, 2007 or 2008. For income year 2009, 2010 and 2011 a corporation business tax surcharge of 10% has been imposed for businesses with over $100 million in federal adjusted gross income. For income year 2012 and 2013 a corporation business tax surcharge of 20% has been imposed for businesses with over $100 million in federal adjusted gross income.

A $250 charge is levied on LLCs, LLPs and S corporations. The tax extends to single-member LLCs that are not considered entities separate from their owners for federal tax purposes. Beginning with taxable years starting January 1, 2013, this tax will be due biennially.

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

Federal Grants. Depending upon the particular program being funded, federal grants in aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is expenditure driven. The largest federal grants in fiscal year 2010-11 were made for the purposes of providing medical assistance payments to low income individuals and temporary assistance to needy families. The State also receives certain restricted federal grants which are not reflected in annual appropriations but which nonetheless are accounted for in the General Fund. The American Recovery and Reinvestment Act (ARRA) provided the State with increased Medicaid and Title IV-E grants as well as new funding for education, transportation, and other general government functions in fiscal years 2009, 2010 and 2011. In addition, the State receives certain federal grants which are not accounted for in the General Fund but are allocated to the Transportation Fund, various Capital Project Funds and other funds.

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

General Fund Expenditures

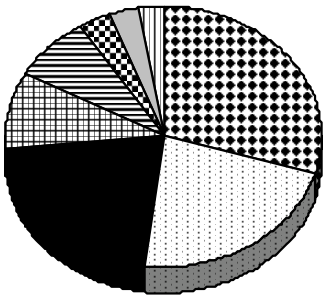
Appropriated and Historical Expenditures

Fiscal Year 2011-2012 and 2012-2013 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories, listed in order of magnitude of expenditure for the current budget biennium: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection of Persons and Property; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, not the General Fund. Occasionally, minor expenditures for transportation related expenditures are paid from the General Fund.

The adopted budget and final budgetary-basis results for the fiscal year ending June 30, 2011, the adopted and estimated (as of January 31, 2012) budgets for the fiscal year ending June 30, 2012 and the adopted budget for the fiscal year ending June 30, 2013 are included as **Appendix III-E** to this Annual Information Statement. A summary of appropriated General Fund expenditures for the fiscal years ending June 30, 2012 and June 30, 2013 is set forth below.

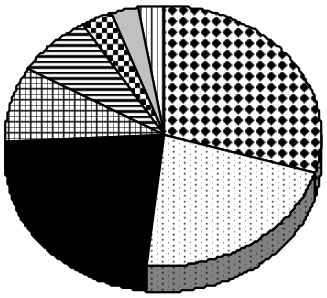
Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures 2011-2012
$18,707.7[a]



Human Services	$ 5,785.9	29.7%
Education, Libraries and Museums	4,321.8	22.2%
Non-Functional	4,182.2	21.5%
Health and Hospitals	1,886.2	9.7%
Corrections	1,576.5	8.1%
General Government	655.9	3.4%
Judicial	576.1	3.0%
Other Expenditures[b]	501.0	2.6%

Appropriated Expenditures 2012-2013
$18,952.5[a]



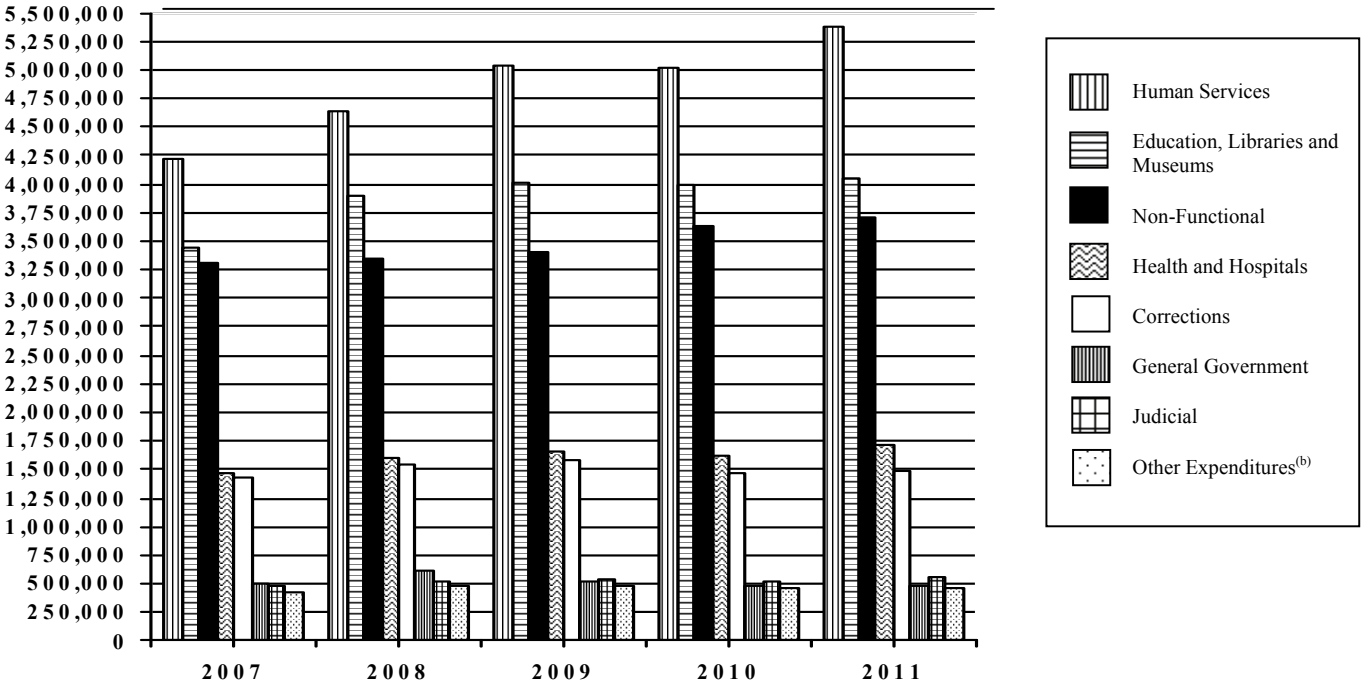
Human Services	$ 5,925.4	29.7%
Education, Libraries and Museums	4,346.7	21.8%
Non-Functional	4,479.1	22.5%
Health and Hospitals	1,911.3	9.6%
Corrections	1,540.2	7.7%
General Government	647.6	3.3%
Judicial	572.8	2.9%
Other Expenditures[b]	495.2	2.5%

(a) The pie charts reflect the total listed expenditures of $19,485.6 million for fiscal year 2011-12 and $19,918.3 million for fiscal year 2012-13, and do not reflect adjustments for unallocated lapses of $777.9 million for fiscal year 2011-12 and $965.8 million for fiscal year 2012-13. See **Appendix III-E** for anticipated adjustments to appropriated expenditures.

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

SOURCE: Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

Historical General Fund Expenditures. Actual General Fund expenditures for the fiscal years ending June 30, 2007 through 2011 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:



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

	2007	2008	2009	2010	2011
Human Services	$ 4,221,641	$ 4,629,658	$ 5,041,515	$ 5,012,333	$ 5,387,535
Education, Libraries and Museums	3,449,507	3,892,796	4,019,381	3,990,199	4,060,467
Non-Functional	3,311,597	3,356,538	3,399,404	3,633,977	3,709,293
Health and Hospitals	1,473,779	1,606,711	1,662,540	1,624,827	1,715,670
Corrections	1,430,316	1,549,792	1,577,167	1,475,769	1,484,364
General Government	500,641	602,849	520,115	486,318	476,090
Judicial	474,067	515,738	543,078	524,043	559,912
Other Expenditures[(b)]	432,187	473,365	471,655	460,655	451,793
Totals	$ 15,293,735	$ 16,627,447	$ 17,234,855	$ 17,208,021	$ 17,845,124

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

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

SOURCE: 2007, 2008, 2009, 2010 and 2011 Annual Reports of the State Comptroller.

Components of Expenditures

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

Education, Libraries and Museums. Based upon the adopted budget for the 2011-12 fiscal year, approximately 64.4% of the State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining 35.6% consists of expenditures for higher education (including the University of Connecticut, the Connecticut State University System and the Regional Community-Technical Colleges), the Teachers' Retirement Board, the State Library, and services for the blind and deaf.

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

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

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

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

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

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

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of historical sites, commerce and industry; and environment, the latter accounting for approximately 52.0% of all appropriations for Conservation and Development based upon the adopted budget for the 2011-12 fiscal year.

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

Expenditures by Type

General Fund appropriations and the State expenditures to which they relate are divided for both administrative and budgetary purposes among appropriation account categories based on the type of appropriation. Appropriation account types may be grouped conceptually into two broad categories: payments to third parties and costs of State administration. Payments to third parties consist of two major appropriation account types: payments to local governments, and payments to parties other than local governments (which include debt service payments for purposes of **Table 1**; see footnote 3 to **Table 1** below). Such payments to third parties amount to approximately 66.2% of total General Fund appropriations under the adopted budget for the 2011-12 fiscal year. Costs of State administration consist of three major appropriation account types: personal services, equipment, and other expenses. These expenditures are used directly to operate the facilities and programs of State agencies and include such items as salaries, wages, pension and other benefits for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses. Appropriations for costs of State administration represent approximately 33.8% of all General Fund appropriations under the revised adopted budget for the 2011-12 fiscal year.

Appropriations categorized as payments to third parties are generally referred to for budgetary purposes as "fixed charges." Contractually required payments to third parties include debt service payments. Statutorily required payments to third parties include grants to local governments and individual beneficiaries under a wide variety of programs established by statute. The amount of such payments is generally either specifically set forth in the statutes in question or is calculated in accordance with a formula set forth in such statutes. Despite the characterization of these statutorily determined payments to third parties as "fixed charges," the Governor's budgetary recommendations routinely include proposed modifications in the amounts and formulas for calculating the amounts of such appropriations, and such modifications are often, in fact, adopted by the General Assembly. A summary of fixed charges is shown on **Table 1**. This summary includes a breakdown of total fixed charges into payments to local governments and total payments, as well as information as to the most significant types of expenditures in each category.

Table 1[1,4]
Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2009-10 (Actual)		Fiscal Year 2010-11 (Unaudited)		Fiscal Year 2011-12 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	331	0	342	0	554	0
GENERAL GOVERNMENT						
Tax Relief for Elderly Renters	21,973	0	23,555	0	26,160	0
Property Tax Relief Elderly Circuit Breaker	20,506	20,506	20,506	20,506	20,506	20,506
P.I.L.O.T. - New Manufacturing Machinery and Equipment	57,348	57,248	47,895	47,895	0	0
Reimbursement to Towns for Loss of Taxes on State Property[3]	0	0	0	0	73,519	73,519
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property[3]	0	0	0	0	115,432	115,432
Undesignated	19,296	17,067	18,186	17,580	16,971	15,860
Total – General Government	119,123	94,821	110,142	85,981	252,588	225,317

	Fiscal Year 2009-10 (Actual)		Fiscal Year 2010-11 (Unaudited)		Fiscal Year 2011-12 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
REGULATION AND PROTECTION						
Total - Regulation and Protection	931	0	870	0	1,210	0
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	27,638	12,767	28,776	13,023	30,813	13,341
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services)	173,784	0	161,334	0	186,575	0
Community Residential Services (Dept. of Developmental Services)	379,343	0	405,083	0	419,598	0
Grants for Substance Abuse Services	25,018	0	25,268	0	25,028	0
Grants for Mental Health Services	76,084	0	79,615	0	76,394	0
Undesignated	46,703	14,268	47,708	14,516	48,103	15,200
Total - Health and Hospitals	700,932	14,268	719,008	14,516	755,698	15,200
HUMAN SERVICES						
Medicaid	3,855,090	0	4,465,884	0	4,632,074	0
Old Age Assistance	35,263	0	35,523	0	35,600	0
Aid to the Disabled	60,407	0	61,169	0	61,785	0
Temporary Assistance to Families – TANF	119,103	0	117,217	0	120,551	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	25,102	0	5,976	0	790	0
Medicaid - Disproportionate Share - Mental Health	105,935	0	105,935	0	105,935	0
Connecticut Home Care Program	67,251	0	47,402	0	62,613	0
Child Care Services - TANF/CCDBG	93,563	0	98,516	0	97,598	0
Housing/Homeless Services	41,119	0	46,507	0	55,312	0
Disproportionate Share - Medical Emergency Assistance	51,725	0	51,725	0	268,487	0
DSH - Urban Hospitals in Distressed Municipalities	31,550	0	31,550	0	0	0
State Administered General Assistance	197,382	0	(2,233)	0	14,551	0
Medicare Part D Supplemental Needs	5,008	0	0	0	0	0
Undesignated	64,408	6,220	65,511	6,587	38,134	915
Total - Human Services	4,752,906	6,220	5,130,682	6,587	5,493,430	915

	Fiscal Year 2009-10 (Actual)		Fiscal Year 2010-11 (Unaudited)		Fiscal Year 2011-12 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
EDUCATION, LIBRARIES AND MUSEUMS						
Charter Schools	48,081	0	52,768	0	57,067	0
Adult Education	19,565	19,565	19,565	19,565	21,033	21,033
Transportation of School Children	28,729	28,729	28,740	28,740	25,785	25,785
Education Equalization Grants	1,883,944	1,883,944	1,889,023	1,889,023	1,889,609	1,889,609
Priority School Districts	115,509	115,509	115,656	115,656	116,627	116,627
Excess Cost - Student Based	139,821	139,821	139,811	139,811	139,806	139,806
Magnet Schools	155,033	155,033	183,330	183,330	215,855	215,855
Connecticut Independent College Student Grant	23,414	0	23,414	0	18,072	0
Connecticut Aid for Public College Students	30,208	0	30,208	0	29,809	0
Teachers' Retirement Contributions	559,224	0	581,593	0	757,246	0
Undesignated	96,835	55,533	88,462	53,406	130,703	58,264
Total – Education	3,100,363	2,398,134	3,152,570	2,429,531	3,401,612	2,466,979
CORRECTIONS						
Community Support Services (Dept. of Correction)	38,870	0	39,830	0	40,370	0
Board and Care for Children – Adoption	81,232	0	84,380	0	87,101	0
Board and Care for Children – Foster	102,520	0	104,459	0	115,486	0
Board and Care for Children – Residential	185,059	0	181,129	0	189,186	0
Community KidCare	25,104	0	23,573	0	23,575	0
Undesignated	92,578	0	91,848	0	99,217	0
Total – Corrections	525,363	0	525,219	0	554,935	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security and Teachers' Retirement Pension Obligation Bonds)[2]	1,619,470	0	1,629,672	0	1,894,081	0
Reimbursement to Towns for Loss of Taxes on State Property[3]	73,519	73,519	73,519	73,519	0	0
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property[3]	115,432	115,432	115,432	115,432	0	0
Undesignated	399	0	435	0	0	0
Total - Non Functional	1,808,820	188,951	1,819,058	188,951	1,894,081	0
Total – Fixed Charges	11,036,407	2,715,161	11,486,667	2,738,589	12,384,921	2,721,752

1 Table 1 includes actual fixed charge expenditures for fiscal year 2009-10, unaudited fixed charge expenditures for Fiscal Year 2010-11, and appropriated fixed charge expenditures for fiscal year 2011-12.

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

3 In fiscal year 2011-12 Reimbursements to Towns for Loss of Taxes were moved from Nonfunctional to General Government (OPM).

4 In fiscal year 2011-12, Vocational Services, Employment Opportunities and Independent Living Centers moved from the Department of Social Services to the Bureau of Rehabilitative Services; Commission on Tourism was merged into the Department of Economic and Community Development; and Commission on Fire Prevention and Control was merged into the Department of Emergency Services and Public Protection.

SOURCE: Office of Policy and Management

Fiscal Year 2010-2011 Operations

Pursuant to the Comptroller's audited financial statements provided on December 31, 2011, as of June 30, 2011, General Fund revenues were $17,707.5 million and General Fund expenditures were $17,845.1 million producing a deficit from General Fund operations of $137.7 million. However, a General Fund surplus for the 2010-11 fiscal year of $236.9 million results after net adjustments of $374.5 million which included the release of $449.9 million from prior year reserves and other fund balance and carryforward adjustments. With the exception of $14.5 million that is contractually obligated to be deposited into the trust fund for Other Post Employment Benefits, the surplus balance is reserved for payment toward a portion of the State's $915.8 million Economic Recovery Notes (2009 Series A) issued to finance the fiscal year 2008-09 deficit.

The audited results for the final fiscal year 2010-11 operations of the General Fund have been outlined in **Appendix III-D** to this Annual Information Statement.

Budget for Fiscal Years 2011-2012 and 2012-2013

On May 3, 2011, the General Assembly passed Public Act No. 11-6, An Act Concerning The Budget For The Biennium Ending June 30, 2013. The Governor signed the bill into law on May 4, 2011. This act made general fund appropriations of $18,350.3 million in fiscal year 2011-12 and $18,781.8 million in fiscal year 2012-13. The budget was projected to result in a surplus of $369.3 million in fiscal year 2011-12 and $634.8 million in fiscal year 2012-13. The budget included anticipated savings of $1.0 billion annually from state employee concessions.

Numerous revenue enhancements were included in Public Act No. 11-6 including, increasing the number of tax brackets for the personal income tax with a maximum rate of 6.7%. The sales tax was raised from 6.0% to 6.35% and numerous exemptions were eliminated including the previous exemption for clothing and footwear under $50. A 20% surcharge was imposed on the corporation tax for income years 2012 and 2013. Other miscellaneous taxes were increased as well including the tax on cigarettes and alcoholic beverages. Additional revenue of $1.5 billion is estimated from these tax increases in fiscal year 2011-12 and $1.3 billion in fiscal year 2012-13. An expanded health provider tax was also implemented which when combined with the additional reimbursements from the federal government will total over $600 million annually.

The adopted budget is $1.0 million below the spending cap in fiscal year 2011-12 and $278.4 million below in fiscal year 2012-13. After the passage of budget implementers and other acts, the final adopted budget has a projected surplus of $80.9 million is fiscal year 2011-12 and $488.5 million in fiscal year 2012-13

While the biennial budget included anticipated savings of $1.0 billion annually from State employee concessions, the State initially failed to achieve an agreement with State employees for sufficient State employee concessions. Without an agreement, the Governor called for a special legislative session which was held on June 30, 2011 for purposes of addressing the unattained labor related savings in the adopted Fiscal Year 2011-13 biennial budget. The General Assembly passed and the Governor signed into law Public Act No. 11-1, which provided the Governor with enhanced rescission authority through September 30, 2011, and allotment holdback authority to effectuate savings in the budget equivalent to the unattained labor related savings. The act required the Governor to submit a plan, which he did, by July 15, 2011 to the General Assembly detailing these revised savings. On August 18, 2011, the Governor reached an agreement with the state employee unions which achieved the requisite number of votes and the number of bargaining groups required to ratify the agreement with the administration. Pursuant to Public Act No. 11-1 the agreement was deemed approved as of August 22, 2011. The estimated savings resulting from the agreement and the additional savings recommended by the Governor were estimated to result in a balanced budget for the Fiscal Year 2011-13 biennial budget.

A special session of the General Assembly was held on October 26, 2011 for purposes of promoting economic development and job creation in the State. The General Assembly passed, and the Governor signed into law, two pieces of legislation toward achieving those goals. Public Act No. 11-1 of the October 20, 2011 Special Session, An Act Promoting Economic Growth And Job Creation In the State, authorized an additional $231 million in general obligation bonds for fiscal year 2011-12, $345 million for fiscal year 2012-13, and $25 million each year in fiscal years 2013-14, 2014-15 and 2015-16. It also authorized $50 million for additional special tax obligation bonds for the Fix-it-first Bridges program in fiscal year 2011-12. The act modified certain tax credits offered by the State that are expected to result in a revenue loss of $8.5 million in fiscal year 2011-12 and $40.3 million in fiscal year 2012-13. Public Act No. 11-2, An Act Establishing The Connecticut Bioscience Collaboration Program, authorized $290.7 million in general obligation bonds in varying amounts from fiscal year 2011-12 through fiscal year 2020-21 for purposes of establishing a research facility in Farmington in proximity to the University of Connecticut's Health Center.

Fiscal Year 2011-2012 Operations

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management on October 20, 2011, November 18, 2011, December 20, 2011 and January 20, 2012 for the General Fund for the 2011-12 fiscal year, as of the periods ending September 30, 2011, October 31, 2011, November 30, 2011 and December 31, 2011, respectively, under a budgetary basis, the General Fund was estimated to have a surplus of $75.6 million, $79.1 million, $83.7 million and $1.4 million, respectively. In the monthly estimates provided by the Office of Policy and Management on February 20, 2012 for the General Fund for the 2011-12 fiscal year, as of the period ending January 31, 2012, General Fund revenues were estimated at $18,693.9 million, General Fund expenditures were estimated at $18,658.0 million and the General Fund for the 2011-12 fiscal year was estimated to have a surplus of $35.9 million under a budgetary basis. $75.0 million of any estimated surplus must be reserved by the Comptroller to be applied to the GAAP deficit pursuant to Public Act No. 11-48, with the remainder dedicated to redeeming a portion of the State's $915.8 million Economic Recovery Notes (2009 Series A) issued to finance the fiscal year 2008-09 deficit. On February 20, 2012, the Office of Policy and Management projected a $39.1 million operating deficit on a GAAP basis in the General Fund for the 2011-12 fiscal year. The next monthly report of the Office of Policy and Management is expected on March 20, 2012 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

By statute, the State's fiscal position is reported monthly by the Comptroller. In each of the Comptroller's monthly reports from October 3, 2011 through February 1, 2012, the Comptroller was in general agreement with the Office of Policy and Management's estimates for each applicable period. The next monthly report of the Comptroller is expected on March 1, 2012 for the period ending January 31, 2012, and no assurances can be given that the estimates in such report will match the Office of Policy and Management's estimates.

On February 24, 2012, the Office of Fiscal Analysis projected a deficit in the General Fund of $161.0 million for fiscal year 2011-12 on a budgetary basis. The report identifies that the Office of Policy and Management has indicated that it intends to use $90.0 million of available fiscal year 2010-11 carry forward funding towards the fiscal year 2011-12 General Fund deficit and assuming this occurs, the projected deficit is reduced to $71.0 million. In addition such projections do not include $27.0 million related to the national mortgage foreclosure settlement. The projections do include the impact of the Governor's anticipated rescissions totaling $80.6 million, but do not include the setting aside of funds for the GAAP deficit.

The above projections are only estimates and the information in the monthly letter of the Office of Policy and Management to the Comptroller, in the Comptroller's monthly report and in the Office of Fiscal Analysis' January 25, 2012 projections, contain only estimates and no assurances can be given that future

events will materialize as estimated or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2011-12 operations of the General Fund.

See **Appendix III-E** of this Annual Information Statement for more information regarding the Budget for fiscal years 2011-12 and 2012-13.

Fiscal Accountability Report. The Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis, on November 15, 2011, each submitted a fiscal accountability report for the current biennium and the next ensuing three fiscal years. The Office of Fiscal Analysis projected General Fund surpluses for fiscal years ending June 30 of 2012, 2013, 2014, 2015 and 2016 of $101.2 million, $455.8 million, $310.8 million, $347.9 million and $715.6 million, respectively. The Office of Policy and Management in its report projected a General Fund surplus of $67.1 million for fiscal year ending June 30, 2012 and General Fund surpluses for fiscal years ending June 30 of 2013, 2014, 2015, and 2016 of $297.5 million, $163.4 million, $160.6 million and $520.6 million, respectively**.** The projections in each report were based on current services and certain other assumptions. The Office of Policy and Management projected these current services estimates to exceed the State's expenditure cap by $652.7 million, $1,113.3 million and $1,215.9 million in fiscal years ending June 30 of 2014, 2015 and 2016, respectively. The Office of Fiscal Analysis similarly projected these current services estimates to exceed the State's expenditure cap by $628.1 million, $1,032.2 million and $1,114.2 million in fiscal years ending June 30 of 2014, 2015 and 2016, respectively. The reports estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five-year period of between $1.2 billion and $1.5 billion, with the expenditure on debt service gradually increasing. The projections of the Office of Policy and Management and the Office of Fiscal Analysis are only estimates and the information in each of the fiscal accountability reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not indicate changes in the final result of such fiscal years. Specifically, the Office of Policy and Management noted that until the United States Congress acts on the federal budget, final current State fiscal year and future funding levels for many of the State's federally funded discretionary and entitlement programs are unknown. In addition, the State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-6*** under the heading **The Budgetary Process – *Balanced Budget Requirement.*** As such, budgets adopted for the future fiscal years will need to comply with those requirements. As a result, the figures included in these reports do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Revised Consensus Revenues. The Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued on April 29, 2011, a consensus revision of their previous revenue estimates. The General Fund revenue estimates for fiscal years ending June 30 of 2011, 2012, 2013 and 2014 were $18,526.8 million, $16,793.6 million, $17,654.9 million, and $18,884.4 million, respectively. The Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued on January 17, 2012, another consensus revision of their previous revenue estimates. The revised General Fund revenue estimates for fiscal years ending June 30 of 2012, 2013, 2014, 2015 and 2016 were $18,693.9 million, $19,302.3 million, $20,265.8 million, $21,531.7 million and $22,498.0 million, respectively. 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 audit or actions of the General Assembly will not result in changes to the final results of the fiscal years reported. The next consensus revenue estimate is expected on or about April 30, 2012.

Midterm Budget Adjustments

Per Section 4-71 of the Connecticut General Statutes, the Governor is required to submit a status report to the General Assembly on the biennial budget enacted in the previous year. The status report shall include any recommendations for adjustments and revisions to the enacted budget. On February 8, 2012 the

Governor submitted to the General Assembly a status report including detailed projections of expenditures and revenues and proposed midterm budget adjustments for fiscal year 2012-13. The midterm budget adjustments incorporate the January 17th consensus revenue forecast as a baseline and include anticipated additional revenues for total revenue collections in the General Fund for fiscal year 2012-13 of $19,318.0 million. The Governor recommended an increase in General Fund appropriations for fiscal year 2012-13 of $313.9 million over the adopted fiscal year 2012-13 General Fund budget for total General Fund appropriations of $19,266.4 million, resulting in a projected General Fund budget surplus of $1.6 million, after reserving $50.0 million for GAAP. The proposed budget is $5.9 million below the spending cap in fiscal year 2012-13, calculated as of January 20, 2012.

Increases in General Fund appropriations included in the Governor's recommended General Fund budget for fiscal year 2012-13 include (i) an increase of $182.0 million to maintain current services, including $119.0 million as a result of a revised estimate for the cost of retiree health care services, (ii) an investment of $128 million to improve the State's education system and (iii) $123.4 million, $85.3 million of which is attributable to the General Fund, to begin to address the State's underfunding of its pension system. In addition, the Governor proposes to restructure the payment schedule for funding the State Employees' Retirement System to reduce the magnitude of required contributions toward the end of the System's amortization period with the aim of achieving a funded ratio of 80% by 2025. The Governor is also proposing more than $124 million in savings initiatives, including a number of changes within the Medicaid program and a reduction in the percentage of retired teachers' healthcare costs paid by the State. Additionally, the Governor is recommending to continue to streamline State government by proposing further consolidations of State agencies.

Projections of current services revenue contained in the Governor's proposed General Fund budget have been revised downward by a total of $138.7 million from the revenue projected in the adopted budget. Programmatic revenue changes proposed in his budget totaling $15.7 million, include the enhancement of the Department of Revenue Services' auditing and collections functions, federal revenue maximization efforts, and the modernization of Connecticut's alcohol statutes.

The Governor's proposed midterm budget adjustments include an increase of $315.8 million in general obligation bond authorizations to take effect in fiscal year 2012-13. The adjustments emphasize investments in State facilities, the environment, housing, and education and transportation infrastructure. The Governor's recommendations also include an increase of $90.0 million in special transportation obligation bond authorizations.

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. Cigna, Ticket Network, ESPN, and NBC Sports have agreed to participate in this program, pledging to create over 1,050 combined jobs in Connecticut in return for $132.45 million in forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut. Legislation 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 a secured, forgivable equipment loan, and $99 million in research partnership funding. These funds are to be provided through the issuance of general obligation bonds over the next 10 years. The Jackson Laboratory project is expected to generate short-term construction jobs in addition to 6,800 permanent jobs over the next 20 years. No assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, legislative actions, or other events will not indicate changes in the final results of this initiative.

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

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

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

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

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

General Fund Budget History

Table 2 summarizes the results of operation of the General Fund on the budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash) basis for the fiscal years 2007 through 2011 are set forth in **Appendix III-D** to this Annual Information Statement.

TABLE 2

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

	2007	2008	2009	2010	2011
Total General Fund Revenues[a]	$ 15,742.6	$16,418.8	$15,700.8	$17,688.5	$17,707.5
Net Appropriations/Expenditures[b]	15,473.4	16,319.4	16,648.4	17,238.6	17,470.6
Operating Surplus/(Deficit)	$ 269.2[c]	$ 99.4[d]	$ (947.6)[e]	$ 449.9[f]	$ 236.9[g]

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

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

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

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

(e) The State Treasurer was given authority to fund, and did fund, the Fiscal Year 2009 General Fund deficit through economic recovery notes.

(f) The entire surplus balance of $449.9 million was reserved for fiscal year 2010-11, $140.0 million for spending and the remaining $309.9 million to reduce the amount of economic recovery revenue bonds to be issued. The State has since repealed the authorization to issue economic recovery revenue bonds.

(g) In accordance with a labor agreement, $14.5 million of this surplus will be deposited in the Other Post Employment Benefit Trust Fund and per State statute, the remaining balance will be used to pay a portion of the State's $915.8 million Economic Recovery Notes (2009 Series A) issued to finance the fiscal year 2008-09 deficit.

SOURCE: Comptroller's Office

Table 3 shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash) basis to the GAAP basis of accounting. Audited GAAP based financial statements for fiscal year 2011 are included in **Appendix III-C**.

TABLE 3

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

	2007	2008	2009	2010	2011
Modified Cash Basis Operating Surplus/(Deficit)	$ 269.2	$ --	$ (947.6)	$ 449.9	$ 236.9
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(91.0)	63.5	284.0	(113.1)	(103.3)
Other Receivables	177.9	(302.0)	101.4	(42.6)	85.2
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	45.2	60.3	(601.6)	(160.9)	(100.4)
Salaries and Fringe Benefits Payable	(90.0)	(14.0)	56.6	(7.8)	4.4
Increase (decrease) in Continuing Appropriations	128.2	(327.0)	(415.3)	32.7	79.5
Reclassification of equity adjustments	80.0	99.4	--	--	--
Proceeds of Recovery Notes	--	--	--	947.5	--
Transfer of restricted resources	--	--	--	(1,278.5)	(103.2)
Transfer of prior year surplus	(41.0)	--	(179.4)	--	(449.9)
GAAP Based Operating Surplus/(Deficit)	$ 478.5	$ (419.8)	$ (1,701.9)	$ (172.8)	$ (350.8)*

* This figure has been revised to correct a typographical error.

SOURCE: Comptroller's Office

Table 4 sets forth on the budgetary (modified cash) basis the actual cumulative unreserved fund balance (deficit) for the General Fund for the last five fiscal years.

TABLE 4

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash) Basis
(In Millions)
Fiscal Years Ending June 30

	2007	2008	2009	2010	2011
Operating Surplus/Deficit	$ 269.2	$ 99.4	$ (947.6)	$ 449.9	$ 236.9
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	269.2	0.0	0.0	0.0	0.0
Transfers from Budget Reserve Fund	--	--	--	--	--
Reserve for Fiscal Year 2011 Operations				140.0	
Reserve to reduce economic recovery revenue bonds[a]				309.9	
Reserve for Fiscal Year 2009 Operations	--	99.4	--	--	
Reserve for Subsequent Fiscal Year Operations	--	--	--	--	236.9[b]
Total Transfers/Reserves	269.2	99.4	(947.6)	449.9	236.9
Unreserved Fund Balance					
Surplus/(deficit)	$ 0.0	$ 0.0	$ (947.6)	$ 0.0	$ 0.0

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

(b) In accordance with a labor agreement, $14.5 million of this reserve will be deposited in the Other Post Employment Benefit Trust Fund and per State statute, the remaining balance will be used to pay a portion of the State's $915.8 million Economic Recovery Notes (2009 Series A) issued to finance the fiscal year 2008-09 deficit.

SOURCE: Comptroller's Office

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

TABLE 5

General Fund

Unreserved Fund Balance — Budgetary (Modified Cash) Basis vs. GAAP Basis
(In Millions)
Fiscal Years Ending June 30

	2007	2008	2009	2010	2011
Unreserved Fund Balance (Deficit)					
Modified Cash Basis	$ 0.0	$ 0.0	$ (947.6)	$ 0.0	$ 0.0
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(271.0)	(380.7)	(364.1)	(377.4)	(525.3)
Eliminate Corporation Accrual	(7.1)	(3.6)	(11.2)	(12.6)	(5.4)
Additional Taxes Receivable	133.6	6.1	4.1	3.8	4.2
Net Increase (Decrease) Taxes	(144.5)	(378.2)	(371.2)	(386.2)	(526.5)
Net Accounts Receivable	146.0	237.6	199.6	218.0	307.9
Federal and Other Grants Receivable[(a)]	410.9	474.5	758.5	645.4	542.1
Due From Other Funds	22.7	20.3	27.1	24.8	19.6
Total Additional Assets	$ 435.1	$ 354.2	$ 614.0	$ 502.0	$ 343.1
Additional Liabilities					
Salaries and Fringe Payable	(285.0)	(299.1)	(242.5)	(250.3)	(245.9)
Accounts Payable—Department of Social Services	(628.1)	(508.0)	(585.0)	(573.0)	(711.9)
Accounts Payable—Trade & Other	(339.3)	(473.2)	(891.0)	(1,131.2)	(844.1)
Payable to Federal Government	(67.9)	(121.1)	(146.1)	(124.5)	(186.9)
Due to Other Funds	(109.1)	(102.0)	(105.2)	(102.0)	(103.2)
Total Additional Liabilities	$(1,429.4)	$(1,503.4)	$(1,969.8)	$(2,181.0)	$(2,092.0)
Unreserved Fund Balance (Deficit)					
GAAP Basis	$ (994.3)	$(1,149.2)	$ (2,303.4)	$(1,679.0)	$(1,748.9)

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

SOURCE: Comptroller's Office

Table 6 sets forth on a GAAP basis the components of the fund balance for the General Fund for the last five fiscal years.

TABLE 6

General Fund Fund Balances-GAAP Basis
(In Millions)
Fiscal Years Ending June 30

	2007	2008	2009	2010	2011
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ --
Budget Reserve	1,381.7	1,381.7	1,381.7	103.2	--
Loans & Advances to Other Funds	18.0	9.7	9.8	15.0	22.5
Restricted Purposes	80.0	179.4	--	449.9	236.9
Inventories	34.0	25.3	24.3	13.9	13.6
Continuing Appropriations	811.3	455.4	87.1	113.2	178.6
Debt Service	--	--	--	--	--
Total	2,326.0	2,052.5	1,503.9	696.2	451.6
Unreserved:	(994.3)	(1,149.2)	(2,303.4)	(1,679.0)	(1,748.9)
Total Fund Balance	$1,331.7	$ 903.3	$ (799.5)	$ (982.8)	$(1,297.3)*

* This figure has been revised to correct a typographical error.

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

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

Types of State Debt

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

State Direct General Obligation Debt

General

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

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

Statutory Debt Limit. Section 3-21 of the General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness which has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of

the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted revenue anticipation notes having a maturity of one year or less, refunded indebtedness, bond anticipation notes, borrowings payable solely from the revenues of a particular project, the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 1991 and for the fiscal years ending June 30, 2002, June 30 2003 and June 30, 2009, all authorized debt to fund the Connecticut Development Authority's tax increment bond program, any indebtedness represented by agreements entered into pursuant to certain provisions of the General Statutes, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness, any indebtedness issued for the purpose of meeting cash flow needs, and any indebtedness issued for the purpose of covering emergency needs in times of natural disaster. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap. See ***Types of Direct General Obligation Debt — UConn 2000 Financing.***

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

The total tax receipts for the fiscal year beginning July 1, 2011 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, 2012, are described in the following table.

TABLE 7

Statutory Debt Limit
As of February 1, 2012

Total General Fund Tax Receipts	$14,019,100,000	
Multiplier	1.6	
Debt Limit		$22,430,560,000
Outstanding Debt[a]	$10,527,078,442	
Guaranteed Debt[b]	$ 954,300,000	
Authorized Debt[c]	$ 3,711,978,684	
Total Subject to Debt Limit		$15,193,357,126
Less Debt Retirement Funds[d]	$ 12,847,403	
Aggregate Net Debt		$15,180,509,723
Debt Incurring Margin		$ 7,250,050,277

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

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

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for 2011-12 fiscal year.

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

SOURCE: State Treasurer's Office

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

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

Types of Direct General Obligation Debt

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

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

Teachers' Retirement Fund Pension Obligation Bonds. Legislation passed in 2007 authorized the issuance of pension obligation bonds to fund up to $2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. In April 2008 the State issued $2,277 million of such bonds. The public act also requires the State to appropriate annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund, while the bonds are outstanding. The bonds are general obligations of the State, but do not count against the State's debt limit.

UConn 2000 Financing. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State empowered to issue bonds and construct the infrastructure improvements contemplated by the act for the University of Connecticut. The estimated costs of the infrastructure improvements as initially set forth in the act totaled $1,250 million to be financed over a 10-year period. The General Assembly extended the UConn 2000 financing program several times and it now runs through June 30, 2018, with total estimated project costs of $3,068 million. The legislation authorizes the University to borrow money to finance and refinance the UConn 2000 projects, including $262.9 million to finance a new patient tower for the John Dempsey Hospital and renovations at the University of Connecticut Health Center. Such borrowings are to be general obligations of the University payable from any revenues or assets of the University and may be secured by pledges of the University's revenues or assets other than mortgages.

The UConn 2000 projects are to be financed by $18 million general obligation bonds of the State and $2,732 million bonds of the University which are secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of special obligation bonds of the University or from gifts or other revenue or borrowing resources of the University. Under the 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 State Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University are treated as part of the State's general obligation debt. The amount of the University's bonds which are secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. The cap does not apply to bonds issued to finance any special capital reserve fund or other debt service reserve fund, costs of issuance or capitalized interest. The amount of bonds issued by the University and secured by the State's debt service commitment, except for the

accreted value of any capital appreciation bonds, and the amount of bonds which are authorized to be issued in a fiscal year under the cap are counted against the State's debt limit.

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

The form of master resolution for bonds secured by the State's debt service commitment must be approved by the State Bond Commission, as must any substantive amendment thereto. Each resolution approved by the University to borrow money, including bonds secured by the State's debt service commitment, may be rejected by the Governor within thirty days of submission. All borrowing by the University is to be undertaken by the State Treasurer.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. However, the State has entered into other leasing arrangements for the development of government facilities which are not treated as general obligation debt, most often in circumstances where the lease is a standard lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. In 1992 the General Assembly authorized the Connecticut Development Authority to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by the Authority for debt service on the bonds. Under the General Statutes, debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the State Bond Commission and no commitments for new projects under this program may be approved by the Authority on or after July 1, 2012.

Supportive Housing Financing. In 2005 the General Assembly directed the Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies to develop a collaborative plan to create affordable housing and support services for specified eligible persons and families up to a specified number of units. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the State Bond Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance shall not exceed $105 million in the aggregate. As of February 1, 2012, $76.72 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Emergency Mortgage Assistance Program. In 2008 the General Assembly authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and the Office of Policy and Management to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees,

letter of credit fees, trustee fees and similar bond-related expenses. As of February 1, 2012, $49.17 million of such bonds were outstanding and the entire $50 million authorized was issued. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Economic Recovery Notes. In 2009 the General Assembly authorized the Treasurer to issue notes to fund the State's budget deficit for the fiscal year ending June 30, 2009, to pay costs of issuance of such notes and certain interest payable or accrued on such notes and to exempt these notes from the overall limit on state debt. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes. As of February 1, 2012, $747.94 million of such Economic Recovery Notes remain outstanding. Pursuant to legislation enacted in 2009, $222.4 million of the fiscal year 2011 operating surplus has been reserved for payment of such Economic Recovery Notes.

Certain Short-Term Borrowings. The General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances from time to time to cover periodic cash flow requirements. In 2009 the Treasurer arranged with a group of banks a 364-day revolving credit facility in the amount of $580 million. The State did not seek to extend the 364-day revolving credit facility which expired on June 17, 2010. No temporary notes are outstanding and none have been issued since 1991.

Forms of Debt. In addition to the bonds, notes and lease financings described above, the State Treasurer has the authority to issue refunding bonds, bond anticipation notes, and capital appreciation bonds. The State general obligation bond procedure act provides that the Treasurer may issue temporary notes and any renewals thereof in anticipation of the proceeds from the sale of bonds whenever the State Bond Commission has adopted a resolution authorizing bonds. The Treasurer is also authorized by the State general obligation bond procedure act to issue refunding bonds whenever the Treasurer finds that the sale is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding. Certain of the State's general obligation bonds have been issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest which has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's debt. Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

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

The State has entered into swap agreements in connection with various bond issues. The swap agreements typically provide for early termination in certain events, and such "termination events" could result in the State being required to make unanticipated termination payments. Such payments, if any are due, may be substantial. In some cases the State has up to 270 days to make any such termination payments. The

amounts payable to each swap provider under the respective swap agreement, including any termination payments, will be general obligations of the State. The State is obligated to make debt service payments on its bonds regardless of the performance of the swap provider of its obligations under the swap agreement. Listed below is a summary of the various swap agreements the State has entered into in connection with its general obligation bonds. See also **Appendix C, Note 19 – Derivative Financial Instruments**.

Swap Agreements

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2001 Series B	$ 20,000,000	June 15, 2012	4.33%
2005 Series A	$140,000,000	March 1, 2023*	3.392
2005 Series A	$140,000,000	March 1, 2023*	3.401
2005 Series B	$ 15,620,000	June 1, 2016	3.99
2005 Series B	$ 20,000,000	June 1, 2017	5.07
2005 Series B	$ 20,000,000	June 1, 2020	5.20

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

Debt Statement

The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) as of February 1, 2012 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, 2012
(In Thousands)

General Obligation Bonds	$ 11,202,268
Pension Obligation Bonds	2,321,994
UConn 2000 Bonds	952,965
Other [b]	221,915
Long Term General Obligation Debt Total	14,699,142
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	14,699,142
Deduct:	
University Auxiliary Services[c]	12,847
Net Direct General Obligation Debt	$14,686,295

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

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

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

SOURCE: State Treasurer's Office

Debt Ratios

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

TABLE 9

Debt Ratios - Long Term General Obligation Debt
As of June 30

	2007	2008	2009	2010	2011
Gross Direct Debt[(a)]	$10,615,810	$13,076,942	$13,945,108	$15,004,732	$14,574,791
Net Direct Debt[(a)]	$10,580,359	$13,042,524	$13,921,725	$14,987,088	$14,561,944
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	5.39%	6.47%	7.30%	7.66%	7.44%
Net Direct Debt	5.37%	6.46%	7.29%	7.65%	7.43%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]					
Gross Direct Debt	1.79%	2.29%	2.37%	2.74%	2.71%
Net Direct Debt	1.79%	2.28%	2.36%	2.74%	2.71%
Per Capita Debt[(d)]					
Gross Direct Debt	$3,010	$3,688	$3,915	$4,197	$4,070
Net Direct Debt	$3,000	$3,678	$3,908	$4,192	$4,066

(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in **Table 11**. 2008 figures include $2,278,382,011 Pension Obligation Bonds. 2009 figures include $2,289,598,815 Pension Obligation Bonds. 2010 figures include $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economy Recovery Notes. 2011 Figures include $2,317,525,471 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.

(b) See **Appendix III-B, Table B-2**. Personal Income: 2007 — $197 billion; 2008 — $202 billion, 2009 — $191 billion and 2010 — $196 billion. The 2011 ratio uses 2010 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2005 — $592.4 billion; 2006 — $571.7 billion; 2007 – $589.4 billion, 2008 — $547.4 billion and 2009 — $537.2 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2007 ratio uses 2005 data; 2008 ratio uses 2006 data ; 2009 ratio uses 2007 data, 2010 ratio uses 2008 data and 2011 ratio uses 2009 data.

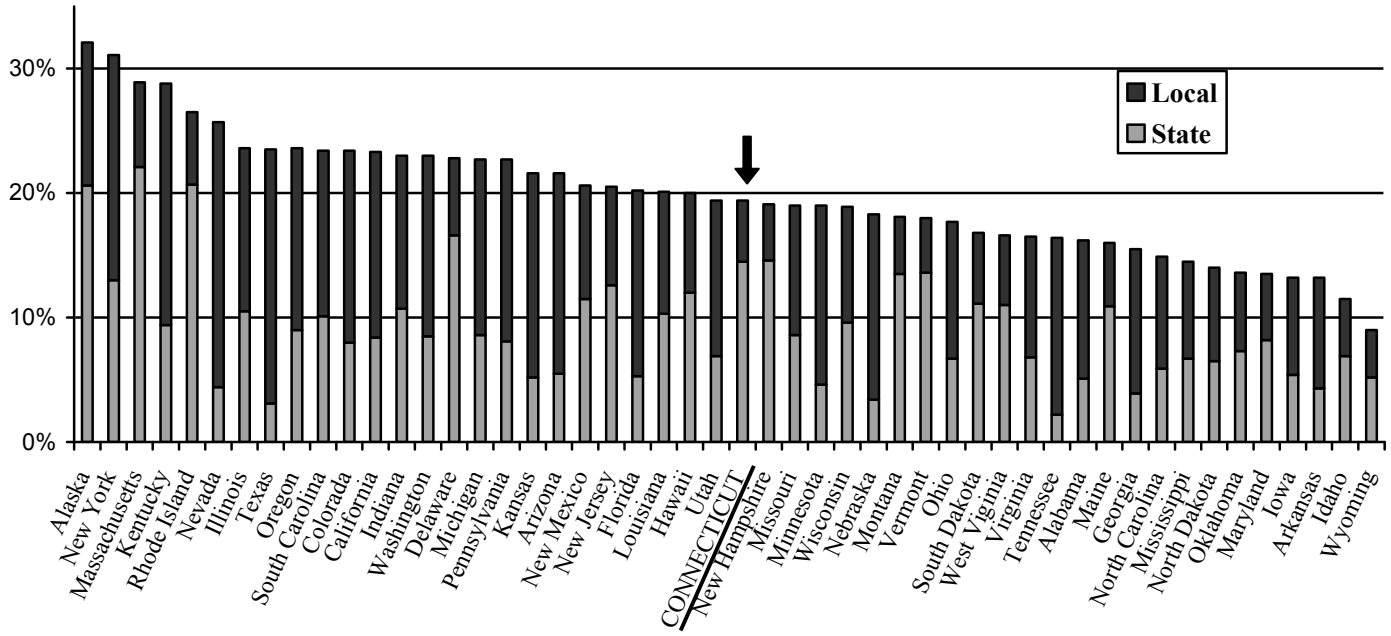
(d) See **Appendix III-B, Table B-1**. State population in thousands: 2007 — 3,527; 2008 — 3,546; 2009 — 3,562; 2010 — 3,575; and 2011 — 3,581.

Aggregate State and Local Debt

The following chart 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 25th 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 fifth 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 lack 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, 2011 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, 2009 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 2010.

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

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

Debt Service Schedule

The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 1, 2012. 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, 2012

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2012	$ 499,680,396	$ 313,396,098	$ 813,076,494
2013	1,166,169,369	690,319,491	1,856,488,860
2014	1,124,415,017	626,252,769	1,750,667,787
2015	1,105,331,365	564,981,620	1,670,312,985
2016	1,081,190,061	515,740,581	1,596,930,642
2017	832,424,988	467,673,974	1,300,098,962
2018	824,737,299	431,245,491	1,255,982,790
2019	774,146,471	390,777,763	1,164,924,234
2020	653,365,614	356,812,473	1,010,178,087
2021	676,976,206	322,771,163	999,747,369
2022	660,909,111	340,913,647	1,001,822,758
2023	683,351,122	319,564,657	1,002,915,779
2024-2032	4,522,006,503	1,301,653,443	5,823,659,946
Totals	$ 14,604,703,522	$ 6,642,103,171	$ 21,246,806,693

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($14,604,703,762), plus accreted interest ($94,438,834), total the amount of such long-term debt ($14,699,142,596) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

(b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds, including capital appreciation bonds issued pursuant to the College Savings Bond Program. Capital appreciation bonds mature in fiscal years 2012-2025.

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

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 30,000,000	2012-2014	4.25%
2001	100,000,000	100,000,000	2018-2021	3.50
2001*	20,000,000	20,000,000	2012	4.33
2003	77,700,000	17,900,000	2012-2013	5.50
2005*	300,000,000	280,000,000	2016-2023	4.50
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2008	50,000,000	12,500,000	2012	3.50
2011	337,620,000	337,620,000	2012-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50

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

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

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

TABLE 11

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

Fiscal Year	Gross Debt	Net Debt	Fiscal Year	Gross Debt	Net Debt
2002	$ 8,623,009	$ 8,496,151	2007	$10,615,810	$10,580,359
2003	9,513,380[a]	9,463,962[a]	2008	13,076,942[e]	13,042,524[e]
2004	9,940,945[b]	9,895,717[b]	2009	13,945,108[f]	13,921,725[f]
2005	10,168,006[c]	10,121,035[c]	2010	15,004,732[g]	14,987,088[g]
2006	10,403,634[d]	10,361,226[d]	2011	14,574,791[h]	14,561,944[h]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 Pension Obligation Bonds.
(f) Includes $2,289,598,815 Pension Obligation Bonds.
(g) Includes $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(h) Includes $2,317,525,471 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt

Authorized But Unissued Direct General Obligation Debt. The General Assembly has empowered the State Bond Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 1, 2012, the amount of bonds authorized by bond acts in effect, the amount the State Bond Commission has authorized, the amount of bonds issued pursuant to State Bond Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2012.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 1, 2012
(In Thousands)

	State Direct Debt[a]	Pension Obligation Bonds[b]	UCONN 2000[c]	Tax Increment[d]	Total
Bond Acts in Effect	$26,721,855	$2,276,578	$1,694,792	$52,750	$30,745,975
Amount Authorized	24,598,897	2,276,578	1,694,792	52,750	28,623,017
Amount Issued	23,104,416	2,276,578	1,598,792	49,155	27,028,942
Authorized but Unissued	1,494,480	0	96,000	3,595	1,594,075
Available for Authorization	2,122,958	0	0	0	2,122,958

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, and excludes CCEDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery 2009 Series A) and lease financings.

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

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

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

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

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

TABLE 13

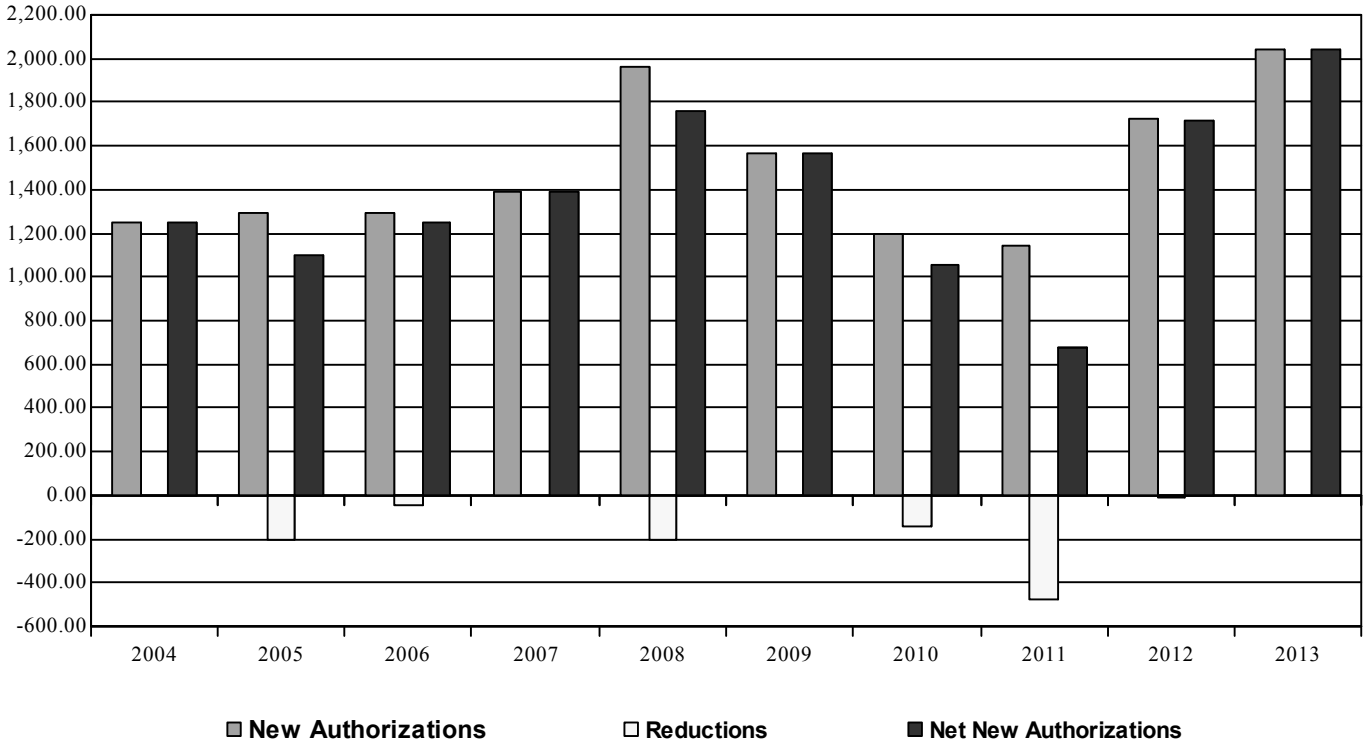
Statutory General Obligation Bond Authorizations and Reductions[a]
(In Millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Authorizations	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,564.5	$1,195.4	$1,147.2	$1,724.8	$2,038.3
Reductions	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	0.0
Net New Authorizations	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,564.5	$1,054.9	$ 672.6	$1,714.0	$2,038.3

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 2004 through 2013, 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 2013. **See Table 14**.

SOURCE: Office of Policy and Management

Statutory Bond Authorizations and Reductions
(In Millions)



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

TABLE 14[a]

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

Purpose	2007-2008	2008-2009	2009-2010[d]	2010-2011[d]	2011-2012[d]	2012-2013[d]
Office of Policy and Management[e]	$ 136,900	$ 106,500	$ 85,000	$ 117,500	$ 126,700	$ 144,620
Secretary of the State	0	0	0	0	3,000	2,000
State Comptroller	960	1,115	0	0	15,000	7,000
Attorney General	0	0	0	0	2,125	0
Revenue Services	2,950	0	0	0	0	0
Special Revenue[e]	220	0	0	0	0	0
Information Technology[e]	12,910	6,311	0	0	0	0
Veterans Affairs	1,250	1,000	0	0	2,000	0
Administrative Services[e]	0	0	0	0	35,000	34,000
Public Works[e]	53,200	30,600	2,500	2,500	0	0
Construction Services[e]	0	0	0	0	543,900	601,800
Public Safety[e]	18,385	11,965	0	0	0	0
Fire Prevention and Control[e]	0	0	0	0	0	0
Emergency Management and Homeland Security[e]	250	0	0	0	0	0
Emergency Services and Public Protection[e]	0	0	0	0	6,000	2,212
Motor Vehicles	14,000	0	3,000	0	0	0
Military	2,000	1,500	1,000	1,000	8,250	5,000
Agriculture	8,500	10,000	2,500	10,500	15,000	10,000
Agricultural Experiment Station	1,800	9,000	0	0	3,500	0
Public Utility Control[e]	50,000	0	0	0	0	0
Environmental Protection[e]	212,746	152,100	81,000	40,000	0	0
Energy and Environmental Protection[e]	0	0	0	0	161,600	133,000
Labor	0	0	0	1,300	10,000	10,000
Culture and Tourism[e]	18,498	4,600	0	0	0	0
Economic and Community Development[e]:						
Housing	11,000	9,000	0	0	55,000	25,000
Housing Trust Fund	20,000	30,000	20,000	0	25,000	25,000
Economic Development	59,100	63,000	0	0	236,000	355,000
Other	58,930	25,278	12,000	6,100	5,000	5,000
Connecticut Innovations, Incorporated	92,000	12,000	0	5,000	59,163	110,113
Public Health	46,779	0	7,000	0	2,000	2,000
Developmental Services	5,000	5,000	0	2,500	7,000	7,000

Purpose	2007-2008	2008-2009	2009-2010[d]	2010-2011[d]	2011-2012[d]	2012-2013[d]
Mental Health and Addiction Services	12,100	6,000	0	0	8,000	10,000
Social Services	12,496	1,000	5,000	0	10,000	10,000
Education[e]	746,550	658,900	694,300	646,200	34,250	28,000
State Library	10,428	8,500	0	0	0	0
Charter Oak State College[e]	0	0	2,500	0	0	0
Regional Community-Colleges[e]	53,681	70,719	3,366	56,129	0	0
State University System[e]	80,000	0	0	0	0	0
Board of Regents for Higher Education[e]	0	0	0	0	57,321	76,723
Correction	11,000	42,095	0	0	0	0
Children & Families	24,232	22,415	32,700	0	6,751	6,285
Judicial	51,325	23,500	0	0	11,000	11,000
CPTV	2,500	0	0	0	0	0
Legislative Management	6,810	1,450	0	9,000	0	0
UConn	0	0	0	0	18,000	154,500
UConn 2000[b]	115,000	140,000	140,500	146,500	157,200	143,000
Transportation	11,500	16,000	8,000	8,000	6,000	25,000
CSUS 2020[c][e]	0	95,000	95,000	95,000	95,000	95,000
Totals	$1,965,000	$1,564,548	$1,195,366	$1,147,229	$1,724,760	$2,038,253

(a) Does not include authorizations which take effect after fiscal year 2012-13. Does not include Pension Obligation Bonds, Economic Recovery Notes, tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities bonds, or lease financings.

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

(c) The Connecticut State University Infrastructure Act authorizes $95 million per year from FY 2008-09 through FY 2017-18.

(d) Includes authorizations enacted in prior years that become effective during the biennium.

(e) During the 2011 session of the General Assembly the following agency consolidations and realignment of programs were prescribed: The Department of Public Works was eliminated and its responsibilities were divided among the Department of Administrative Services and the newly created Department of Construction Services. The Division of Special Revenue was consolidated into the Department of Consumer Protection. The Department of Information Technology was consolidated into the Department of Administrative Services. The Department of Construction Services was created and assumed the design and construction duties of the former Department of Public Works, the Building Inspection and Fire Marshal duties of the former Department of Public Safety and the Bureau of School Facilities of the Department of Education. The Department of Emergency Services and Public Protection was created and assumed the duties of the former Department of Public Safety, the former Department of Emergency Management and Homeland Security, the former Commission on Fire Prevention and Control and the former Police Officer Standards and Training Council. The Commission on Culture and Tourism was consolidated into the Department of Economic and Community Development. The Department of Energy and Environmental Protection was created and assumed the duties of the Department of Environmental Protection, the former Department of Public Utility Control and the energy division of the Office of Policy and Management. The Board of Regents for Higher Education was created and Charter Oak State College, the Community College System and the State University System were consolidated under the administration of the Board of Regents. Additional consolidations have been proposed in the 2012 session of the General Assembly

SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

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

Transportation Fund and Debt

In 1984 the State adopted legislation establishing a transportation infrastructure program and authorizing special tax obligation ("STO") bonds to finance the program. The infrastructure program is a continuous program for planning, construction and improvement of State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate highway substitution program, waterway facilities, mass transportation and transit facilities, aeronautic facilities (excluding Bradley International Airport; however, see **Other Special Revenue Funds and Debt - *Bradley Airport***), the highway safety program, maintenance garages and administrative facilities of the Department of Transportation, payment of the State's share of the costs of the local bridge program established under the act, and payment of State contributions to the local bridge revolving fund established under the act. The infrastructure program is administered by the Department of Transportation.

The cost of the infrastructure program for State fiscal years 1985-2016, which will be met from federal, State, and local funds, is currently estimated at $29.1 billion. The State's share of such cost, estimated at $11.9 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 $0.7 billion and includes the expenses of the infrastructure program which either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses currently include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety improvements, and other minor transportation improvements.

The State's share of the cost of the Infrastructure Program for State fiscal years 1985-2016 to be financed by STO bonds currently is estimated at $11.2 billion. The actual amount may exceed $11.2 billion in order to finance reserves and cost of issuance amounts. The issuance of such STO bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. STO bonds also may be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During fiscal years 1985-2013, $25.9 billion of the total infrastructure program was approved by the appropriate governmental authorities. The remaining $3.2 billion is required for fiscal years 2014-2016. The $3.2 billion of such infrastructure costs is anticipated to be funded by the issuance of $966 million in STO bonds, $68 million in anticipated revenues, and $2.2 billion in anticipated federal funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund. The aggregate of certain motor fuel taxes, motor vehicle receipts, motor vehicle related licenses, permits and fees, and portions of the oil companies tax and sales tax on motor vehicles and other transportation related revenue sources, including enacted adjustments to all the foregoing sources, and any direct pay federal interest subsidy received by the State in connection with the issue 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. After

providing for debt service requirements, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued for transportation purposes and for the payment of annually budgeted expenses of the Department of Transportation and the Department of Motor Vehicles.

The table below shows, as of February 1, 2012, the amount of STO bonds authorized by bond acts in effect, the amount the State Bond Commission has authorized, the amount of bonds issued pursuant to State Bond Commission authorizations, the balance remaining authorized but unissued, 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 to complete the infrastructure program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO indentures controlling the issuance of such bonds are met. The State expects to continue to offer bonds for this program.

TABLE 15

Special Tax Obligation Bonds
As of February 1, 2012
(In Millions)

	New Money	Refundings[(a)]	Total
Bond Acts in Effect	$ 10,520	N/A	$ 10,520
Amount Authorized	10,020	N/A	10,020
Amount Issued	7,518	3,762	11,280
Authorized but Unissued	2,502	N/A	2,502
Available for Authorization	500	N/A	500
Amount Outstanding	2,789	498	3,287

(a) Refunding Bonds do not require legislative approval.

SOURCE: State Treasurer's Office

In addition to STO Bonds, the State has issued direct general obligation bonds for transportation purposes and the debt service on these bonds may be paid from resources of the Special Transportation Fund provided there is sufficient funding first to pay all STO debt service. For the year ended June 30, 2011 the Special Transportation Fund paid $1.0 million of State direct general obligation transportation debt service payments. The amount budgeted by the Special Transportation Fund for State direct general obligation transportation debt service payments for fiscal year 2011-12 is $1.2 million.

The Special Transportation Fund's revenues and expenses undergo periodic legislative adjustment. In 2011 legislation (i) increased the base diesel tax rate to 29 cents per gallon, for an annual revenue gain of $8.7 million, (ii) reduced the transfer to the Transportation Strategy Board by $0.3 million annually, (iii) increased the sales tax rate from 6.0% to 6.35%, which will impact revenue collection, (iv) increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $61.6 million to $226.9 million in fiscal year 2011-12, by $34.1 million to a total of $199.4 million in fiscal year 2012-13, and positively thereafter through fiscal year 2015-16, and (v) adjusted various transportation related fees which are projected to result in an additional $19.2 million in fiscal year 2011-12 and $19.1 million in fiscal year 2012-13. The 2011 legislation also reduced the transfer from the General fund by $42.5 million in fiscal year 2011-12 to a total of $81.55 million. Future transfers remain unchanged at $172.8 million. In the aggregate, these changes are projected to result in net revenue gains in the Fund of $48.3 million in fiscal year 2011-12 and $62.2 million in fiscal year 2012-13.

A Transportation Strategy Board ("TSB") was established in 2001 to propose a transportation strategy, an implementation cost estimate and funding approaches to the Governor and General Assembly. In order to implement the strategy-related projects submitted by the TSB, legislation was passed in 2005 that established fixed transfers from the Special Transportation Fund to the TSB project accounts in the amounts of $25.3 million in fiscal year 2005-06, $20.3 million in fiscal year 2006-07, $15.3 million in each of fiscal years 2007-08 through 2014-15 and $.3 million in fiscal year 2015-16 and thereafter. In September 2007 legislation authorized the transfer of $5.5 million on deposit in the Special Transportation Fund to the TSB's project account for various transportation related studies. Legislation passed in 2005 and 2006 authorized the issuance of more than $2.1 billion of special tax obligation bonds for the ten-year period from 2005 to 2014 for transportation system improvements, many of which are TSB recommended projects. The entire $2.1 billion authorization is included in **Table 15**. Legislation passed in 2006 also authorized the issuance of $1.3 billion in bonds in anticipation of future federal transportation funds and is not included in **Table 15**. Legislation passed in 2011 eliminated the TSB. The 2011 legislation retains the TSB projects enumerated by law and maintains the TSB project accounts within the Special Transportation Fund. Future legislation is required to identify projects and funding sources necessary to implement the transportation strategy originally recommended by the TSB.

Other Special Revenue Funds and Debt

Bradley Airport

Bradley International Airport, located in Windsor Locks, Connecticut, currently is owned by the State and operated by the Bureau of Aviation and Ports in the State's Department of Transportation. The General Assembly has authorized the issuance of revenue bonds for improvements at Bradley International Airport, payable from all or a portion of the revenues generated at the Airport. Legislation passed in 2001 removed a bond issuance cap for Bradley Airport but retained the requirement for State Bond Commission approval of any new bond issue. As of February 1, 2012, there were $155.8 million of Bradley International Airport Revenue Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain outstanding bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport.

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, 2012 $39.385 million of such bonds are outstanding.

Legislation passed in 2011 created the Connecticut Airport Authority ("CAA"), a new quasi-public authority of the State that is governed by an eleven member board responsible for the management and operation of Bradley International Airport and the State's five owned and operated general aviation airports. The new board replaces the Bradley Board of Directors and the legislation provides for the transition of the management and operations of Bradley Airport and the State's other general aviation airports from the State's Department of Transportation to CAA. See ***Quasi Public Agencies- Connecticut Airport Authority("CAA").***

Clean Water Fund

The General Assembly has authorized the issue of revenue bonds for up to $2,186.82 million, of which $1,591.655 million have been issued for the purpose of funding various State and federally mandated water pollution control and drinking water projects. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the Clean Water Fund. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loans are evidenced by interim funding obligations and project loan obligations of the

municipalities and public water systems, pursuant to which either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system are pledged. As of February 1, 2012 $842.17 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation

The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State has reserved the authority to issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. In addition, the State may borrow from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund. As of February 1, 2012, the State had borrowed $709.9 million from the Federal Unemployment Trust Fund and anticipates borrowing approximately an additional $100 million during calendar year 2012.

Second Injury Fund

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

Contingent Liability Debt

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

Special Capital Reserve Funds

The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund. A special capital reserve fund, if established, provides additional security for bonds issued by the entity authorized to establish such a reserve fund. Subject to exceptions in the legislation authorizing the establishment of a particular special capital reserve fund, monies held in and credited to a special capital reserve fund are intended to be used solely for the payment of the principal of bonds secured by such special capital reserve fund, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The special capital reserve fund is frequently funded with bond proceeds to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a special capital reserve fund to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the special capital reserve fund. If the special capital reserve fund should fall below the required minimum capital reserve amount, an official of the authority or municipality which established the special capital reserve fund shall certify to the Secretary of the

Office of Policy and Management or the State Treasurer or both the amount necessary to restore such special capital reserve fund to the required minimum capital reserve amount. On or before December 1, annually, there will be deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the special capital reserve fund. On an annual basis, the State's liability under any special capital reserve fund mechanism is limited to its obligation to restore that fund to its minimum capital reserve amount.

Quasi-Public Agencies

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

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

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

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

At the start of the 2012 legislative session, the Governor introduced legislation to create a new Capital Region Development Authority, which will be a successor to the Capital City Economic Development Authority. The proposed legislation permits the newly created Capital Region Development Authority to be administered by the State Department of Economic and Community Development.

Connecticut Airport Authority ("CAA"). Legislation passed in 2011 created the Connecticut Airport Authority ("CAA"), a new quasi-public authority of the State, which is responsible for the management and operation of Bradley International Airport and the State's other state-owned and operated general aviation airports. The Board of Directors of CAA is comprised of eleven members including: the State Treasurer, the Commissioner of Transportation, and the Commissioner of Economic and Community Development, each serving ex officio; four members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives. Appointed directors shall have business and management experience, and shall have experience in one or more of the following areas: financial planning, budgeting and assessment, marketing, master planning, aviation and transportation

management. The new board replaces the Bradley Board of Directors and the legislation provides for the transition of the management and operations of Bradley Airport and the State's other general aviation airports from the State's Department of Transportation to CAA. The legislation authorizes the issuance of revenue bonds, including bonds backed by a Special Capital Reserve Fund.

Connecticut Development Authority ("CDA"). The CDA was established in 1973 as a successor Authority. In order to discharge its responsibilities and fulfill its purposes, the CDA is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2012, $20.45 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $4.0 million. Other CDA programs include the Umbrella Bond Program, the Self-Sustaining Bond Program, the Connecticut Growth Fund, the Connecticut Works Fund, the Connecticut Works Guarantee Fund, the Connecticut Capital Access, the Environmental Assistance Revolving Loan Fund, the Tax Incremental Financing Program, the High-Technology Infrastructure Fund and the General Obligation Bond Program. Currently, the only outstanding CDA bonds secured by special capital reserve funds were issued pursuant to the General Obligation Bond Program. Although there remains legislative authority for the issue of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and the CDA does not anticipate a resumption of any lending activity under that program.

Under the General Obligation Bond Program, the CDA issues bonds to finance eligible economic development and information technology projects. General revenues of the CDA, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program. Although such bonds may also be secured by a special capital reserve fund, to date only $30.56 million 1993 Series A (Hartford Whalers Project) bonds have been secured by such a fund. As of February 1, 2012, $3.05 million of such bonds remain outstanding.

The Board of Directors of the CDA is comprised of eleven members: the State Treasurer, the Commissioner of Economic and Community Development, the Secretary of the Office of Policy and Management, as ex officio members; four members appointed by the governor and experienced in the field of financial lending or the development of commerce, trade or business; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives.

At the start of the 2012 legislative session, the Governor introduced legislation to transfer to Connecticut Innovations, Incorporated all powers and duties of the CDA.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. Payments from institutions provide funds to service the debt on loans made pursuant to the issuance of bonds and other obligations by CHEFA. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more special capital reserve funds solely to finance projects for "participating nursing homes," or for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University system, or for clinical services projects for The University of Connecticut Health Center, and up to $100.0 million to finance equipment acquisitions by hospitals.

Under CHEFA's nursing home program, loans are secured by mortgages on the nursing homes and pledges of gross receipts. Minimum debt service coverage ratios of 1.0 to 1.25 times annual debt service are required and restrictions are placed on the issuance of additional debt. Participating nursing homes are required to fund a debt service reserve fund in an amount equal to one year's maximum annual debt service and a working capital fund reserve account in an amount equal to 60 days of operating expenses or three year's maximum annual debt service. If a participating nursing home is in default or is likely to become in default

under its loan agreement with CHEFA due to the failure to make any payment(s) required, CHEFA may request that the Commissioner of the Department of Social Services withhold any funds in the State's custody that are due and payable to the nursing home via a Medicaid intercept. Funds subject to withholding under this section include federal and state grants, contracts, allocations and appropriations.

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

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

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

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Department of Education is committed to pay a portion of the debt service on these loans, in amounts sufficient to cover a portion of the debt service on the bonds, subject to annual appropriation. See **Other Debt Service and Contractual Commitments - *Connecticut Health and Educational Facilities Authority*.** In August 2011, CHEFA issued $28,840,000 State Supported Child Care Revenue Bonds, Series 2011. The State Treasurer provided written confirmation to CHEFA that the State Treasurer will (i) pay 100% of the principal and interest payments required to be made on such bonds, provided that the agreement of the State Treasurer to make such payments each year is expressly conditioned upon the appropriation of such payments by the State legislature, such appropriation being in effect when such payments are due, (ii) make payment to the trustee for such bonds on or prior to the due dates for such payments and (iii) include such payments in the State Treasurer's proposed annual budget for each year that such bonds are outstanding.

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

At the start of the 2012 legislative session, the Governor introduced legislation to provide for the administrative consolidation of the Connecticut Higher Education Supplemental Loan Authority within CHEFA as a subsidiary of CHEFA**.** See ***Connecticut Higher Education Supplemental Loan Authority ("CHESLA")*** below**.**

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA provides financial assistance in the form of education loans to students in or from the State, their parents or others responsible for the cost of their education and provides an alternative method to enable institutions for higher education in the State to assist qualified students to attend such institutions. CHESLA is authorized to issue bonds the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayment of such loans service the debt on CHESLA bonds. CHESLA, in connection with the issuance of its bonds has made certain covenants with respect to such loans, including a covenant to

do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a special capital reserve fund.

The Board of Directors of CHESLA is comprised of eight members including the State Treasurer, the Secretary of OPM and the President of the Board of Regents for Higher Education, serving ex officio, and five members appointed by the Governor based on their qualifications in the areas of higher education and/or public finance. At the start of the 2012 legislative session, the Governor introduced legislation to provide for the administrative consolidation of CHESLA within the Connecticut Health and Educational Facilities Authority ("CHEFA"), as a subsidiary of CHEFA. See ***Connecticut Health and Educational Facilities Authority ("CHEFA")*** above.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established in 1969 to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multifamily housing by reducing the cost of mortgage financing therefor. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements including unrestricted statutory income limits in certain urban areas. The enabling act authorizes CHFA to make or purchase construction and permanent mortgage loans which are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $1.5 billion. In order to finance these activities CHFA has established a Housing Mortgage Finance Program and has issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues which it may receive in connection with the mortgages financed thereunder including its fees and charges therefor and any recoveries of principal therefrom from any source and any monies received from investments, as well as other mortgages specifically pledged. In addition, such General Bond Resolution provides for general covenants such as a covenant to do all things necessary with respect to the operation of such Housing Mortgage Finance Program in order to pay principal of and interest on its bonds and provides for certification as to self-sufficiency in order to issue any additional bonds. Bonds issued under CHFA's General Bond Resolution are further secured by a special capital reserve fund.

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

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

Connecticut Resources Recovery Authority ("CRRA"). CRRA was created in 1973 to assist municipalities in meeting their solid waste disposal and recycling needs. To further its purpose CRRA develops, finances and supervises solid waste management facilities and contracts. CRRA has developed four integrated solid waste systems that serve over 100 municipalities in the State. CRRA bonds may be secured by a special capital reserve fund. CRRA bonds are generally secured by service agreements with participating municipalities under which the municipalities agree to deliver a minimum amount of waste to a specified

facility each year or to pay the tipping fee for any amount that does not meet the minimum commitment. These service agreements are generally secured by the municipality's full faith and credit. CRRA bonds are additionally secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources.

The Board of Directors of CRRA is comprised of eleven members: three members appointed by the Governor; two members appointed by each of the president pro-tempore of the Senate, the speaker of the House of Representatives, the minority leader of the Senate, the minority leader of the House of Representatives. There is one vacancy. In addition, there are eight ad hoc members, two representing each of the four facilities. Such ad hoc members may only vote on matters pertaining to their respective facility. As of February 1, 2012, only four ad hoc seats were filled.

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

Assistance to Municipalities

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

The City of Waterbury. In 2001 the State adopted legislation to assist the City of Waterbury in financing its budget deficits. The legislation authorized the City to issue bonds for the purpose of funding the City's past budget deficits. The legislation also provided for the establishment of a special capital reserve fund to secure up to $100 million bonds issued by the City. The State is contingently obligated to restore the special capital reserve fund to its required minimum.

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

State Treasurer's Role

By statute, CDA, CHEFA, CHFA, CHESLA, CRRA, and CCEDA may not owe any money or issue any bonds or notes which are guaranteed by the State of Connecticut or for which there is a special capital reserve fund of any kind which is in any way contributed to or guaranteed by the State until or unless such borrowing or issuance is approved by the State Treasurer or the Deputy State Treasurer. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to

(1) pay the principal of and interest on the bonds and notes issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

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

Outstanding Special Capital Reserve Fund Debt

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

TABLE 16

Special Capital Reserve Fund Debt
(In Millions)

	Authorized SCRF or Guaranteed Debt As of 2/1/12	Outstanding SCRF or Guaranteed Debt As of 2/1/12	Minimum Capital Reserve Requirement As of 2/1/12
Indebtedness Secured by Special Capital Reserve Funds or Guaranteed by State			
Capital City Economic Development Authority	(a)	$ 0.0	$ 0.0
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Development Authority			
Umbrella Bond Program	$300.0	0.0	0.0
General Obligation Bond Program	30.6	3.05	1.5
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	17.0	2.6
Connecticut State University System	(a)	260.2	26.7
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	169.6	19.4
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,685.7	273.1
Special Needs Housing Mortgage Finance Program	(a)	65.3	4.6
Connecticut Resources Recovery Authority	725.0	26.9	10.9

	Authorized SCRF or Guaranteed Debt As of 2/1/12	Outstanding SCRF or Guaranteed Debt As of 2/1/12	Minimum Capital Reserve Requirement As of 2/1/12
University of Connecticut Student Fee Revenue Bonds	(a)	0.0	0.0
City of Waterbury Special Capital Reserve Fund Bonds	100.0	30.11	6.7
Southeastern Connecticut Water Authority	15.0	1.3	N.A.

(a) No statutory limit.

Other Debt Service and Contractual Commitments

Capital City Economic Development Authority. The State Bond Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. CCEDA has issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $100.2 million was outstanding as of February 1, 2012. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the Authority's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CCEDA 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 CCEDA and the State, after completion of the convention center project, CCEDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The convention center portion of the project opened in June 2005. Other elements of the project include an adjacent parking structure which opened later in 2005, a second adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including two additional parking structures. The entire project is not expected to be fully placed in service until 2017 at the earliest. Since June 2006, the delay in completion of the additional elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CCEDA's revenue bonds continues to be paid under the contract assistance agreement, CCEDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CCEDA.

Connecticut Health and Educational Facilities Authority. Legislation enacted in 1997 authorized CHEFA to issue bonds and loan the proceeds to various entities to finance child care facilities. Legislation enacted in 2011 transferred the responsibility for the child care facilities loan programs from the Department of Social Services to the State Department of Education. The State Department of Education may enter into commitments to apply monies for each such entity to pay the debt service on the loans in amounts sufficient to cover a portion of the debt service on CHEFA's Child Care Facilities Bonds. Legislation enacted in 1999 provides for the obligation of the State Department of Education to make debt service payments to be made by the State Treasurer. Any obligation by the State Department of Education or the State Treasurer to pay is

subject to annual appropriation. CHEFA first issued special obligation bonds under this program in 1998. As of February 1, 2012 CHEFA had approximately $63.3 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $5.1 million, of which the State Department of Education is committed to pay approximately $0.5 million. The remaining portion of debt service is to be paid from State Department of Education intercepts of revenues from providers. 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**. In August 2011, CHEFA issued $28,840,000 State Supported Child Care Revenue Bonds, Series 2011. The State Treasurer provided written confirmation to CHEFA that the State Treasurer will (i) pay 100% of the principal and interest payments required to be made on such bonds, provided that the agreement of the State Treasurer to make such payments each year is expressly conditioned upon the appropriation of such payments by the State legislature, such appropriation being in effect when such payments are due, (ii) make payment to the trustee for such bonds on or prior to the due dates for such payments and (iii) include such payments in the State Treasurer's proposed annual budget for each year that such bonds are outstanding.

Two other Child Care Facilities programs also authorize the Commissioner of the State Department of Education to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the Department, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. 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**.

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

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments which vary in amounts from year to year. The State has authorized new school construction grant commitments of approximately $285 million which take effect in the 2011-12 fiscal year. As of June 30, 2011, the Commissioner estimates that current grant obligations under this program are approximately $2,505 million which includes approximately $7,735 million in grants approved as of such date less payments already made of $5,230 million.

Prior to 1997 the grant program was conducted differently. For certain school projects grants for construction costs are paid to the cities, towns and districts in installments which correspond to the number and time of principal payments due on municipal bonds, or temporary notes renewed for a third or subsequent year, issued to finance project costs. If a project is fully paid from sources other than borrowing, such grants are paid in five annual installments. Grants in support of interest payments correspond to the number and time of such interest payments. As of June 30, 2011, under the grant program prior to 1997 the State is obligated to various cities, towns and regional school districts for approximately $258 million in aggregate principal installment payments and $39 million in aggregate interest subsidies, for a total of $297 million. Funding for these payments may come from future State direct general obligation bond sales. No new grant commitment can be authorized under this program.

The legislature has authorized bonds for both grant programs based on the amount of grants that the Commissioner of Construction 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 which provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2011 the current and long term liabilities of the Corporation total $207.633 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems discussed below. Actuarial valuations are performed with respect to such systems at regular intervals. The purpose of the actuarial valuation is to calculate an actuarial accrued liability for each of the pension plans which estimates on the basis of demographic and economic assumptions the present value of accrued benefits the pension plan will pay to its retired members and active members upon retirement. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability. The actuarial valuations express the percentage the pension is funded through a "funded ratio" which represents the quotient obtained by dividing the actuarial value of assets of the pension plan by the actuarial accrued liability of the pension plan. The actuarial valuation also will state an actuarially recommended contribution which is the recommended payment of the State to the applicable pension plan. The actuarially recommended contribution consists of two components: (1) normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortized portion of the unfunded actuarial accrued liability.

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately (i) 47,778 active members, consisting of 12,164 vested members and 35,614 non-vested members, (ii) 1,589 deferred vested members, and (iii) 42,555 retired members and beneficiaries as of June 30, 2011.

Since fiscal year ending June 30, 1979, payments into the State Employees' Retirement Fund and investment income in each fiscal year, with the exception of fiscal years ending June 30, 2004, June 30, 2009, June 30, 2010 and June 30, 2011, have been sufficient to meet benefits paid from the fund in such year. Payments into the fund are made from employee contributions, General and Special Transportation Fund appropriations and grant reimbursements from Federal and other funds. State contributions to the fund are made monthly on the basis of transfers submitted by the Office of the State Comptroller.

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

November 2010 Actuarial Valuation

The market value of the State Employees' Retirement Fund's investment assets, as reported in the actuarial valuation dated November 15, 2010, was $7,322.6 million as of June 30, 2009 and $7,791.3 million as of June 30, 2010. As of June 30, 2011, the market value of the fund's investment assets was $8,980.6

million. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions. The actuarial valuation also indicated that the State Employees' Retirement Fund had assets with an actuarial value of $8,787.2 million as of June 30, 2009 and $9,349.6 million as of June 30, 2010. The November 2010 actuarial valuation indicated that as of June 30, 2010, the State Employees' Retirement Fund had actuarial accrued liabilities of $21,054.2 million and an unfunded actuarial accrued liability of $11,704.6 million. Based on a market value of assets, the State Employees' Retirement Fund had a funded ratio of 37.0% as of June 30, 2010. The November 2010 actuarial valuation indicated that as of June 30, 2010 the State Employees' Retirement Fund had a funded ratio of 44.4% based on the actuarial value of the assets.

The November 2010 actuarial valuation was based upon an 8.25% earnings assumption, projected salary increases of 4% to 20%, cost-of-living adjustments of 2.7%-3.6%, a social security wage base of 3.5%, inflation at 4% and the impact of phasing in an approximately 4.9% negative return on plan assets for fiscal year ending June 30, 2010. In addition, the valuation recalculated the actuarial value of assets for the past four valuations so that the actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets. These recalculations are not reflected in **Table 17** below or in the notes to the June 30, 2011 Basic Financial Statements included as **Appendix III-C** hereto or in the required PERS Supplementary Information accompanying the Basic Financial Statements. Benefits for members retiring from service on or after the ***Longley v. State Employees Retirement Commission*** decision were assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of ***Longley*** has been reflected in the valuation to the extent impacted retiree benefits have been recalculated. The valuation used an amortization period of 21 years.

The November 2010 actuarial valuation uses the projected unit credit actuarial cost method to calculate the annual amortization payments needed to amortize the State Employees' Retirement Fund's unfunded actuarial accrued liability ("UAAL"). Pursuant to the statutory provisions applicable to the State Employees' Retirement Fund and agreements between the State and the State Employees Bargaining Agent Coalition ("SEBAC"), the Fund's UAAL is amortized as a level percent of payroll over a declining period of years, beginning with 40 years as of July 1, 1991. The State is currently in year 20 of an initial 40 year amortization period. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the State Employee's Retirement Fund is not projected to be reduced significantly until the latter years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service. Two collective bargaining agreements with SEBAC negotiated in 1996 and 1997 ("SEBAC IV" and "SEBAC V", respectively) designed to take advantage of sizable market gains in plan assets at the time, have the effect of extending the period that the UAAL is expected to increase.

The November 2010 actuarial valuation determined the following employer contribution requirements, which contributions are sufficient to meet Governmental Accounting Standards Board ("GASB") standards: (i) $1,023.5 million for fiscal year ending June 30, 2012; (ii) $1,045.0 million for fiscal year ending June 30, 2013, and (iii) $1,125.6 for fiscal year ending June 30, 2014. The State appropriated $722.1 million for fiscal year ending June 30, 2012 and $715.5 million for fiscal year ending June 30, 2013, which together with anticipated grant reimbursements from federal and other funds will be sufficient to fully fund the employer contribution requirements for fiscal years ending June 30, 2012 and June 30, 2013 pursuant to the requirement determinations contained in the November 2010 actuarial valuation. The amount determined for fiscal year ending June 30, 2014 has not yet been included in any adopted budget by the State as the budget for the year is not yet due.

February 2012 Interim Actuarial Valuation

The State Employees Retirement Commission has received an interim actuarial valuation dated February 8, 2012. The purpose of the interim actuarial valuation was to update certain of the contribution calculations from those determined in the November 2010 valuation, and therefore determined the contribution amounts for certain of the same fiscal years as included in the November 2010 valuation. The February 2012 actuarial valuation incorporates no changes to the actuarial assumptions or actuarial methods as presented in the November 2010 valuation. The February 2012 actuarial valuation, however, incorporates changes to the retirement plan provisions as contained in the collective bargaining agreement with SEBAC negotiated in 2011 ("SEBAC 2011"), a recommendation of an additional assumption concerning the cost-of-living increase provided for post-October 1, 2011 retirees, the incorporation of additional data pertaining to retirements that occurred after June 30, 2011 through October 1, 2011, and the proposed elimination of the SEBAC IV and SEBAC V provisions related to the deferral of pension funding as described in the discussion below of the changes to the funding plan for the State Employees' Retirement Fund recommendations in the Governor's proposed midterm budget adjustments for fiscal year ending June 30, 2013, dated February 8, 2012.

The market value of the State Employees' Retirement Fund's investment assets, as reported in the February 2012 actuarial valuation, was $8,984.9 million as of June 30, 2011, including cash in custody and certain receivables. The actuarial valuation also indicated that the State Employees' Retirement Fund had assets with an actuarial value of $10,122.8 million as of June 30, 2011. The February 2012 actuarial valuation indicated that as of June 30, 2011, the State Employees' Retirement Fund had actuarial accrued liabilities of $21,126.7 million and an unfunded actuarial accrued liability of $11,004.0 million. Based on the stated market value of assets, the State Employees' Retirement Fund had a funded ratio of 42.5% as of June 30, 2011. The February 2012 actuarial valuation indicated that as of June 30, 2011 the State Employees' Retirement Fund had a funded ratio of 47.9% based on the actuarial value of the assets. The February 2012 actuarial valuation determined the following employer contribution requirements, which contributions are sufficient to meet GASB standards: (i) $926.4 million for fiscal year ending June 30, 2012, a decrease of $97.1 million from the November 2010 valuation calculation; and (ii) $1,059.7 million for fiscal year ending June 30, 2013, an increase of $14.7 million from the November 2010 valuation calculation. The incorporation into the February 2012 actuarial valuation of the proposed elimination of the SEBAC IV and SEBAC V provisions related to the deferral of pension funding increases the projected employer contribution requirement for fiscal year ending June 30, 2013 by $123.4 million. The Governor's proposed midterm budget adjustments for fiscal year ending June 30, 2013 would increase the State's General Fund appropriation for the employer contribution requirements by $6.0 million to $721.5 million. Anticipated grant reimbursements from federal and other funds would also be applied to the funding of the employer contribution requirement for fiscal year ending June 30, 2013.

The agreement to eliminate the SEBAC IV and SEBAC V provisions related to the deferral of pension funding was approved by SEBAC on February 3, 2012. The agreement was reflected in the February 2012 actuarial valuation, which was certified by the State Employees Retirement Commission on February 16, 2012 The agreement was submitted by the State Office of Labor Relations to the clerks of the houses of the General Assembly on February 6, 2012, and was deemed filed on February 8, 2012, the first day of the 2012 regular session of the General Assembly. Section 5-278(b) of the Connecticut General Statutes provides that the General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject such agreement as a whole by a majority vote of either house. The agreement shall be deemed approved if the General Assembly fails to vote to approve or reject such agreement within thirty days after filing. The agreement will be deemed approved if the General Assembly does not act on the agreement by March 9, 2012.

Investment Returns

For periods ending June 30, 2011, the Treasurer has realized annualized net returns on investment assets in the State Employees' Retirement Fund of 7.90% over the past twenty years, of 7.13% over the past fifteen years, of 5.28% over the past ten years and of 4.55% over the past five years. These annualized net

returns reflect the impact of the negative return on investment assets resulting from the downturn in the financial markets during the Fall of 2008 through Spring of 2009. The November 2010 actuarial valuation and the February 2012 interim actuarial valuation were based upon an 8.25% earnings assumption.

Set forth below are State contributions to the State Employees' Retirement Fund, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2006, June 30, 2008, and June 30, 2010, and the interim actuarial valuation as of June 30, 2011.

TABLE 17

State Employees' Retirement Fund

	Year Ending June 30				
	2007	**2008**	**2009**	**2010**	**2011**
General Fund Contributions	$ 477,219,351	$ 481,878,589	$ 454,805,009	$ 478,096,904	$ 563,329,057
Transportation Fund Contributions	63,819,000	67,058,000	71,426,000	70,413,000	82,437,000
Federal and other Reimbursements	122,892,384	162,618,685	173,538,851	172,016,675	180,034,856
Employee Contributions	61,794,719	67,389,585	70,808,970	65,662,494	67,610,417
Total Contributions	$ 725,725,454	$ 778,944,859	$ 770,578,830	$ 786,189,073	$ 893,411,330
Investment Income[a]	$ 352,538,549	$ 371,620,098	$ 252,399,209	$ 207,642,999	$ 291,056,178
Net Realized Gains (Losses)[b]	$ 300,610,772	$ 323,533,563	$ 12,284,308	$ 346,416,872	$ 156,110,714
Net Unrealized Gains (Losses)	856,560,402	(1,171,995,109)	(1,973,178,423)	401,053,718	1,176,408,235
Total Net Gains (Losses)	$ 1,157,171,174	$ (848,461,546)	$(1,960,894,115)	$ 747,470,590	$1,335,518,949
Benefits Paid[c]	$ 951,353,124	$ 1,008,131,838	$ 1,063,286,151	$ 1,263,784,641	$ 1,315,660,456
Actuarial Recommended Contribution	$ 663,926,351	$ 716,944,264	$ 753,698,039	$ 897,428,000	$ 944,076,932
Percentage of Actuarial Recommended Contribution Made	100.0%	99.2%	92.8%	80.3%	87.5%
Actuarial Accrued Liabilities	$17,888,065,116	$19,243,372,754	N/A[d]	$21,054,196,685	$21,126,725,492
Actuarial Values of Assets	9,584,970,345	9,990,247,212	8,787,160,426	9,349,604,896	$10,122,765,430
Unfunded Accrued Liabilities	$ 8,303,094,771	$ 9,253,125,542	N/A[d]	$11,704,591,789	$11,003,960,062
Market Value of Assets (as reported in Actuarial valuation)	$10,041,047,120	$ 9,329,175,038	$ 7,322,633,688	$ 7,791,337,413[e]	$ 8,984,875,027[f]
Funded Ratio (actuarial value)	53.6%	51.9%	N/A[d]	44.4%	47.9%
Funded Ratio (market value)	56.1%	48.5%	N/A[d]	37.0%	42.5%

	Year Ending June 30				
	2007	2008	2009	2010	2011
Ratio of Actuarial Value of Assets to Market Value of Assets	95.5%	107.1%	N/A[d]	120.0%	112.7%

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

(b) Net realized gain (loss) on shares redeemed.

(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.

(d) Information not available in actuarial valuation.

(e) This amount includes $2,087,879 of receivables as of the valuation date.

(f) This amount includes $2,509,578 of receivables as of the valuation date.

Governor's Proposed FYE 2013 Midterm Budget Adjustments

The Governor's proposed midterm budget adjustments for fiscal year ending June 30, 2013, dated February 8, 2012, recommends changes to the funding plan for the State Employees' Retirement Fund intended to avoid a spike in the State's obligation in the fiscal year ending June 30, 2032. Under the current contribution plan, the State would have to make a one-time payment of $4,500.0 million in fiscal year ending June 30, 2032 in order to reach full funding. The Governor's proposal estimates that the funding plan changes would result in anticipated aggregate savings of $5,800.0 million through fiscal year ending June 30, 2032. The proposed funding plan changes include: (1) elimination of the SEBAC IV and SEBAC V provisions related to the deferral of pension funding, which is anticipated to increase the annual required employer contribution by approximately $123.4 million in fiscal year ending June 30, 2013, with declining additional contributions in subsequent years through fiscal year ending June 30, 2023; (2) commencing in fiscal year ending June 30, 2014, appropriation annually of approximately $177.4 million above the annual required employer contribution in order to achieve 80% funding as of June 30, 2025, and reaching 100% as of June 30, 2031; and (3) amendment of the expenditure cap to exclude pension contributions in excess of the annual required employer contribution. Under the Governor's proposal the annual required employer contribution in any fiscal year is not anticipated to exceed $2,042.4 million. The Governor's proposed budget for fiscal year ending June 30, 2013 includes a General Fund appropriation of $721.5 million to implement the first year of the proposed funding plan.

In connection with the preparation of the proposed midterm budget adjustments for fiscal year ending June 30, 2013, the Governor's Office and the Office of Policy and Management requested the consulting actuary for State Employees' Retirement Fund to prepare various models of future annual employer contribution requirements for the State Employees' Retirement Fund through fiscal year ending June 30, 2043. These models included a base-line model, modeling of the employer contribution requirements incorporating the elimination of the SEBAC IV and SEBAC V provisions related to the deferral of pension funding, and of the employer contribution requirements incorporating the implementation of the funding plan recommended in the Governor's proposed midterm budget adjustments described above. The modeling was a policy tool for evaluating possible approaches to improving the funding ratio of State Employees' Retirement Fund, and was prepared for that limited purpose. The modeling does not represent a forecast, estimate or projection, but represents only modeling based on the assumptions used for the actuarial valuation and actuarial methods, of future annual employer contribution requirement figures. The modeling does not reflect future factors or conditions that would cause the actual future experience of State Employees' Retirement Fund to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 18

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

The annual employer contribution requirement for each fiscal year has 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.

		Prior Base-Line Model		Current Model (With Elimination Of The SEBAC IV And SEBAC V Deferral Provisions)[b]		Model With Implementation of Governor's Mid-Term Budget Adjustment Proposal	
Fiscal Year Ending June 30	Valuation Date June 30	Annual Employer Contribution Requirement for Fiscal Year	Funded Ratio as of Valuation Date	Annual Employer Contribution Requirement for Fiscal Year	Funded Ratio as of Valuation Date	Annual Employer Contribution Requirement for Fiscal Year	Funded Ratio as of Valuation Date
2013	2011	$936.3	47.6%	$1,059.7	47.6%	$1,059.7	47.6%
2014	2012	1,027.1	45.5	1,155.4	45.5	1,332.8	45.5
2015	2013	1,117.7	44.0	1,241.0	44.6	1,418.3	44.6
2016	2014	1,164.9	45.0	1,281.1	46.2	1,458.5	47.0
2017	2015	1,212.7	46.2	1,320.4	48.0	1,497.8	49.7
2018	2016	1,278.3	46.8	1,376.0	49.2	1,553.3	51.7
2019	2017	1,348.8	47.5	1,434.5	50.5	1,611.9	53.9
2020	2018	1,423.8	48.4	1,495.3	52.0	1,672.7	56.3
2021	2019	1,504.5	49.4	1,559.2	53.5	1,736.6	58.8
2022	2020	1,592.1	50.6	1,626.9	55.3	1,804.3	61.6
2023	2021	1,689.5	52.1	1,700.4	57.2	1,877.8	64.6
2024	2022	1,797.0	53.8	1,779.4	59.4	1,956.8	67.9
2025	2023	1,917.3	55.8	1,865.1	61.8	2,042.4	71.5
2026	2024	2,051.2	58.2	1,956.6	64.5	1,435.8	75.5
2027	2025	2,204.3	61.1	2,056.5	67.6	1,376.0	80.0
2028	2026	2,383.2	64.5	2,167.1	71.1	1,422.1	82.5
2029	2027	2,601.5	68.5	2,293.5	75.2	1,500.4	84.9
2030	2028	2,887.4	73.4	2,445.8	79.8	1,603.3	87.6
2031	2029	3,318.2	79.3	2,625.7	85.1	1,749.7	90.7
2032	2030	4,498.8	86.6	3,034.3	91.2	2,030.9	94.4
2033[a]	2031	282.1	100.0	282.1	100.0	282.1	100.0
2034	2032	289.0	100.0	289.0	100.0	289.0	100.0
2035	2033	298.1	100.0	298.1	100.0	298.1	100.0
2036	2034	309.2	100.0	309.2	100.0	309.2	100.0
2037	2035	322.2	100.0	322.2	100.0	322.2	100.0
2038	2036	337.2	100.0	337.2	100.0	337.2	100.0
2039	2037	353.5	100.0	353.5	100.0	353.5	100.0
2040	2038	371.4	100.0	371.4	100.0	371.4	100.0
2041	2039	390.0	100.0	390.0	100.0	390.0	100.0
2042	2040	409.9	100.0	409.9	100.0	409.9	100.0
2043	2041	430.7	100.0	430.7	100.0	430.7	100.0

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

(b) The agreement to eliminate the SEBAC IV and SEBAC V provisions related to the deferral of pension funding has been approved by SEBAC, and has been submitted to the General Assembly for approval, as described above.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the State Employees' Retirement Fund, which requires employee contributions. As of July 1, 2011 approximately 7% 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, 2011, approximately 37% 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, 2011, approximately 56% of the total work force was covered under the Tier IIA Plan. SEBAC 2011 provides for two new retirement plans for state employees first hired on and after July 1, 2011, Tier III and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. 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 their prior state service in that plan at the full actuarial cost.

The average annual benefit payable to a retired Tier I, Tier II or Tier IIA member in fiscal year ending June 30, 2011 was approximately $36,516, $23,004 and $11,508, respectively. The State Employees' Retirement Fund also provides disability and pre-retirement death benefits.

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

TABLE 19

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

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Tier I - Hazardous	4% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20
Tier I - Plan A Or C	5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service, with a minimum benefit with 25 years of service of $833.34 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Tier I - Plan B	2% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to age 65; for retirements after age 65, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service
Tier II – Hazardous	4% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier II	None	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier IIA – Hazardous	5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
All Other Tier IIA	2% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier III - Hazardous	5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All Other Tier III	2% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years [b]

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

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

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

TABLE 20

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%	7.0%	N/A

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

From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans which may impact retirement plan eligibility and benefits.

Teachers' Retirement Fund

The Teachers' Retirement Fund, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. The Governor's proposed midterm budget adjustments for fiscal year ending June 30, 2013, dated February 8, 2012, recommend the consolidation of the Teachers' Retirement Board into the Office of the State Comptroller. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2011, there were (i) 66,638 active and former employees, consisting of 53,969 active members, 1,108 inactive vested members and 11,561

inactive non-vested members, (ii) 31,796 retired members and beneficiaries, and (iii) 268 members on disability allowance.

Since fiscal year ending June 30, 2004, payments into the Teachers' Retirement Fund and investment income in each fiscal year, with the exception of fiscal year ending June 30, 2008, have been less than the benefits paid from the fund in such year. Contributions to the fund are made by employees and by General Fund appropriations from the State. State contributions to the fund are made quarterly on the basis of certifications submitted by the Teachers' Retirement Board and are funded with annual appropriations from the General Fund. State contributions to the Fund for fiscal year ending June 30, 2008 included $2.0 billion of the proceeds of the State's $2,276,578,270.75 Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed below.

November 2010 Actuarial Valuation

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

The market value of the Teachers' Retirement Fund's investment assets, as reported in the actuarial valuation dated November 3, 2010, was $11,397.1 million as of June 30, 2009 and $12,273.6 million as of June 30, 2010. As of June 30, 2011, the market value of the fund's investment assets was $14,143.9 million. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions. The actuarial valuation also indicated that the Teachers' Retirement Fund had assets with an actuarial value of $14,875.4 million as of June 30, 2009 and $14,430.2 million as of June 30, 2010. The November 2010 actuarial valuation indicated that as of June 30, 2010, the Teachers' Retirement Fund had actuarial accrued liabilities of $23,495.9 million and an unfunded actuarial accrued liability of $9,065.7 million. Based on a market value of assets, the Teachers' Retirement Fund had a funded ratio of 52.2% as of June 30, 2010 and 60.2% as of June 30, 2011. The November 2010 actuarial valuation indicated that as of June 30, 2010 the Teachers' Retirement Fund had a funded ratio of 61.4% based on the actuarial value of the assets.

The November 2010 actuarial valuation was based upon an 8.50% earnings assumption, and projected salary increases of 4% and cost-of-living adjustments of 3.0% annually for members retired before September 1992 and 2.0% for members retired on and after September 1, 1992. The November 2010 actuarial valuation uses an amortization method that calculates the amortization payment for the Teachers' Retirement Fund's unfunded actuarial accrued liability, that is included in the actuarially recommended employer contribution requirement rate of contribution based on a level percentage of payroll payments over a declining period of years, starting with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992. The net effective amortization period for the computed State contribution amounts for fiscal years ending June 30, 2010 and June 30, 2011 is 25.3 years. While this method of funding does lead to full funding by the end of the

amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the Teachers' Retirement Fund is not anticipated to be reduced significantly until the latter years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

The November 2010 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet GASB standards: (i) $757.2 million for fiscal year ending June 30, 2012, and (ii) $787.5 million for fiscal year ending June 30, 2013. To meet the annual contribution requirements, the State appropriated $757.2 million for fiscal year ending June 30, 2012 and $787.5 million for fiscal year ending June 30, 2013, which amounts will be sufficient to fully fund the employer contribution requirements for those fiscal years.

Investment Returns

For periods ending June 30, 2011, the Treasurer has realized annualized net returns on investment assets in the Teachers' Retirement Fund of 8.03% over the past twenty years, of 7.29% over the past fifteen years, of 5.46% over the past ten years and of 4.79% over the past five years. These annualized net returns incorporate the negative return on investment assets resulting from the general market downturn during the Fall of 2008 through the Spring of 2009. The November 2010 actuarial valuation was based upon an 8.50% earnings assumption.

Set forth below are State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2008 and June 30, 2010.

TABLE 21

Teachers' Retirement Fund [a]

	Year Ending June 30				
	2007	2008	2009	2010	2011
General Fund Contributions	$ 412,101,958	$ 2,518,560,263[b]	$ 539,302,674	$ 559,224,244	$ 581,593,216
Employee Contributions[c]	239,077,395	233,971,635	243,124,657	254,062,668	256,146,274
Total Contributions	$ 651,179,353	$ 2,752,531,898	$ 782,427,331	$ 813,286,912	$ 837,739,490
Investment Income[d]	$ 482,745,492	$ 519,183,177	$ 393,748,965	$ 321,398,381	$ 456,449,949
Net Realized Gains (Losses)[e]	$ 650,696,447	$ 188,080,715	$ 24,937,167	$ 502,466,817	$ 202,550,683
Net Unrealized Gains (Losses)	967,671,640	(1,414,057,911)	(2,958,832,005)	648,184,236	1,857,979,982
Total Net Gains (Losses)	$ 1,618,368,087	$ (1,225,977,196)	$(2,933,894,838)	$ 1,150,651,053	$ 2,060,530,665
Benefits Paid[f]	$ 1,159,443,441	$ 1,266,950,462	$ 1,381,129,716	$ 1,415,903,458	$ 1,499,898,601
Actuarial Recommended Contribution	$ 412,098,510	$ 518,560,263	$ 539,302,674	$ 559,224,000	$ 581,593,000
Percentage of Actuarial Recommended Contribution Made	100.0%	485.7%[b]	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	N/A	$21,801,020,991	N/A	$23,495,916,000	N/A
Actuarial Values of Assets[g]	N/A	15,271,012,785	N/A	14,430,187,000	N/A
Unfunded Accrued Liabilities	N/A	$ 6,530,008,206	N/A	$ 9,065,729,000	N/A
Market Value of Assets (as reported in Actuarial Valuation)	$13,744,769,795	$14,551,467,434	$11,397,053,000	$12,273,604,000	$14,143,881,048
Funded Ratio (actuarial value)	N/A	70.0%	N/A	61.4%	N/A
Funded Ratio (market value)	N/A	66.7%	N/A	52.2%	N/A
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	105%	N/A	117%	N/A

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

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

(c) Includes municipal contributions under early retirement incentive programs ($2,659,720 during fiscal year 2006-07, $1,667,810 during fiscal year 2007-08, $1,573,023 during fiscal year 2008-09, $857,420 during fiscal year 2009-10 and $902,153 during fiscal year 2010-11). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

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

(e) Net realized gain (loss) on shares redeemed.

(f) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($6,212,663 during fiscal year 2006-07, $16,314,549 during fiscal year 2007-08, $14,691,011 during fiscal year 2008-09, $12,382,933 during fiscal year 2009-10 and $16,181,894 during fiscal year 2010-11).

(g) For fiscal year 2006-2007, includes cost-of-living adjustment reserve account. As of June 30, 2007 the fund was dissolved and its assets combined with Teachers' Retirement Fund assets.

2011 Experience Study

The Teachers' Retirement Board received an experience study dated April 7, 2011 prepared by the actuaries for the Teachers' Retirement Fund for the five-year period ending June 30, 2010, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. As a result of the study, the actuaries recommended that revised assumptions be adopted by the Teachers' Retirement Board for future use, which assumptions the Board adopted at its meeting held April 6, 2011. The revised assumptions would be incorporated into the actuarial valuation to be completed as of June 30, 2012, to be used to calculate the State's employer contribution requirements for fiscal years ending June 30, 2014 and June 30, 2015. Generally, the current assumptions, including an 8.50% earnings assumption, were retained, with a change to the annual rate of real wage increase (from 1.00% to 0.75%), minor changes to the current service based rates, a change to the payroll growth assumption (from 4.00% to 3.75%), a minor change to the male rates of withdrawal from the system, and a change to the current assumption for early retirement. The actuaries' analysis of the impact of the recommended changes if applied to the results of the November 2010 actuarial valuation as of June 30, 2010, would result in modest but favorable impacts on the normal cost rate, funded ratio, unfunded actuarial accrued liability and employer contribution rate.

The actuaries performed a statistical analysis of long-term expectations and analyzed the 25th and 75th percentile of long term return expectations consistent with Actuarial Standards of Practice. The current 8.5% return assumption was found to be in the reasonable range for investment return assumptions and no change was recommended. For comparative purposes, the actuaries also presented in the experience study the impact on the November 2010 actuarial valuation results of the recommended changes with the substitution of an 8.25% investment return assumption. Under this alternate scenario, the normal cost rate would increase by 0.33%, the funded ratio on an actuarial basis would be reduced by 1.3% reflecting a $508.4 million increase in the unfunded actuarial accrued liability, and the employer contribution requirement would increase by 1.26%, with the expected employer contribution requirement for fiscal year ending June 30, 2012 increasing by $45.7 million.

Pension Obligation Bonds

Public Act No. 07-186 authorized the issuance of general obligation bonds ("TRF Bonds") of the State in amounts sufficient to fund a $2.0 billion deposit to the Teachers' Retirement Fund plus amounts required for costs of issuance and up to two years of capitalized interest. The Secretary of the Office of Policy and Management and the State Treasurer subsequently determined that issuance of such bonds would be in the best interests of the State, and in April 2008 the State issued $2,276,578,270.75 of such bonds.

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

of the funded ratio of the fund by more than 5% from the funded ratio which would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

Contribution, Eligibility and Benefits Requirements

Effective July 1, 1992, each member of the Teachers' Retirement Fund is required to contribute 6% of annual salary for the pension benefit. The State's contribution requirement is determined in accordance with Section 10-183z of the General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited service in Connecticut, 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 retirement 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, 2011 was approximately $50,400.

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

TABLE 22

Teachers' Retirement Benefit Cost-Of-Living Allowances

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

(a) Based on the current cost-of-living allowances formulas no benefit adjustment for fiscal years ending June 30, 2010 and 2011 was granted for members retiring on or after September 1, 1992. For fiscal year ending June 30, 2012, a 3.6% benefit adjustment was granted.

A local or regional board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the Teachers' Retirement Fund for such member and for payment

by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

Investment of Pension Funds

Twelve investment funds serve as the investment medium for the State Employees' Retirement Fund and the Teachers' Retirement Fund. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Inflation Linked Bond Fund, the Liquidity Investment Fund, the Real Estate Fund, the Private Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. See also **FINANCIAL PROCEDURES** herein. Set forth below are the percentage allocation of holdings for the State Employees' Retirement Fund and the Teachers' Retirement Fund as of June 30, 2011 in each of these twelve funds.

TABLE 23

Pension Fund Investment Allocations
As of June 30, 2011

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	27.4%	26.5%
Developed Markets International Stock Fund	21.9%	21.9%
Emerging Markets International Stock Fund	10.6%	10.6%
Core Fixed Income Fund	10.3%	10.1%
Emerging Markets Debt Fund	4.5%	4.5%
High Yield Fund	2.8%	2.8%
Inflation Linked Bonds Fund	4.1%	4.1%
Liquidity Investment Fund	3.1%	4.2%
Real Estate Fund	4.3%	4.3%
Private Investment Fund	8.9%	8.9%
Commercial Mortgage Fund[(a)]	0.0%	0.0%
Alternative Investment Fund	2.1%	2.1%
	100.0%	100.0%

(a) As of June 30,3011 total net assets of the Fund (including non-retirement fund investments) were $2,390,274. The sole remaining asset in the fund matures on September 2012.

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, 2011, there were approximately 206 active members of these plans and approximately 173 retired members.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund's assets allocable to a member at the

direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member's entire account into an eligible retirement plan.

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

Social Security and Other Post-Employment Benefits

Social Security – State Employees

State Police whose employment commenced after February 21, 1958 but before May 8, 1984 are not entitled to social security coverage; pursuant to a collective bargaining agreement, State Troopers hired on or after May 8, 1984 are entitled to Social Security coverage. Members of a retirement system other than the State Employees' Retirement Fund (and thus most teachers), whose employment commenced after February 21, 1958 are not entitled to social security coverage except that pursuant to a collective bargaining agreement, members of the Connecticut Alternate Retirement Program hired on or after July 13, 1990 are entitled to social security coverage and members hired prior to that date were provided with the one-time option to elect such coverage effective July 13, 1990. Other State employees are entitled to Social Security coverage. As of June 30, 2011, approximately 58,342 State employees were entitled to Social Security coverage. The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2011 was $296.5 million. Of this amount, $217.7 million was paid from the General Fund and $14.6 million was paid from the Special Transportation Fund. The State has appropriated $263.5 million for Social Security coverage for fiscal year ending June 30, 2012. Of this amount, $244.9 million has been appropriated from the General Fund and $18.6 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis. The State has established a trust for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance benefits in future years. All employees hired on or after July 1, 2009 are required to contribute 3% of salary through their tenth year of service, to be deposited into the trust. Commencing July 1, 2010, employees with less than five years of service will be required to contribute 3% of salary through their tenth year of service, to be deposited into the trust. SEBAC 2011 extended the requirement of trust contributions to all other State employees to be phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or to the beginning of retirement (whichever occurs first). As of June 30, 2011, the fair market value of the trust's investment assets was $22.9 million. The trust is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. For fiscal year ending June 30, 2011, General Fund expenditures on post-retirement health care and life insurance benefits was $490.9 million. For fiscal year ending June 30, 2012, $565.1 million has been appropriated for General Fund expenditures for post-retirement health care and life insurance benefits.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal

year ending June 30, 2008. The State received an actuarial report dated March 2007 with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. The actuarial liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable. The report indicated an OPEB actuarial accrued liability as of April 1, 2006 estimated to range from $11.4 billion to $21.7 billion. The amounts depend upon various assumptions including those with respect to medical cost inflation rates, the establishment of a trust to fund those liabilities, the amount of initial and annual amounts deposited in such a trust and discount rates. The report used discount rates ranging from 4.5% to 8.5%. The amount of the annual required contribution under these various assumptions ranged from $1.0 billion to $1.6 billion for fiscal year ending June 30, 2007, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions. Additional assumptions were also tested for sensitivity analysis which produced different results. The annual required contribution included the cost for both current eligible employees and retirees.

The State received an interim actuarial valuation dated February 16, 2009 with respect to the State's liability for post-retirement health care benefits (not including life insurance benefits) for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System, based upon the stated assumptions of the March 2007 actuarial report but reflecting actual increases in the State's medical and dental costs between April 1, 2006 and June 30, 2008. The report indicates an OPEB actuarial accrued liability as of June 30, 2007 of up to $23.1 billion and a projected actuarial accrued liability as of June 30, 2008 of up to $24.6 billion on an unfunded basis with no valuation assets available to offset the liabilities of the plan. The interim actuarial valuation determined an employer contribution requirement for fiscal year ending June 30, 2008 of up to $1.66 billion on an unfunded basis, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions.

In December 2010, the State received an actuarial valuation as of April 1, 2008 with respect to the State's liability for post-retirement health care benefits (not including life insurance benefits) for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. Several assumptions were revised from the last actuarial valuation performed as of April 1, 2006. The December 2010 valuation indicates an OPEB actuarial accrued liability as of April 1, 2008 of $26.6 billion on an unfunded basis and $14.0 billion on a funded basis assuming the baseline medical inflation rate, which rate varies from 7.65% to 4.70% over time. The actuarial valuation determined the amount of the annual required contribution for fiscal year ending June 30, 2009, based on a projected unit credit actuarial cost method, level percent-of-payroll amortization over 30 years, to be $1.94 billion on an unfunded basis, applying a 4.5% discount rate, and $1.20 billion on a funded basis, applying an 8.25% discount rate. The annual required contribution included the cost for both current eligible employees and retirees. Additional assumptions were also tested for sensitivity analysis which produced different results. It should be noted that because of the April 1, 2008 valuation date these results do not reflect the impact of the 2009 retirement incentive program or the SEBAC 2009 mandatory OPEB contribution of 3% of salary by certain employees, as noted above. The next valuation will take these changes into account. The December 2010 valuation indicates that annual State payments for OPEB benefits are expected to rise sharply in coming years, both because medical and dental costs are expected to rise over time and because more employees will retire and receive State-paid OPEB benefits. The valuation projected State annual payments for OPEB benefits, net of any cost-sharing payments made by retirees, of $661.1 million for fiscal year ending June 30, 2012, rising to $1,179.0 million for fiscal year ending June 30, 2018, assuming the baseline medical inflation rate. The valuation also projected that the OPEB actuarial accrued liability is expected to grow over the ten fiscal year years ending June 30, 2008 through June 30, 2017, reaching approximately $45 billion, assuming an unfunded scenario.

The State anticipates receiving an actuarial valuation in Spring 2012 with respect to the State's liability for post-retirement health care benefits (not including life insurance benefits) for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. While the December 2010 valuation indicated that annual State payments for OPEB benefits were

expected to rise sharply in coming years, no assurances can be made that the rate of such increases determined by the new valuation will match the estimates made in the December 2010 valuation. The new valuation will reflect the impact of recent plan changes made pursuant to SEBAC 2011.

For fiscal years ending June 30, 2007 through June 30, 2011, the State paid $458.4 million, $498.2 million, $521.9 million, $525.5 million and $524.6 million, respectively, for eligible employees' health care costs. For fiscal years ending June 30, 2007 through June 30, 2011, the State paid $415.4 million, $450.4 million, $434.6 million, $527.9 million and $490.9 million, respectively, for retirees' health care costs. The State has appropriated $644.5 million for eligible employees' and $565.1 million for retirees' health care costs in fiscal year ending June 30, 2012. The State has appropriated $706.3 million for eligible employees' and $614.1 million for retirees' health care costs in fiscal year ending June 30, 2013.

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 24

State Employee Retirees Health Care and Life Insurance Benefits

	Year Ending June 30				
	2007	**2008**	**2009**	**2010**	**2011**
Retirees Eligible to Receive Benefits	37,506	38,917	38,736	42,556	43,086
Retirees Receiving Health Care Benefits	37,304	37,865	38,613	42,383	42,905
Retirees Receiving Life Insurance Benefits	25,565	25,581	25,368	27,694	28,017
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$435.5	$472.0	$458.0	$541.0	$595.3[(a)]

(a) Of the $595.3 million appropriated for fiscal year ending June 30, 2011, $490.9 million was expended.

Other Post-Employment Benefits – Teachers

The State is required to 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 which is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund. Legislation which became effective July 1, 1998 generally requires the State to subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan in a manner consistent with its prior practice of subsidizing the health insurance costs of those retired teachers who were members of the Board's health benefit plan. Legislation which became effective July 1, 2008 generally requires the State to subsidize a portion of the health insurance costs of retired teachers who have attained normal retirement age, are ineligible to participate in Medicare Part A and pay to participate in local board of education retiree health benefit plans. No General Fund appropriations to the Teachers' Retirement Fund to cover retiree health insurance costs have been made for fiscal years ending June 30, 2010 and June 30, 2011. The State made General Fund appropriations of $32.3 million and $34.4 million for fiscal years ending June 30, 2012 and June 30, 2013, respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The Governor's proposed midterm budget adjustments for fiscal year ending June 30, 2013, would reduce the State's appropriation to $22.3 million, and would utilize Medicare Part D prescription drug reimbursements to offset in part the State's share of retiree health costs. The Teachers' Retirement Board is monitoring the impact of the reduction in levels of State funding for fiscal years ending June 30, 2010 and June 30, 2011, and the

proposed reduction in State funding for the fiscal year ending June 30, 2013. The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2010. The Teachers' Retirement Board has received an actuarial valuation dated November 3, 2010 of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan. The actuarial liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable. The report indicates an actuarial accrued liability as of June 30, 2010 of $2,997.9 million on an unfunded basis, based upon certain stated assumptions including a 4.5% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. The actuarial valuation determined a $177.1 million employer contribution requirement for fiscal year ending June 30, 2011 and $184.1 million for fiscal year ending June 30, 2012, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions.

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 teacher's contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 25

Teachers' Retirement Health Insurance Fund

	Year Ending June 30				
	2007	**2008**	**2009**	**2010**	**2011**
General Fund Contribution Attributable To Post- Retirement Medicare Supplement Health Insurance	$12,922,673	$12,909,315	$ 14,548,169	$ 2,131,222[(a)]	$ 0
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	7,826,864	7,860,352	7,885,215	1,927,646[(a)]	0
Total General Fund Contributions	$20,749,537	$20,769,667	$ 22,433,384	$ 4,058,868[(a)]	$ 0
Teacher Contributions (Active and Retired)	61,423,462	60,272,401	70,809,453	71,992,702	72,388,441
Investment Income	1,567,189	1,484,545	1,136,999	180,959	135,395
Federal Drug Subsidy	0	4,089,580	7,061,830	8,049,190	5,312,119
Total Receipts	$83,740,188	$86,616,193	$101,441,666	$84,281,719	$78,835,955
Fund expenditures	($62,251,292)	($71,111,961)	($ 85,195,057)	($91,944,607)	($91,852,759)
Fund Balance as of June 30	$ 42,034,349	$57,538,581	$ 73,785,190	$66,072,302[(b)]	$53,055,498

(a) Correcting adjustment as to prior General Fund contributions; does not reflect an actual receipt.

(b) An administrative review of the Fund has determined that the reported fund balance as of June 30, 2010 is overstated by approximately $2.0 million. A correcting adjustment will be made as of June 30, 2011.

October 2010 Report of the Connecticut State Post-Employment Benefits Commission

Former Governor M. Jodi Rell established the State Post-Employment Benefits Commission (the "Commission") pursuant to Executive Order, and charged the Commission with delivering a report that identifies the amount and extent of unfunded liabilities for pensions and other post-employment benefits, compares and evaluates advantages and disadvantages of various approaches for addressing unfunded pension liabilities and post-employment benefits, and proposes short and long-term plans for addressing unfunded pension liabilities and post-employment benefits. The Commission issued its Final Report (the "PEBC Report") on October 28, 2010. The PEBC Report projected the annual costs related to contributions to the State Employees' Retirement Fund and the Teachers' Retirement Fund, debt service on the approximately $2.3 billion general obligation bonds issued in April 2008 to fund a $2.0 billion deposit to the Teachers' Retirement Fund (collectively, "Non-OPEB Benefit Cost"), and pay-as-you-go basis cost of other post employment benefits ("OPEB Cost") to be 11.2% of State expenditures for fiscal year ending June 30, 2011. Using various assumptions and absent no plan changes, the PEBC Report projected these costs will account for an increasing percentage of total State expenditures in the future, rising to 13.7% percent of State expenditures for fiscal year ending June 30, 2021, and 19.0% of State expenditures for fiscal year ending June 30, 2032. The primary component of the projected increases was OPEB Cost, which the PEBC Report assumed would continue to be addressed on a pay-as-you-go basis and have average annual cost increases of 10%. Using the PEBC Report's assumptions, Non-OPEB Benefit Cost would be projected as 8.1% of State expenditures for fiscal year ending June 30, 2011, rising to 8.6% percent of State expenditures for fiscal year ending June 30, 2021, and 10.3% of State expenditures for fiscal year ending June 30, 2032. The PEBC Report reviewed various potential strategies to address pension and OPEB liabilities and costs, including but not limited to paying the full annual required contribution in each year with respect to pension and OPEB liabilities, various approaches to calculating such annual required contribution, the level of employee contributions with respect to benefits, the issuance of pension obligation bonds, plan design and benefit modification strategies, prefunding of OPEB costs in a trust fund, and healthcare cost benefit management.

Additional Information

The audited financial statements for fiscal year ending June 30, 2011, which are included as **Appendix III-C** hereto, and in particular notes 11 through 15 and note 17 and the required PERS Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding. In addition, paragraph B of note 26 of such financial statements identifies a contingent liability of the State to pay pension liabilities of certain persons who are not employees of the State.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially recommended contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

GASB requires actuarial valuations of pension or OPEB plans to be performed as of a date not more than two years prior to the date of financial statements in order for the results of the valuation to be reflected in those financial statements. Because as of June 30, 2010, the latest actuarial valuation with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System, was as of April 1, 2008 and not within such two year period, required disclosures for the plan on funded status, funding progress, and actuarial methods and assumptions could not be included in Note 14 of the June 30, 2011 Basic Financial Statements or in the required PERS Supplementary Information accompanying the Basic Financial Statements. Certain estimates were made to include the net OPEB obligation in the liabilities of the State's Basic Financial Statements in **Appendix III-C**.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $15 million or more.

Sheff v. O'Neill is a Superior Court action originally brought in 1989, on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment the Superior Court had entered for the State, and remanded the case with direction to render a declaratory judgment in favor of the plaintiffs. The Court directed the legislature to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The Supreme Court also directed the Superior Court to retain jurisdiction of this matter. The 1997 General Assembly enacted P.A. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court decision.

In December 2000 the plaintiffs filed a motion seeking to have the Superior Court assess the State's compliance with the State Supreme Court's 1996 decision. Before the Court ruled upon that motion the parties reached a settlement agreement, which was deemed approved by the General Assembly and approved by the Superior Court on March 12, 2003. That agreement obliged the State over a four year period to, among other things, open two new magnet schools in the Hartford area each year, substantially increase the voluntary interdistrict busing program in the Hartford area, and work collaboratively with the plaintiffs in planning for the period after the four year duration of the proposed order. That agreement expired in June, 2007, and the anticipated costs of that agreement have been expended.

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

On April 4, 2008, a tentative settlement between the plaintiffs and the State requiring the State to comply with defined benchmarks over a period of time was presented to the legislature in accordance with Section 3-125a of the Connecticut General Statutes. The legislature approved the settlement on May 4, 2008 and the court approved it on June 12, 2008. Thereafter, the City of Hartford also agreed to settle with the parties. The court approved this settlement by stipulation on August 28, 2008. Under these settlements and court orders, the State has ongoing obligations to work toward certain enumerated goals by June 30, 2013 aimed at reducing racial, ethnic and economic isolation in the Hartford public schools, as detailed in the orders themselves.

On December 9, 2009, the plaintiffs filed a motion for breach of the 2008 agreement claiming that the State failed to meet a benchmark for placement of students in reduced isolation educational settings. In light of this alleged breach, they sought appointment of a special master "to ensure prompt and complete compliance" with the stipulation. On February 23, 2010, the trial court denied the plaintiffs' motion. A motion for reconsideration of that ruling was denied.

State Employees Bargaining Agent Coalition v. Rowland is a Federal District Court case in which a purported class of laid off State employees have sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The plaintiffs claim back wages, damages, attorneys' fees and costs. The defendants moved to dismiss the action based on absolute immunity, and that motion was denied on January 18, 2005. The defendants appealed that decision to the U.S. Court of Appeals. On July 10, 2007 the U.S. Court of Appeals remanded the case back to the District Court for trial. The parties subsequently entered into a stipulation of facts and then filed cross-motions for summary judgment on all remaining claims. By ruling dated July 1, 2011, the Court granted the defendants' motion, denied plaintiffs' motion, and ordered the case dismissed. That ruling has been appealed by the plaintiffs to the U.S. Court of Appeals, which appeal remains pending. The same purported class has brought related state law claims in State Court under the caption ***Conboy v. State of Connecticut***. On October 20, 2006 the Superior Court in ***Conboy v. State of Connecticut*** denied the State's motion to dismiss, and the State has appealed. The appeal has been denied and the case has been remanded to the trial court for further proceedings. By agreement of the parties, proceedings in the state court action have been stayed pending disposition of the federal court action.

State of Connecticut v. Philip Morris, Inc., et al., is the action that resulted in the 1998 Master Settlement Agreement ("MSA"), through which Connecticut and fifty-one other states and territories resolved their claims against the major domestic tobacco manufacturers. The Connecticut Superior Court retains continuing jurisdiction over disputes involving the MSA. From 2004 through 2008, the State was engaged in litigation against several tobacco companies that participate in the MSA regarding the calculation of the companies' payments to the State for the year 2003. The litigation focused on whether the parties' payment dispute must be decided by the state courts or by an arbitration panel. In December, 2008, the Connecticut Supreme Court sided with the tobacco companies and ruled that the MSA requires all aspects of the payment dispute to be arbitrated. If an arbitration results in a decision adverse to the State, that determination would likely reduce or eliminate the State's MSA payments for 2004 and possibly even subsequent years. A multi-state arbitration proceeding has commenced and is currently proceeding though the preliminary stages. It is not known when there will be a decision as to Connecticut or any other state.

In ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.,*** brought in Hartford Superior Court, the plaintiffs are a non-profit coalition comprised of parents, teachers, school administrators and educational advocates, as well as several parents on behalf of their minor children who reside in selected rural, suburban and urban municipalities in the State. Purporting to represent a class of similarly situated students in selected school districts, plaintiffs claim the students' State constitutional rights to a free public education under Article VIII, Section 1, equality of rights under Article I, Section 1 and equal protection of the laws under Article I, Section 20 are being violated by the alleged inequitable and inadequate financing of their schools by the State. In particular, plaintiffs claim for a variety of reasons that the State's primary statutory mechanism for the distribution of State aid for public schools currently fails to ensure both substantially equal educational opportunities and a suitable education for these students, as purportedly reflected by both the educational challenges they face and their poor performance on state standardized measures. The action seeks a declaratory judgment from the Court, an injunction against the operation of the current system, an order that a new system be devised, the appointment of a special master to oversee such activities, continuing Court jurisdiction and attorney fees and costs under 42 United States Code Section 1983, on the grounds that minority students have been disproportionately impacted. The court ruled that the Coalition, as opposed to the other plaintiffs, lacks legal standing to pursue the claims. The plaintiffs sought to replead to overcome the impact of this ruling. The defendants moved to strike the plaintiffs' claims for a "suitable" education under the State Constitution. On September 17, 2007 the Superior Court issued a ruling granting the State's motion to strike three counts of the plaintiffs' complaint. After the Court's ruling, one count of the plaintiffs' complaint remained, alleging that the plaintiffs have been denied substantially equal education opportunity in violation of the State constitution. The State did not move to strike that count. The plaintiffs sought and obtained permission to appeal immediately to the Connecticut Supreme Court. On March 30, 2010 a plurality of the Supreme Court reversed the trial court, ruled that the State Constitution guarantees public school students a right to suitable educational opportunities and remanded the case for a determination of whether such

opportunities are being provided. The Court has established a schedule for discovery and scheduled a trial to commence in 2014.

Juan F. v. Weicker. Since 1991, the State Department of Children and Families has been operating under the provisions of a federal court-ordered consent decree in the ***Juan F. v. Weicker*** case. In October 2003 the State entered into an agreement with the ***Juan F.*** Court Monitor and lawyers representing the plaintiff class of children in the child welfare system designed to end judicial oversight of the agency by November 2006. The agreement was approved and ordered by the court. The agreement included the establishment of a Transition Task Force, which included the ***Juan F.*** Court Monitor, who was given full and binding authority to develop an Exit Plan. The Court Monitor's Exit Plan includes an open-ended funding provision (virtually identical to that contained in the Consent Decree). The State has objected to this provision of the Exit Plan, which was adopted by the court in December 2003, claiming in part that the Exit Plan requires the State to provide open-ended funding to implement the plan which could violate the State's constitutional cap on spending. On February 10, 2004 the court denied the State's request to reconsider the funding provision. In 2005 the Court entered orders that ended the Transition Task Force and revised the monitoring order, but left in place the open-ended funding provision. The State is currently working to meet the requirements of the Exit Plan. By letter dated May 5, 2008, the plaintiffs notified the defendants and the Court Monitor of their view that the defendants "are in actual or likely noncompliance" with two provisions of the revised monitoring order. Pursuant to the order, the parties had to engage in a period of mediation, after which the Court, if there were no negotiated resolution, could make findings and issue orders. As a remedy, the plaintiffs requested the appointment of a limited receiver tailored to address the defendants' performance regarding the two identified provisions. On July 17, 2008 the Court approved a stipulation by the parties resolving the plaintiffs' claims of noncompliance with these two provisions. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the Exit Plan. On April 13, 2010, the State moved to vacate the Consent Decree and the Exit Plan, arguing that DCF had substantially complied with their provisions and that further judicial oversight is, therefore, unwarranted. That motion, which was opposed by plaintiffs and the Child Advocate, acting as amicus curiae, was denied on September 22, 2010. The Court directed the parties to meet with the Court Monitor to determine whether adjustments should be made to the methods of evaluating DCF's performance. On August 17, 2010, the Court ruled that children receiving voluntary services – a program permitting parents to obtain services for disabled children without relinquishing custody – are included in the ***Juan F.*** class and entered an order prohibiting cessation of new admissions to the program. A motion for reconsideration of that ruling was denied on December 22, 2010. The Court Monitor's report for the period ending September 30, 2011 indicates that DCF was in compliance with 16 of 22 outcome measures during the reporting period. The current Exit Plan requires compliance with all 22 outcome measures as a condition precedent for ending judicial oversight of DCF.

Indian Tribes. While the various cases described in this paragraph involving alleged ***Indian Tribes*** do not specify the monetary damages sought from the State, the cases are mentioned because they claim State land and/or sovereignty over land areas that are part of the State of Connecticut. Several suits have been filed since 1977 in the Federal District Court and the Connecticut Superior Court on behalf of alleged ***Indian Tribes*** in various parts of the State, claiming monetary recovery as well as ownership to land in issue. Some of these suits have been settled or dismissed. It is possible that other land claims could be brought by other Indian groups, who have petitioned the Federal Government for Federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted.

Golden Hill Paugussett Tribe. The plaintiff group in one of the suits is the alleged Golden Hill Paugussett Tribe and the lands involved are generally located in Bridgeport, Trumbull and Orange. In June of 2004 the Federal Bureau of Indian Affairs denied recognition to the alleged Golden Hill Paugussett Tribe of Indians. The alleged Tribe filed an appeal with the United States Secretary of Interior, and that appeal was dismissed on March 18, 2005. On November 30, 2006 the federal district court dismissed the Golden Hill Paugussett's land claims. The Golden Hill Paugussett Tribe appealed the dismissal to the U.S. Court of Appeals for the Second Circuit, and on September

10, 2007 that appeal was dismissed. The Golden Hill Paugussett Tribe had until March 2011 to appeal the denial of its petition seeking federal recognition but no appeal was filed.

Schaghticoke Tribal Nation. An additional suit was filed by the alleged Schaghticoke Tribal Nation claiming ownership of privately and town held lands in the Town of Kent. The State is not a defendant to that action. In February 2004 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Schaghticoke Tribal Nation. The State appealed that decision to the Federal Department of Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005 the Federal Bureau of Indian Affairs declined to acknowledge the Schaghticoke Tribal Nation, and the alleged Tribe appealed that decision to the United States District Court. The District Court dismissed the appeal on August 22, 2008, and the Schaghticoke Tribal Nation appealed that decision to the U.S. Court of Appeals for the Second Circuit. The land claims have been stayed pending the resolution of the federal recognition matter. On October 19, 2009 the Court of Appeals denied the appeal and affirmed the District Court's ruling. The Schaghticoke Tribal Nation filed a petition for writ of certiorari with the U.S. Supreme Court seeking review of the Court of Appeals' decision, and on October 4, 2010, the petition was denied.

Eastern Pequot Tribe. In June 2002 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Historic Eastern Pequot tribe. The State appealed the decision to the Federal Department of the Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005, the Federal Bureau of Indian Affairs declined to acknowledge this group as an Indian tribe. On January 13, 2012, the Eastern Pequot filed an appeal in the federal district court for the District of Columbia, challenging on various grounds the denial of federal recognition. The State is reviewing the available legal options in response to this appeal.

State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. The State of Connecticut, et al., is an action in Federal District Court brought in February of 2006, on behalf of individuals with mental illness in nursing facilities in the State. The plaintiffs claim that the State has violated the Americans with Disabilities Act by failing to provide services for the identified group in the most integrated setting appropriate to the needs of the qualified individuals. In September 2007 the Court dismissed the plaintiff's case for lack of standing, although it left open the ability for proper plaintiffs to replead. On September 8, 2008, the plaintiffs filed an amended complaint adding five nursing home residents as plaintiffs in addition to the Office of Protection and Advocacy for Persons with Disabilities. By ruling and order dated March 31, 2010, the Court denied the defendants' motions to dismiss the amended complaint and granted the plaintiffs' motion for class certification. The Court has recently established a schedule for discovery and anticipated trial date, but the matter has been stayed until at least March 2012 by agreement of the parties while they discuss possible settlement.

Connecticut Association of Health Care Facilities v. Rell. On January 28, 2010, a trade association representing for-profit nursing homes filed a lawsuit in federal court against Governor Rell. The lawsuit alleges that the nursing homes are systemically undercompensated under Connecticut's Medicaid payment system in violation of the federal Medicaid Act and State and federal constitutional guarantees against the taking of private property without just compensation. Although the lawsuit seeks only declaratory and injunctive relief, an adverse ruling requiring substantial modifications to the State's nursing home Medicaid reimbursement system could have a material fiscal impact on the State. The district court granted the defendants' motion to dismiss with the exception of one count of the complaint and denied the plaintiff's request for a preliminary injunction. The plaintiff appealed the denial of the preliminary injunction to the Court of Appeals. The Court of Appeals affirmed the district court's decision denying the preliminary injunction and denied plaintiff's motion for reconsideration and rehearing en banc. The case remains pending in the trial court, where all proceedings are stayed until 45 days after the U.S. Supreme Court issues judgment

in three consolidated cases arising out of the U.S. Court of Appeals for the Ninth Circuit addressing the availability of a claim similar to the Plaintiff's, at which time the parties must jointly report to court.

Computers Plus Center, Inc. and Malapanis v. Department of Information Technology. On January 29, 2010, a State court jury returned a verdict against the Department of Information Technology (DOIT) in favor of counter-claim plaintiff Computers Plus Center (CPC) in the amount of $18.3 million for breach of due process rights guaranteed by Article First, §10 of the Connecticut Constitution. DOIT alleged that CPC had failed to provide certain components required by a contract for the purchase of nearly 10,000 computers from CPC. CPC's counter-claim, essentially one for reputational harm to CPC's business, arises out of DOIT's termination of the contract and the denial of CPC's bids for other computer contracts, as well as press statements and other communications relating to the matter. The trial court reduced the verdict to $1.83 million. Both sides have filed appeals that remain pending. The counter-claim plaintiff is challenging the reduction of the verdict, and DOIT is appealing the verdict and award of any damages against it.

Paul Shafer and Joshua Harder v. Bremby is a class action lawsuit filed on January 9, 2012 in federal district court challenging the Department of Social Services' (DSS) failure to process Medicaid applications, including spend down cases as a separate sub-class, in a timely fashion. Plaintiffs allege that DSS has failed to comply with the federal Medicaid statute that requires eligibility to be determined with "reasonable promptness" and the related federal implementing regulations. In addition, plaintiffs claim that DSS' failure to provide timely adequate notice of the denial of eligibility violates their federal due process rights. Plaintiffs seeks declaratory and class wide injunctive relief. The State has until April 1, 2012 to answer the complaint, oppose the preliminary injunction, and oppose class certification.

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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.

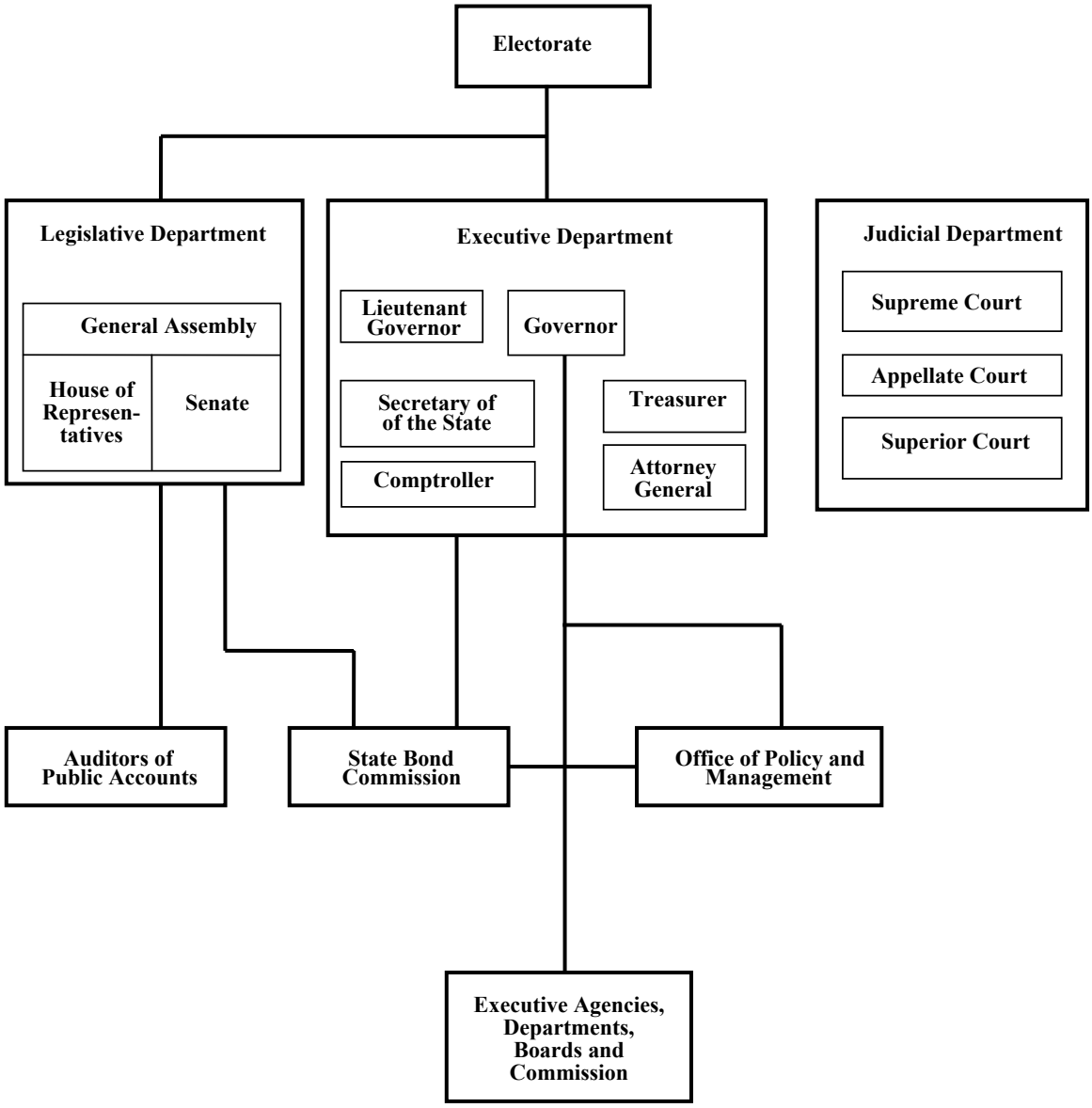
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2010, and the new members took office in January 2011.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2010 for terms beginning in January 2011. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and on request rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. There are approximately 162 sitting Superior Court judges, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983 the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are ten Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

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

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 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)]	2007	2008	2009	2010	2011
Legislative	613	571	582	559	631
General Government	3,610	3,650	3,563	3,301	3,361
Regulation and Protection	4,360	4,338	4,325	4,044	3,940
Conservation and Development	1,299	1,325	1,321	1,226	1,275
Health and Hospitals	8,018	8,130	7,791	7,091	7,334
Transportation	3,220	3,318	3,191	3,064	3,085
Human Services	2,010	2,095	2,019	1,912	2,033
Education	16,055	16,453	16,720	16,309	16,192
Corrections	10,275	10,379	9,919	9,230	9,537
Judicial	4,745	4,612	4,616	4,942	4,901
Total	54,205	54,871	54,047	51,678	52,289

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of June 30, 2011[(a)(b)]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	Private Contributions	TOTALS
Legislative	631	0	0	0	0	0	631
General Government	3,000	5	41	170	145	0	3,361
Regulation and Protection	2,131	594	377	616	222	0	3,940
Conservation and Development	792	0	113	54	316	0	1,275
Health and Hospitals	6,992	0	0	0	342	0	7,334
Transportation	0	2,982	1	102	0	0	3,085
Human Services	1,694	0	0	0	339	0	2,033
Education	4,435	0	7	11,517	233	0	16,192
Corrections	9,435	0	0	79	23	0	9,537
Judicial	4,789	0	0	21	91	0	4,901
Total	33,899	3,581	539	12,559	1,711	0	52,289

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

(b) Breakdown for 2011reflects the funding breakdown on Core-CT chart of accounts coding. Some positions which in years prior to 2005 were designated as being paid out of private contributions are now coded as being paid out of special funds – non appropriated in order to properly reflect how they are coded on Core-CT.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 41 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. Subject to certain parameters set forth in the General Statutes, if the State and the bargaining unit are unable to reach an agreement, one or both parties may initiate arbitration. The award of the arbitrator shall be final and binding upon the parties unless rejected by the legislature. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown on the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any
Covered by Collective Bargaining		
Correctional Officers	9.40%	Contract in place through 6/30/2016
Correctional Supervisor	0.98%	Contract in place through 6/30/2012
Administrative Clerical	7.68%	Contract in place through 6/30/2016
Service/Maintenance	7.42%	Contract in place through 6/30/2016
Health Care Non-Professional	6.87%	Contract in place through 6/30/2016
Social and Human Services	7.07%	Contract in place through 6/30/2016
Administrative and Residual	5.70%	Contract in place through 6/30/2016
Health Care Professional	5.69%	Contract in place through 6/30/2016
Engineering, Scientific and Technical	4.74%	Contract in place through 6/30/2016
UConn Faculty	2.95%	Contract in place through 6/30/2016
UCHC University Health Professionals	3.88%	Contract in place through 6/30/2016
UConn - Non-Faculty	3.18%	Contract in place through 6/30/2016
State University Faculty	2.83%	Contract in place through 6/30/2016
Judicial – Non-Professional	2.82%	Contract in place through 6/30/2016
Judicial - Professional	2.59%	Contract in place through 6/30/2016
Community College Faculty – AFT	0.31%	Contract in place through 6/30/2016
Community College Faculty – CCCC	1.19%	Contract in place through 6/30/2016
Community College Administration – CCCC	1.19%	Contract in place through 6/30/2016
Community College Administration – AFSCME	0.15%	Contract in place through 6/30/2016
Community College AFT Counsel/Librarian	0.03%	Contract in place through 6/30/2016
Vocational Technical School Faculty	2.11%	Contract in place through 6/30/2016
State Police	2.19%	Contract in place through 6/30/2012
Protective Services	1.58%	Contract in place through 6/30/2016
Education A	0.50%	Contract in place through 6/30/2016
Education B	1.40%	Contract in place through 6/30/2016
American Federation of School Administration	0.10%	Contract in place through 6/30/2016
State University Non-Faculty Professional	1.33%	Contract in place through 6/30/2016
UCHC – Faculty	0.97%	Contract in place through 6/30/2016
UConn – Law School Faculty	0.08%	Contract in place through 6/30/2016
Judicial Judges	0.46%	Contract in place through 6/30/2016
Judicial – Law Clerks	0.14%	Contract in place through 6/30/2016
Connecticut Association Prosecutors	0.47%	Contract in place through 6/30/2016
Criminal Justice Residual	0.24%	Contract in place through 6/30/2016
Higher Education – Professional Employees	0.08%	Contract in place through 6/30/2016
Board State Academic Awards Professional	0.11%	Contract in place through 6/30/2016
Judicial – Judicial Marshalls	1.34%	Contract in place through 6/30/2016
DPDS Public Defenders	0.35%	Contract in place through 6/30/2016
DPDS Chief Public Defenders	0.04%	Contract in place through 6/30/2016
Criminal Justice Inspectors	0.15%	Contract in place through 6/30/2016
Division Public Defender Services – Statutory	0.00%	Contract in place through 6/30/2016
Judicial – Supervisor Judicial Marshals	0.12%	Contract in place through 6/30/2013
Total Covered by Collective Bargaining	90.44%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	9.33%	Not Applicable
Total Not Covered by Collective Bargaining	9.55%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 52,289 filled full-time positions as of June 30, 2011.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings [(a)(b)]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Aging
Commission on the Status of Women
Commission on Children
Latino and Puerto Rican Affairs Commission
African-American Affairs Commission
Asian Pacific American Affairs Commission

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans' Affairs
Department of Administrative Services
Department of Construction Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Workers' Compensation Commission

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

Health and Hospitals
Department of Public Health
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
State Department on Aging
Soldiers', Sailors', and Marines' Fund

Education, Libraries and Museums
Department of Education
Bureau of Rehabilitative Services
State Library
University of Connecticut
University of Connecticut Health Center
Board of Regents for Higher Education
Office of Financial and Academic Affairs for Higher Education
Teachers' Retirement Board

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.
(b) Listing of agencies, boards, commissions and similar bodies is as of January 1, 2012.

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. Effective July 1, 2011, the Department of Emergency Management and Homeland Security, which was established in January 2005 to provide a coordinated and integrated program for statewide emergency management and homeland security, was consolidated with the Department of Public Safety to form the new Department of Emergency Services and Public Protection. The new Department is responsible for directing and coordinating all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, through a collaborative program of prevention, planning, preparedness, response, recovery and public education. Among the Department's primary functions is the administration and management of federal grant funds related to emergency management and homeland security. The Department oversees the state Emergency Operations Center during emergencies. In addition, the Department's Commissioner directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes with respect to events requiring mass evacuations and sheltering in the State, the Department has given priority for preparedness to the following potential scenarios: (i) a Category 3 hurricane hitting the State coast and all of New England, (ii) a large scale terrorist attack in New York City, and (iii) a release of contamination from the Millstone Power Plant. The State has been divided into five regions to facilitate planning, training and response.

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

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.

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STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,574,097 in April 2010, an increase of 168,532, or 4.9%, from the 3,405,565 figure of 2000. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 4.3% from 2001 to 2011 versus 3.2% in New England and 9.3% for the nation. The mid-2011 population in Connecticut was estimated at 3,580,709, up 0.1% from a year ago, compared to increases of 0.3% and 0.7% for New England and the United States, respectively. From 2001 to 2011, within New England, only New Hampshire experienced growth higher than Connecticut.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2001….	3,433	0.6	14,041	0.7	284,969	1.0
2002….	3,459	0.8	14,122	0.6	287,625	0.9
2003….	3,484	0.7	14,182	0.4	290,108	0.9
2004….	3,496	0.3	14,207	0.2	292,805	0.9
2005….	3,507	0.3	14,217	0.1	295,517	0.9
2006….	3,517	0.3	14,246	0.2	298,380	1.0
2007….	3,527	0.3	14,279	0.2	301,231	1.0
2008….	3,546	0.5	14,340	0.4	304,094	1.0
2009….	3,562	0.5	14,404	0.4	306,772	0.9
2010….	3,575	0.4	14,454	0.3	309,330	0.8
2011….	3,581	0.1	14,492	0.3	311,592	0.7

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2001-2011 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The State is highly urbanized with a 2011 population density of 739 persons per square mile, as compared with 88 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 2009 Connecticut ranked 4th in the nation with 15.5 % of the state population over the age of 25 holding an advanced degree and 35.6% of the same population holding a college degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan College, 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 2011 Fortune 500: General Electric, United Technologies, Aetna, Hartford Financial Services, Xerox, Praxair, Stanley Black & Decker, Pitney Bowes, Emcor Group, Northeast Utilities, W.R. Berkley, and Terex. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers 107 weekday departures and departures to 28 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven, and New London can accommodate deep draft vessels.

The Connecticut Department of Transportation subsidizes and oversees the operations of both rail commuter services and bus services. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East Line provide commuter rail services for stations between New London and New York City for approximately 38 million passengers per year. The State supports urban transit, commuter express bus, rural transit and Americans with Disabilities Act paratransit services carrying approximately 37 million passengers per year. This service is provided by state-owned CT Transit services in 8 urbanized areas, and by 13 independent urban and rural transit districts. In addition, the Department supports carpooling, vanpooling, telecommuting and other transportation demand management programs statewide.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system, the Regional Transmission Organization (RTO) for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. Since July 2000 most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and The United Illuminating Company). Electric suppliers are not

subject to rate regulation by the State Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the DPUC has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also in the process of being opened to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are AT&T and Verizon New York, Inc. Connecticut also has approximately 105 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 4.0 thousand British Thermal Units (BTU) per 2005 chained dollar of Gross State Product in 2009, the latest available data, ranking the second most efficient state among the 50 states and 45.2% less than the national average of 7.3 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 224 million BTU of energy per person in 2009, ranking it 45th among the 50 states and 27.3% less than the national average of 308.0 million BTU.

Connecticut energy prices, including gasoline, natural gas and heating oil, remained high in most of 2011, due mainly to the slowly recovering economy, with the exception of natural gas prices which have moderated due to increased supply. Higher energy prices impact consumer and investment spending and economic growth.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2010, per capita personal income in Connecticut equaled $54,877, 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 2009 indicates that if they were states, seven of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The eighth county, Windham, would rank 29th in the nation. The following table shows total and per capita personal income for Connecticut residents during the period from 2001 to 2010 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut		Connecticut Per Capita as Percent of	
	Total (Millions of Dollars)	Per Capita (Dollars)	New England	United States
2001	$149,537	$43,561	114.6%	139.8%
2002	149,567	43,243	113.4	137.4
2003	151,832	43,575	112.3	134.9
2004	161,428	46,174	113.1	136.2
2005	168,804	48,134	113.6	135.8
2006	184,049	52,324	114.7	138.7
2007	197,029	55,859	115.8	141.4
2008	201,757	56,904	114.5	139.0
2009	190,818	53,573	112.4	137.9
2010	196,300	54,877	112.0	137.4

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE B-3

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
2001	4.6%	5.9%	3.8%	2.2%	3.5%	1.5%
2002	0.0	0.9	2.0	(1.6)	(0.7)	0.4
2003	1.5	2.2	3.5	(0.6)	0.1	1.3
2004	6.3	5.4	6.0	3.4	2.5	3.1
2005	4.6	3.8	5.5	1.2	0.5	2.1
2006	9.0	7.9	7.4	5.6	4.5	4.1
2007	7.1	5.9	5.7	4.0	3.0	2.7
2008	2.4	3.5	4.6	0.2	1.3	2.4
2009	(5.4)	(3.7)	(4.3)	(6.4)	(4.7)	(5.3)
2010	2.9	3.2	3.7	1.7	2.0	2.5

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

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2010.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2010
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 90,745	46.23%	$ 5,726,851	46.34%
Property Income (Div., Rents & Int.)	36,927	18.81	2,070,501	16.76
Wages in Manufacturing	12,806	6.52	674,259	5.46
Transfer Payments less Social Insurance Paid	14,081	7.17	1,295,883	10.49
Other Labor Income	23,746	12.10	1,551,979	12.56
Proprietor's Income	17,995	9.17	1,037,640	8.40
Personal Income—Total	$196,300	100.00%	$12,357,113	100.00%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2010, the State produced $237.3 billion worth of goods and services and $211.3 billion worth of goods and services in 2005 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions of Dollars)

	Connecticut		New England[a]		United States[b]	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2001	168,407	2.7%	587,914	3.4%	10,286	3.4%
2002	169,170	0.5	601,354	2.3	10,642	3.5
2003	174,295	3.0	622,881	3.6	11,142	4.7
2004	188,576	8.2	659,529	5.9	11,853	6.4
2005	197,055	4.5	686,539	4.1	12,623	6.5
2006	210,278	6.7	721,860	5.1	13,377	6.0
2007	222,498	5.8	754,306	4.5	14,029	4.9
2008	225,958	1.6	772,347	2.4	14,292	1.9
2009	227,550	0.7	769,308	(0.4)	13,939	(2.5)
2010	237,261	4.3	802,771	4.3	14,527	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. Figures for the United States are in billions of dollars.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2005 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2005 Chained Dollars*)

	Connecticut		New England		United States	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2001	186,643	0.7%	646,712	1.8%	11,337	1.1%
2002	183,640	(1.6)	648,583	0.3	11,543	1.8
2003	184,861	0.7	658,603	1.5	11,836	2.5
2004	194,588	5.3	679,760	3.2	12,247	3.5
2005	197,055	1.3	686,539	1.0	12,623	3.1
2006	204,181	3.6	700,951	2.1	12,958	2.7
2007	210,271	3.0	713,088	1.7	13,206	1.9
2008	208,742	(0.7)	715,717	0.4	13,162	(0.3)
2009	204,995	(1.8)	697,395	(2.6)	12,703	(3.5)
2010	211,345	3.1	721,140	3.4	13,088	3.0

* 2005 chained dollar series are calculated as the product of the chain-type quantity index and the 2005 current-dollar value of the corresponding series, divided by 100. Figures for the United States are in billions of dollars and 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 2010 Connecticut's production was concentrated in three areas: finance, insurance and real estate (FIRE), services and manufacturing. Production in these three industries accounted for 70.4% of total production in Connecticut compared to 66.3% for the nation in 2010 and 68.9% in 2001. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of FIRE and services have been increasing. The share of production from the manufacturing sector decreased from 12.3% in 2001 to 10.9% in 2010 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 slightly to 63.3% of the total GSP in 2010 from 60.0% in 2001. The broadly defined services in the private sector increased by 48.5% from 2001 to 2010 compared to 55.5% 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 of Dollars)

Sector	2003	2004	2005	2006	2007	2008	2009	2010
Manufacturing	$ 20,718	$ 23,685	$ 23,690	$ 27,222	$ 27,467	$ 26,789	$ 23,895	$ 25,873
Construction[a]	5,857	6,480	7,048	7,542	7,708	7,246	6,151	6,024
Agriculture[b]	325	380	363	320	394	380	327	367
Utilities[c]	5,710	6,387	6,515	6,919	7,728	7,704	7,401	7,363
Wholesale Trade	9,037	9,656	10,480	11,306	11,945	12,277	11,780	12,035
Retail Trade	10,998	11,230	11,658	11,715	11,864	11,343	11,182	11,683
Information	6,645	7,302	7,802	7,729	8,457	8,773	8,547	8,986
Finance[d]	51,674	57,365	60,280	64,750	68,136	68,875	75,410	79,812
Services[e]	47,014	49,203	51,248	53,866	57,887	59,579	59,280	61,379
Government	16,317	16,889	17,970	18,909	20,912	22,994	23,579	23,739
Total GSP	$174,295	$188,576	$197,055	$210,278	$222,498	$225,958	$227,550	$237,261

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 2001 and 2010. Connecticut's nonagricultural employment reached a high in March 2008 of 1,712,700 persons employed, but began declining with the onset of the recession falling to 1,593,500 jobs by January 2010.

TABLE B-8

Non-agricultural Employment[a]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
2001	1,681.4	(0.72)	7,036.9	0.18	131,829.9	0.03
2002	1,665.1	(0.97)	6,928.3	(1.54)	130,340.4	(1.13)
2003	1,644.3	(1.25)	6,850.6	(1.12)	129,996.0	(0.26)
2004	1,649.7	0.33	6,874.7	0.35	131,419.2	1.09
2005	1,662.1	0.75	6,918.3	0.64	133,694.1	1.73
2006	1,680.8	1.13	6,985.3	0.97	136,091.5	1.79
2007	1,698.2	1.03	7,045.5	0.86	137,587.3	1.10
2008	1,698.9	0.04	7,044.0	(0.02)	136,778.1	(0.59)
2009	1,626.2	(4.28)	6,787.4	(3.64)	130,788.8	(4.38)
2010	1,609.0	(1.06)	6,767.7	(0.29)	129,822.1	(0.74)

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

(b) According to statistics from the Connecticut Department of Labor, the average non-agricultural employment in Connecticut for the first six months of 2011 was 1,621,300.

(c) 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 2010. 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, 2010
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	691.8	43.0%	54,624.3	42.1%
Trade[b]	289.5	18.0	24,609.1	19.0
Manufacturing	166.2	10.3	11,527.1	8.9
Government	244.7	15.2	22,487.1	17.3
Finance[c]	135.0	8.4	7,631.8	5.9
Information[d]	31.7	2.0	2,710.5	2.1
Construction[e]	50.1	3.1	6,232.3	4.8
Total[f]	1,609.0	100.0%	129,822.1	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 non-manufacturing industries has surged. In calendar year 2010, approximately 89.7% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Year	Manufacturing	Trade[a]	Services[b]	Government	Finance[c]	Information[d]	Construction[e]	Total Non-agricultural Employment[f]
2001	226.70	312.21	644.21	244.49	142.93	44.69	66.14	1,681.38
2002	211.13	309.29	647.52	249.31	142.62	41.02	64.21	1,665.10
2003	199.99	305.49	647.99	245.95	142.66	39.57	62.68	1,644.33
2004	197.18	307.93	655.74	242.78	140.67	38.99	66.40	1,649.69
2005	195.23	310.55	665.44	243.76	142.31	38.10	66.70	1,662.09
2006	193.52	311.03	680.28	245.88	144.30	37.91	67.92	1,680.84
2007	190.70	311.77	694.14	249.23	144.61	38.42	69.37	1,698.23
2008	187.19	309.92	702.07	252.46	143.37	37.81	66.07	1,698.88
2009	171.19	293.23	686.53	248.22	137.61	34.31	55.11	1,626.19
2010	166.18	289.52	691.75	244.70	134.96	31.71	50.13	1,608.96

(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 17th in the nation for its dependency on manufacturing wages in fiscal year 2011. Manufacturing has traditionally been of prime economic importance to Connecticut but has continued to trend down during the last decade. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. Thus, Connecticut has been successful in diversifying itself away from dependence on just one type of industry. In calendar year 2010 approximately 10.3% of the State's workforce, versus 8.9% for the nation, was employed in the manufacturing sector, down from roughly 50% in the early 1950s.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2001	226.7	(3.85)%	900.8	(4.04)%	16,440.4	(4.78)%
2002	211.1	(6.87)	815.9	(9.42)	15,256.8	(7.20)
2003	200.0	(5.28)	765.0	(6.23)	14,508.4	(4.90)
2004	197.2	(1.41)	746.9	(2.36)	14,314.7	(1.34)
2005	195.2	(0.98)	733.8	(1.75)	14,225.3	(0.62)
2006	193.5	(0.88)	720.5	(1.81)	14,156.1	(0.49)
2007	190.7	(1.46)	709.4	(1.55)	13,877.1	(1.97)
2008	187.2	(1.84)	691.2	(2.56)	13,402.3	(3.42)
2009	171.2	(8.55)	623.4	(9.81)	11,845.4	(11.62)
2010	166.2	(2.93)	608.3	(2.43)	11,527.1	(2.69)

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

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, computer and electronics, and machinery for the total number employed in 2010.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[a]	Total Manufacturing Employment
2001	46.87	47.02	33.82	22.41	76.58	226.70
2002	45.33	43.22	29.45	20.27	72.86	211.13
2003	43.35	40.92	26.56	18.92	70.25	199.99
2004	43.17	41.14	25.86	18.48	68.53	197.18
2005	43.50	41.09	25.49	18.14	67.02	195.23
2006	43.59	41.14	24.91	18.05	65.82	193.52
2007	43.57	40.41	25.22	18.18	63.31	190.70
2008	44.28	40.05	25.28	17.71	59.87	187.19
2009	43.05	35.14	23.40	16.04	53.55	171.19
2010	42.37	33.62	23.09	15.08	52.02	166.18

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

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

During the past ten years, Connecticut's manufacturing employment was at its highest in 2001 at 226,700 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 166,183 in 2010. The total number of manufacturing jobs dropped 60,517, or 26.7%, from its decade high in 2001.

Exports. In Connecticut, the export sector of manufacturing has assumed an important role in overall economic growth. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER), exports of manufacturing products registered at $16.1 billion in 2010, accounting for 6.8% of Gross State Product. From 2006 to 2010, the State's export of goods grew at an average annual rate of 11.1% versus 3.7% 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)

	2006	2007	2008	2009	2010	Percent of 2010 Total	Average Percent Growth 2006-2010
A. Manufacturing Products							
Transportation Equipment	$ 5,399.7	$ 5,813.1	$ 6,500.2	$ 6,428.2	$ 6,987.1	43.5%	12.5%
Computer & Electronics	1,061.0	1,297.6	1,294.2	1,037.6	1,305.6	8.1	9.7
Machinery, Except Electronics	1,387.1	1,618.5	1,555.8	1,439.0	1,549.0	9.6	7.1
Fabricated Metal Production	541.2	585.9	622.3	547.3	615.9	3.8	9.5
Chemicals	748.6	1,447.9	1,575.7	833.4	922.3	5.7	18.5
Misc. Manufacturing	286.2	229.5	272.4	291.3	252.7	1.6	(11.3)
Electrical Equipment	551.1	606.1	603.4	489.8	604.1	3.8	8.2
Plastics & Rubber	204.6	212.4	251.1	228.7	254.8	1.6	7.3
Paper	230.3	147.7	147.2	169.3	181.9	1.1	(1.7)
Primary Metal Mfg.	639.0	480.4	509.0	316.6	536.7	3.3	21.4
Others	1,999.2	1,359.8	2,052.8	2,197.6	2,846.5	17.7	23.7
Total	$12,248.0	$13,799.1	$15,384.1	$13,978.9	$16,056.4	100.0%	11.1%
% Growth	25.6%	12.7%	11.5%	(9.1)%	14.9%		
B. Gross State Product[(a)]	$210,278	$ 222,498	$ 225,958	$ 227,550	$ 237,261		
Mfg Exports as a % of GSP	5.8%	6.2%	6.8%	6.1%	6.8%		6.2%

(a) In millions

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

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal fiscal year 2001. In federal fiscal year 2010 Connecticut received $11.1 billion of prime contract awards. These total awards accounted for 3.5% of national total awards and ranked 8th in total defense dollars awarded and 2nd in per capita dollars awarded among the 50 states. In fiscal year 2010, Connecticut had $3,112 in per capita defense awards, compared to the national average of $1,032. 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 4.6% of Gross State Product in fiscal year 2010, up from 4.4% of Gross State Product in fiscal year 2009.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, and Sikorsky Aircraft Corporation in Stratford, as well as General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
2000-01	4,269,544	10th	96.1	9.7
2001-02	5,638,585	9th	32.1	17.4
2002-03	8,064,809	5th	43.0	20.5
2003-04	8,959,424	5th	11.1	6.4
2004-05	8,753,063	7th	(2.3)	16.5
2005-06	7,780,793	10th	(11.0)	8.6
2006-07	8,601,359	9th	10.5	22.6
2007-08	9,696,554	11th	12.7	16.0
2008-09	11,832,737	8th	22.0	(9.5)
2009-10	11,121,517	8th	(0.1)	(2.7)

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 89.7% by 2010. This trend has diluted the State's dependence on manufacturing. From 2000 to 2010, Connecticut had a total loss of 72,417 jobs in non-agricultural employment. Of those total losses, only 11,900 jobs, or 16.4%, were in the non-manufacturing sector, versus a loss of 60,517, or 83.6%, in the manufacturing sector.

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
2001	1,454.7	(0.21)%	6,136.2	0.84%	115,389.5	0.75%
2002	1,454.0	(0.05)	6,112.4	(0.39)	115,083.7	(0.27)
2003	1,444.3	(0.66)	6,085.6	(0.44)	115,487.6	0.35
2004	1,452.5	0.57	6,127.8	0.69	117,104.5	1.40
2005	1,466.9	0.99	6,184.5	0.93	119,468.8	2.02
2006	1,487.3	1.40	6,264.8	1.30	121,935.4	2.06
2007	1,507.5	1.36	6,336.1	1.14	123,710.2	1.46
2008	1,511.7	0.28	6,352.7	0.26	123,375.8	(0.27)
2009	1,455.0	(3.75)	6,164.0	(2.97)	118,943.4	(3.59)
2010	1,442.8	(0.84)	6,159.5	(0.07)	118,295.1	(0.55)

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

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 90% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2001, 2008, 2009 and 2010 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 2001 and 2010, employment in the service industry and by state and local governments expanded by 47,542 workers and 2,192 jobs, respectively, amid a time when all non-manufacturing jobs registered a decrease of 11,900 jobs. Without these two sectors, total non-manufacturing employment would have been down 61,633 jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 2001	Calendar Year 2008	Calendar Year 2009	Calendar Year 2010	Percent Change 2009-10	Percent Change 2001-10
Construction[a]	66.14	66.07	55.11	50.13	(9.03)%	(24.20)%
Information[b]	44.69	37.81	34.31	31.71	(7.58)	(29.05)
Trade[c]	312.21	309.92	293.23	289.52	(1.26)	(7.27)
Finance, Insurance & Real Estate	142.93	143.37	137.61	134.96	(1.93)	(5.58)
Services[d]	644.22	702.07	686.53	691.75	0.76	7.38
Federal Government	21.61	19.48	19.31	19.63	1.64	(9.18)
State and Local Government	222.88	232.98	228.91	225.07	(1.67)	0.98
Total Non-manufacturing Employment[d]	1,454.68	1,511.69	1,455.00	1,442.78	(0.84)	(0.82)

(a) Includes natural resources and mining.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes wholesale & retail trade, transportation, and utilities.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured 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 four fiscal years. Connecticut retail trade in fiscal year 2011 totaled $49.4 billion, an increase of 13.0% from fiscal year 2010. Sales in the durable goods category, which were severely impacted during the recession, registering three consecutive yearly declines began to recover in fiscal year 2010 and accelerated further in fiscal year 2011. 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 2007	Percent of Fiscal Year 2007 Total	Fiscal Year 2008	Percent of Fiscal Year 2008 Total	Fiscal Year 2009	Percent of Fiscal Year 2009 Total	Fiscal Year 2010	Percent of Fiscal Year 2010 Total	Fiscal Year 2011	Percent of Fiscal Year 2011 Total	Average Percent Growth Fiscal Year 2007-2011
441	Motor Vehicle and Parts Dealers	$ 8,602	18.53%	$ 8,197	16.78%	$ 6,475	14.24%	$ 6,933	15.84%	$ 7,610	15.39%	(2.2)%
442	Furniture and Home Furnishings Stores	2,635	5.68	1,993	4.08	1,456	3.20	1,275	2.91	1,221	2.47	(17.0)
443	Electronics and Appliance Stores	1,627	3.50	1,686	3.45	1,595	3.51	1,450	3.31	1,582	3.20	(0.4)
444	Building Material and Garden Supply Stores	3,465	7.46	3,243	6.64	2,767	6.09	2,727	6.23	2,845	5.76	(4.6)
445	Food and Beverage Stores[b]	6,472	13.94	9,433	19.31	8,927	19.64	7,199	16.45	10,222	20.68	15.8
446	Health and Personal Care Stores	4,219	9.09	3,905	7.99	4,961	10.91	4,920	11.24	5,066	10.25	5.4
447	Gasoline Stations	3,073	6.62	3,403	6.97	2,868	6.31	2,974	6.80	3,426	6.93	3.5
448	Clothing and Clothing Accessories Stores	2,838	6.11	2,947	6.03	2,667	5.87	2,700	6.17	2,739	5.54	(0.7)
451	Sporting Goods, Hobby, Book and Music Stores	1,155	2.49	1,195	2.45	1,052	2.31	995	2.27	1,013	2.05	(3.0)
452	General Merchandise Stores	5,135	11.06	5,193	10.63	5,215	11.47	5,210	11.91	5,275	10.67	0.7
453	Miscellaneous Store Retailers	3,998	8.61	4,037	8.26	3,964	8.72	4,036	9.22	4,757	9.62	4.7
454	Nonstore Retailers	3,209	6.91	3,616	7.40	3,508	7.72	3,338	7.63	3,677	7.44	3.8
	Total[a]	$46,428	100.00%	$48,848	100.00%	$45,455	100.00%	$43,757	100.00%	$49,433	100.00%	1.9%
Durables (NAICS 441, 442, 443, 444)		$16,329	35.17%	$15,119	30.95%	$12,293	27.04%	$12,385	28.30%	$13,258	26.82%	(4.6)%
Non Durables (all other NAICS)		$30,099	64.83%	$33,729	69.05%	$33,162	72.96%	$31,373	71.70%	$36,175	73.18%	5.1%

(a) Totals may not agree with detail due to rounding.

(b) Please note that due to a discrepancy in reporting methodology, figures for Food and Beverage Stores from 2008-2010 filed by several large supermarkets appear inconsistent with past reporting practices and thus the above figures may not be reflective of actual trends.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.5% in 2003, Connecticut's unemployment rate declined to 4.4% by 2006, but climbed during the most recent recession to 9.0% in 2010. During the subsequent weak

economic recovery of Connecticut's average unemployment rate fell to 8.9% for 2011 compared to the New England average of 7.8% and the national average of 9.0% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2001 through 2011.

TABLE B-18

Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
2001	3.1	3.6	4.7
2002	4.4	4.8	5.8
2003	5.5	5.4	6.0
2004	4.9	4.9	5.5
2005	4.9	4.7	5.1
2006	4.4	4.5	4.6
2007	4.6	4.5	4.6
2008	5.6	5.4	5.8
2009	8.3	8.2	9.3
2010	9.1	8.5	9.6
2011[(a)]	8.9	7.8	9.0

(a) Connecticut's unemployment rate for the month of December 2011 was 8.2% compared to 8.5% for the U.S. 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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STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
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Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 27, 2012

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying preliminary general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2011. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD

HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent six percent of the assets and six percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, Connecticut Community - Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 67 percent of the assets and 39 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 93 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 56 percent of the assets and 89 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, the Connecticut Community - Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, the Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 64 percent of the assets and 39 percent of the revenues of the Enterprise Funds;

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors. All of the aforementioned audits were conducted in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Connecticut Development Authority, Capital City Economic Development Authority, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, and Connecticut Innovations Incorporated were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audits of the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) in 2008. This standard modifies the method that governments have reported the cost of providing such benefits, primarily retiree health care. It requires the systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and the disclosure of information about the actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Our audit disclosed that the required actuarial valuation was not performed within the two year window permitted by GASB and the State of Connecticut did not present information pertaining to the Annual OPEB Cost and Net OPEB Obligation, Funded Status and Funding Progress, and Actuarial Methods and Assumptions for the State Employee OPEB Plan in Note 14 of the financial statements in compliance with GASB requirements. Our audit also disclosed that the Annual OPEB Cost and Net OPEB Obligation reported on Note 14 of the financial statements and the Net OPEB Obligation reported as Other Long Term Liabilities on Note 17 of the financial statements for the State Employee OPEB Plan presented data as of June 30, 2010.

In our opinion, except for the matters described in the preceding paragraph, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2011, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, 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 *State of Connecticut Single*

Audit Report for the Fiscal Year Ended June 30, 2011, 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.

As discussed in Note 25 to the financial statements, the State of Connecticut implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended June 30, 2011.

The management's discussion and analysis, the schedules of funding progress for pension and other post-employment benefit plans and the schedules of employer contributions for pension and other post-employment benefit plans, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and do not express an opinion on it. As a result of such limited procedures, we found that the State of Connecticut has not presented data in the Schedule of Funding Progress and Schedule of Employer Contributions for the State Employee OPEB plan that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 24, 2012
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is intended to provide readers of the State's financial statements with a narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2011. The information provided here should be read in conjunction with additional information provided in the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
As of June 30, 2011, the State had a combined net asset deficit of $9.9 billion, an increase of $502 million when compared to the prior year ending deficit balance. This increase resulted mainly from an increase of $410 million in the net asset deficit of governmental activities.

Fund Level:
The governmental funds had a total fund balance of $1.4 billion at year end. Of this amount, $2.6 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation and $1.8 billion represents unassigned fund balance deficit. The General Fund's share of the deficit is $1.7 billion, which increased by $351 million this fiscal year.

The Enterprise funds had total net assets of $4.2 billion, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $26.8 billion for governmental activities, of which $18.6 billion was bonded debt.

Total long-term debt was $2.9 billion for business-type activities, of which $1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are intended to distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

Starting in fiscal year 2011, governmental fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned or unassigned).

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

Proprietary Funds

Proprietary funds (Enterprise funds and Internal Service funds) are used to show activities that operate more like those of commercial enterprises. Enterprise funds charge fees for services provided to outside customers. They are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net asset deficit of the State increased 5.4 percent to $9.9 billion. In comparison, last year the combined net asset deficit increased 58 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010*	2011	2010	2011	2010*
ASSETS:						
Current and Other Assets	$ 4,228	$ 4,601	$ 4,236	$ 4,051	$ 8,464	$ 8,652
Capital Assets	10,924	10,570	3,468	3,382	14,392	13,952
Total Assets	15,152	15,171	7,704	7,433	22,856	22,604
LIABILITIES:						
Current Liabilities	3,824	4,417	787	792	4,611	5,209
Long-term Liabilities	25,378	24,394	2,724	2,356	28,102	26,750
Total Liabilities	29,202	28,811	3,511	3,148	32,713	31,959
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	4,905	4,910	2,819	2,671	7,724	7,581
Restricted	1,810	1,778	1,152	1,264	2,962	3,042
Unrestricted	(20,765)	(20,328)	222	350	(20,543)	(19,978)
Total Net Assets (Deficit)	$ (14,050)	$ (13,640)	$ 4,193	$ 4,285	$ (9,857)	$ (9,355)

* Restated for comparative purposes. See Note 23.

The net asset deficit of the State's governmental activities increased $410 million (3.0 percent) to $14.1 billion during the current fiscal year. Of this amount, $4.9 billion was invested in capital assets (buildings, roads, bridges, etc.) and $1.8 billion was restricted for specific purposes, resulting in an unrestricted net asset deficit of $20.8 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds issued in the amount of $5.7 billion to finance various municipal grant programs (e.g., school construction) and $2.3 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $8.2 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB obligations and compensated absences).

Net assets of the State's business-type activities decreased $91 million (2.1 percent) to $4.2 billion during the current fiscal year. Of this amount, $2.8 billion was invested in capital assets and $1.2 billion was restricted for specific purposes, resulting in unrestricted net assets of $0.2 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET ASSETS

Changes in net assets for the years ended June 30, 2011 and 2010 were as follows:

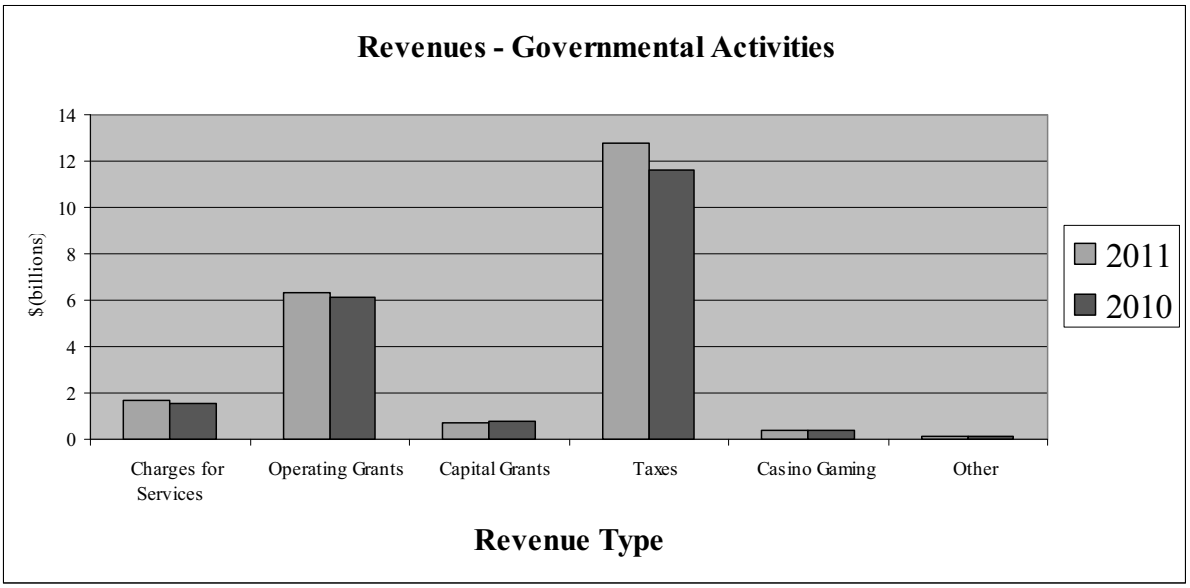
State of Connecticut's Changes in Net Assets
(Expressed in Millions)

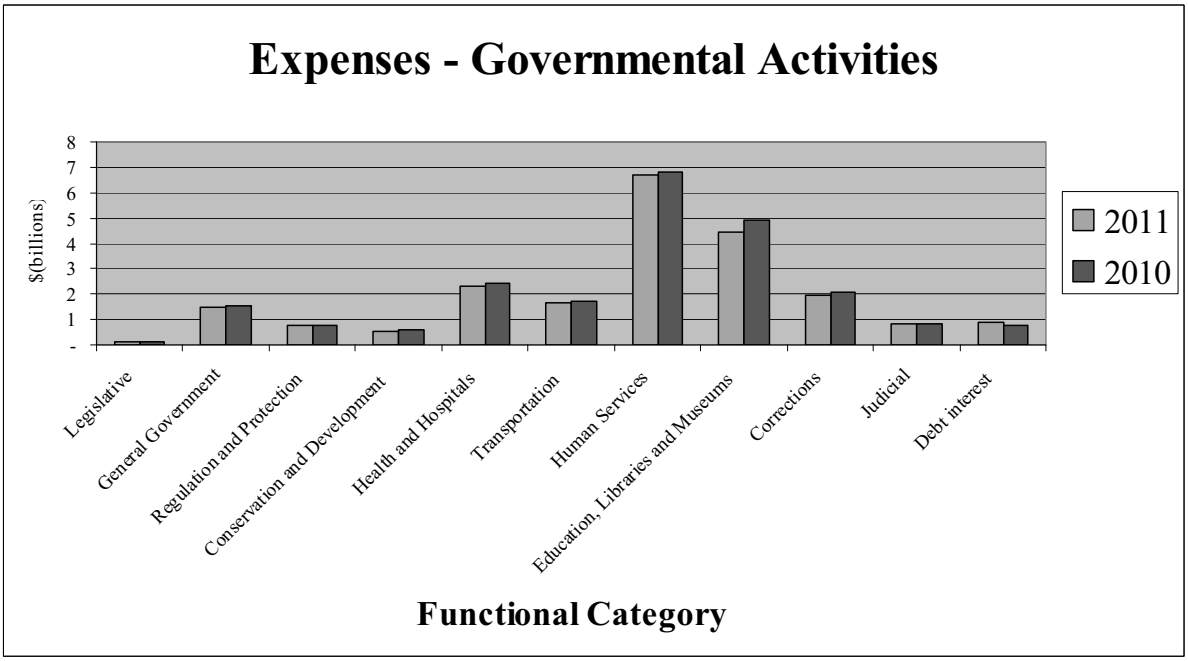
	Governmental Activities		Business-Type Activities		Total		%change
	2011	2010*	2011	2010	2011	2010*	11-10
REVENUES							
Program Revenues							
Charges for Services	$ 1,647	$ 1,522	$ 3,416	$ 3,223	$ 5,063	$ 4,745	6.7%
Operating Grants and Contributions	6,350	6,113	1,790	1,885	8,140	7,998	1.8%
Capital Grants and Contributions	725	766	40	18	765	784	-2.4%
General Revenues							
Taxes	12,788	11,583	-	-	12,788	11,583	10.4%
Casino Gaming Payments	360	384	-	-	360	384	-6.3%
Other	141	156	32	40	173	196	-11.7%
Total Revenues	22,011	20,524	5,278	5,166	27,289	25,690	6.2%
EXPENSES							
Legislative	100	106	-	-	100	106	-5.7%
General Government	1,509	1,566	-	-	1,509	1,566	-3.6%
Regulation and Protection	780	796	-	-	780	796	-2.0%
Conservation and Development	529	566	-	-	529	566	-6.5%
Health and Hospitals	2,301	2,443	-	-	2,301	2,443	-5.8%
Transportation	1,638	1,741	-	-	1,638	1,741	-5.9%
Human Services	6,676	6,830	-	-	6,676	6,830	-2.3%
Education, Libraries and Museums	4,463	4,921	-	-	4,463	4,921	-9.3%
Corrections	1,932	2,083	-	-	1,932	2,083	-7.2%
Judicial	828	828	-	-	828	828	0.0%
Interest and Fiscal Charges	874	793	-	-	874	793	10.2%
University of Connecticut & Health Center	-	-	1,807	1,703	1,807	1,703	6.1%
State Universities	-	-	652	650	652	650	0.3%
Bradley International Airport	-	-	68	69	68	69	-1.4%
CT Lottery Corporation	-	-	738	723	738	723	2.1%
Employment Security	-	-	2,307	2,701	2,307	2,701	-14.6%
Clean Water	-	-	45	53	45	53	-15.1%
Other	-	-	543	527	543	527	3.0%
Total Expenses	21,630	22,673	6,160	6,426	27,790	29,099	-4.5%
Excess (Deficiency) Before Transfers and Special Items	381	(2,149)	(882)	(1,260)	(501)	(3,409)	-85.3%
Special Items	-	21	-	(21)	-	-	0.0%
Transfers	(791)	(1,062)	791	1,062	-	-	0.0%
Increase (Decrease) in Net Assets	(410)	(3,190)	(91)	(219)	(501)	(3,409)	-85.3%
Net Assets (Deficit) - Beginning (as restated)	(13,640)	(10,450)	4,284	4,504	(9,356)	(5,946)	57.3%
Net Assets (Deficit) - Ending	$ (14,050)	$ (13,640)	$ 4,193	$ 4,285	$ (9,857)	$ (9,355)	5.4%

**Restated for comparative purposes. See note 23.*

GOVERNMENTAL ACTIVITIES

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

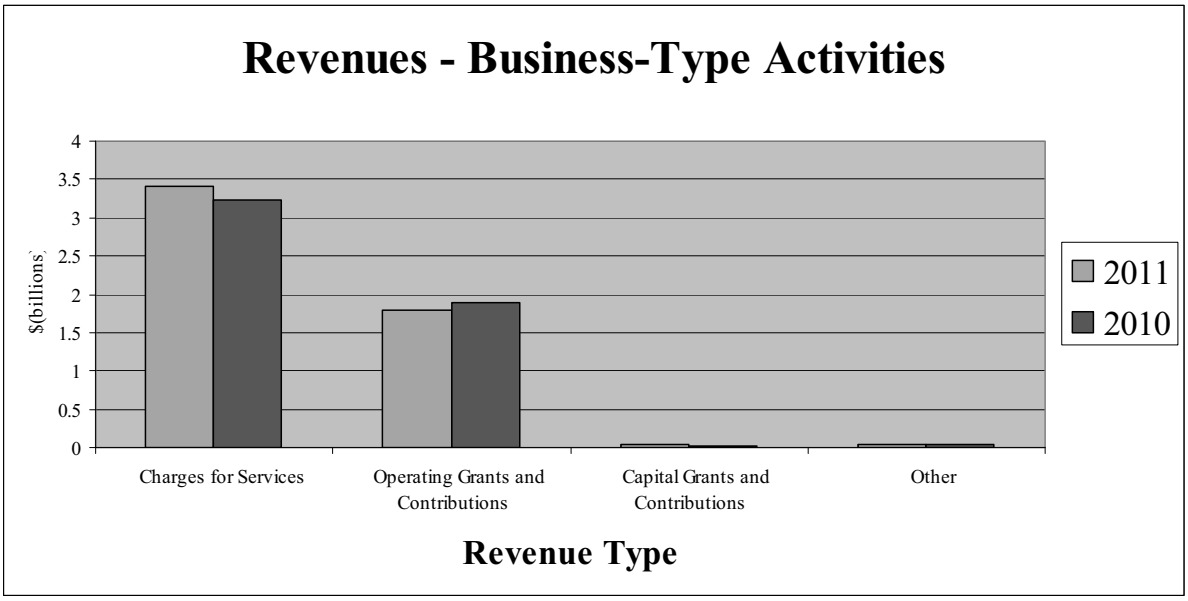


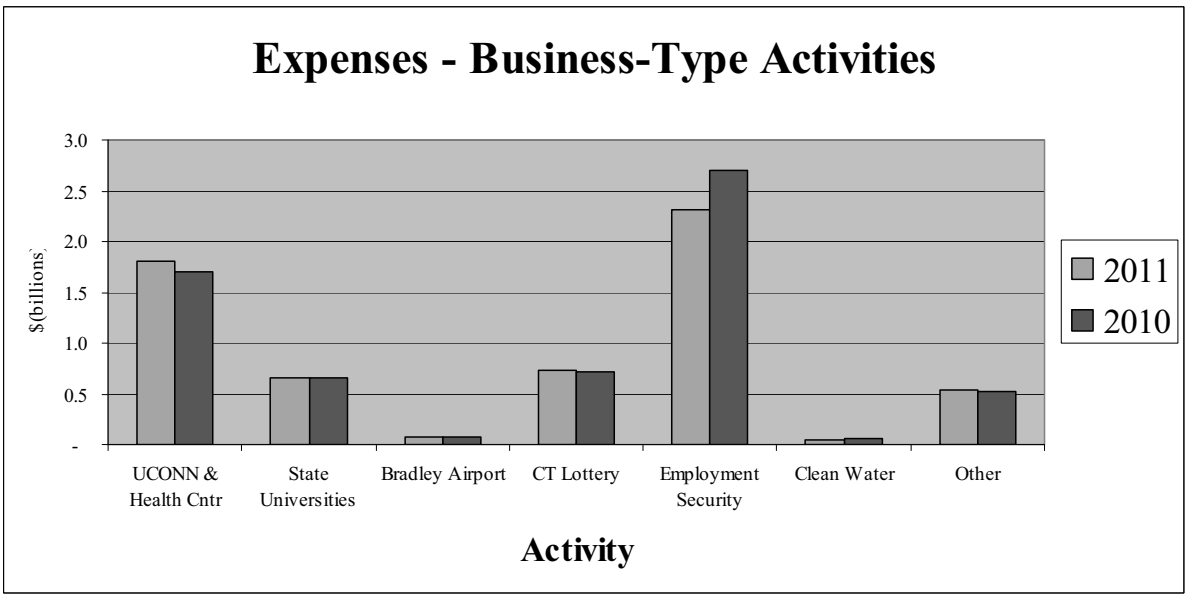


During the year, total revenues of governmental activities increased 7.2 percent to $22.0 billion, while total expenses decreased 4.6 percent to $21.6 billion. In comparison, last year total revenues and expenses increased 3.7 percent and 1.3 percent, respectively. The increase in total revenues ($1.5 billion) was due mainly to an increase in taxes of $1.2 billion or 10.4 percent. The decrease in total expenditures ($1.0 billion) was due mainly to a decrease in education, libraries, and museum expenditures of $458 million or 9.3%. Although, total revenues exceeded total expenses by $381 million, this excess was reduced by transfers of $791 million, resulting in a decrease in net assets of $410 million.

BUSINESS-TYPE ACTIVITIES

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





During the year, total revenues of business-type increased 2.2 percent to $5.3 billion, while total expenses decreased 4.1 percent to $6.2 billion. In comparison, last year total revenues and expenses increased 24.3 percent and 21.9 percent respectively. The decrease in total expenses ($266 million) was due mainly to a decrease in Employment Security expenses of $394 million or 14.6 percent. Although, total expenses exceeded total revenues by $882 million, this deficiency was reduced by transfers of $791 million, resulting in a decrease in net assets of $91 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

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

As of June 30, 2011, the State's governmental funds had fund balances of $1.4 billion, remaining unchanged when compared to the prior year ending fund balances. Of the total governmental fund balances, $2.6 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $0.4 billion represents fund balance that is committed or assigned for specific purposes by the Legislature and $1.8 billion represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2011, the General Fund had a fund balance deficit of $1.3 billion. Of this amount, $0.4 billion represents fund balance that is committed or assigned for specific purposes by the Legislature, leaving a deficit of $1.7 billion in unassigned fund balance. Fund balance decreased by $351 million during the current fiscal year.

Debt Service Fund

As of June 30, 2011, the Debt Service Fund had a fund balance of $709 million, all of which was restricted. Fund balance increased by $21 million during the current fiscal year.

Transportation Fund

As of June 30, 2011, the Transportation Fund had a fund balance of $170 million. Of this amount, $28 million was in nonspendable form and $142 million was restricted for specific purposes. Fund balance increased by $6 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2011, the Restricted Grants and Accounts Fund had a fund balance of $444 million, all of which was restricted for specific purposes. Fund balance decreased by $177 million during the fiscal year.

Proprietary Funds

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

Fiduciary Funds

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. As of June 30, 2011, the net assets of the State's Fiduciary funds totaled $25.8 billion, an increase of $3.0 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund had an estimated budget surplus of $0.2 million at the start of the fiscal year. During the first quarter of the year, the fund had an estimated budget deficit of $45 million, instead, as the State's economy continued to experience a slow recovery. However, due to deficit reduction measures adopted by the State legislature in prior years, the fund had a final estimated budget surplus of $159 million at the end of the fiscal year.

Although actual fund expenditures exceeded revenues by $138 million, this deficiency was reduced by other financing sources of $375 million (including a transfer of 2010 fiscal year surplus of $450 million), resulting in an actual budget surplus of $237 million for the fiscal year.

Actual revenues were almost the same as originally budgeted for the fiscal year. Final budgeted appropriations were greater than originally budgeted by $391 million for the fiscal year. This increase resulted mainly from an increase in human services appropriations of $278 million, specifically Medicaid appropriations increased by $651 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled $14.4 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $440 million, due mainly to an increase in governmental activities' capital assets of $354 million or 3.3 percent.

Major capital asset events for governmental activities during the fiscal year included the following:

- Additions to equipment and infrastructure of $1.0 billion
- Depreciation expense of $846 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	
	2011	2010	2011	2010	2011	2010
Land	$ 1,595	$ 1,562	$ 65	$ 60	$ 1,660	$ 1,622
Buildings	1,476	1,453	2,515	2,530	3,991	3,983
Improvements Other than Buildings	176	201	247	254	423	455
Equipment	154	44	346	344	500	388
Infrastructure	5,183	5,591	-	-	5,183	5,591
Construction in Progress	2,340	1,719	295	194	2,635	1,913
Total	$ 10,924	$ 10,570	$ 3,468	$ 3,382	$ 14,392	$ 13,952

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

Long-Term Debt
Bonded Debt

At the end of the current fiscal year, the State had total bonded debt of $20.2 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 Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 13,794	$ 13,593	$ -	$ -	$ 13,794	$ 13,593
Transportation Related Bonds	3,358	3,030	-	-	3,358	3,030
Revenue Bonds	-	-	1,556	1,498	1,556	1,498
Long-Term Notes	916	1,144	-	-	916	1,144
Premiums and deferred amounts	526	527	51	41	577	568
Total	$ 18,594	$ 18,294	$ 1,607	$ 1,539	$ 20,201	$ 19,833

The State's total bonded debt increased by $368 million (1.9 percent) during the current fiscal year. This increase resulted mainly from an increase in transportation related bonds of $328 million.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of October 2011, the State had a debt incurring margin of $6.9 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Net Pension Obligation	$ 2,447	$ 2,262	$ -	$ -	$ 2,447	$ 2,262
Net OPEB Obligation	4,603	4,441	-	-	4,603	4,441
Compensated Absences	560	523	155	147	715	670
Workers Compensation	511	461	-	-	511	461
Lottery Prizes	-	-	162	181	162	181
Federal Loan Payable	-	-	810	499	810	499
Other	122	130	183	194	305	324
Total	$ 8,243	$ 7,817	$ 1,310	$ 1,021	$ 9,553	$ 8,838

The State's other long-term obligations increased by $715 million (8.1 percent) during the fiscal year. This increase was due mainly to an increase in Federal loan payable (Business-Type activities) of $311 million or 62.3 percent.

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

Economic Factors and Next Year's Budget

The national economy as measured by real GDP grew at a moderate rate of just over 2 percent during the first two quarters of fiscal year 2011 before slowing sharply in the second half of the fiscal year. Second half growth was about half of the first half level. This is consistent with Connecticut's job performance, which expanded by 15,200 payroll jobs during fiscal year 2011 with most of the gain coming during the first six months of the fiscal year.

In fiscal year 2011, Connecticut weekly earnings increased at a 3.3 percent rate. The State's personal income has been growing at a rate in excess of 4 percent.

The stock market realized double-digit gains over the course of the fiscal year. The DOW increased by 25 percent as recessionary pressures eased. Historic growth was posted in corporate profits in calendar year 2010 with solid results continuing into the first quarter of 2011.

Retail sales were strong throughout fiscal year 2011 growing by more than 8 percent. The personal savings rate declined steadily during most of fiscal year. The higher store sales helped to boost Connecticut's fiscal year 2011 sales tax revenues by 4.7 percent from a year ago.

The State's housing sector continued to struggle in fiscal year 2011. New housing permits declined 5 percent from already depressed levels and existing home sales fell 19 percent during the fiscal year with quarterly sales at about half of the 2005 level.

After declining in 2009, Connecticut's export sector rebounded with solid growth in 2010 continuing into 2011 with double-digit growth.

For fiscal year 2012, the budget for the General Fund had an estimated $80.9 million surplus at the start of the fiscal year. Budgeted revenues were expected to increase 3.9 percent to $18.8 billion, while budgeted appropriations were expected to increase 1.3 percent to $18.7 billion. During the second quarter of the fiscal year, the estimated budget surplus was reduced to $1.4 million due to a decline in forecasted revenue of $83 million.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3350.

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Basic Financial Statements

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Statement of Net Assets

June 30, 2011
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 815,474	$ 748,818	$ 1,564,292	$ 144,574
Deposits with U.S. Treasury	-	337,799	337,799	-
Investments	382,068	67,705	449,773	362,106
Receivables, (Net of Allowances)	2,130,295	796,021	2,926,316	45,394
Due from Primary Government	-	-	-	12,988
Inventories	45,134	13,907	59,041	4,086
Restricted Assets	-	68,785	68,785	1,414,128
Internal Balances	(248,768)	248,768	-	-
Other Current Assets	19,305	18,256	37,561	2,924
Total Current Assets	3,143,508	2,300,059	5,443,567	1,986,200
Noncurrent Assets:				
Cash and Cash Equivalents	-	340,739	340,739	-
Due From Component Units	19,026	-	19,026	-
Investments	-	193,618	193,618	41,085
Receivables, (Net of Allowances)	250,035	706,424	956,459	170,387
Restricted Assets	710,880	644,657	1,355,537	4,598,791
Capital Assets, (Net of Accumulated Depreciation)	10,924,298	3,468,078	14,392,376	417,573
Other Noncurrent Assets	104,590	50,098	154,688	11,154
Total Noncurrent Assets	12,008,829	5,403,614	17,412,443	5,238,990
Total Assets	15,152,337	7,703,673	22,856,010	7,225,190
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	807,239	294,994	1,102,233	68,652
Due to Component Units	12,988	-	12,988	-
Due to Other Governments	202,451	1,965	204,416	-
Current Portion of Long-Term Obligations	1,458,847	194,414	1,653,261	309,473
Amount Held for Institutions	-	-	-	364,483
Deferred Revenue	12,949	227,814	240,763	-
Medicaid Liability	525,733	-	525,733	-
Liability for Escheated Property	578,709	-	578,709	-
Other Current Liabilities	224,762	68,112	292,874	27,862
Total Current Liabilities	3,823,678	787,299	4,610,977	770,470
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	25,378,369	2,723,138	28,101,507	4,631,975
Total Noncurrent Liabilities	25,378,369	2,723,138	28,101,507	4,631,975
Total Liabilities	29,202,047	3,510,437	32,712,484	5,402,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,905,025	2,818,635	7,723,660	276,804
Restricted For:				
Transportation	82,785	-	82,785	-
Debt Service	663,880	28,989	692,869	22,765
Federal Grants and Other Accounts	452,836	-	452,836	-
Capital Projects	445,499	115,071	560,570	-
Clean Water and Drinking Water Projects	-	760,007	760,007	-
Bond Indenture Requirements	-	2,250	2,250	936,984
Loans	-	4,500	4,500	-
Permanent Investments or Endowments:				
Expendable	1,668	-	1,668	91,401
Nonexpendable	97,485	12,472	109,957	274,653
Other Purposes	65,720	229,380	295,100	50,982
Unrestricted (Deficit)	(20,764,608)	221,932	(20,542,676)	169,156
Total Net Assets (Deficit)	$ (14,049,710)	$ 4,193,236	$ (9,856,474)	$ 1,822,745

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

Statement of Activities

For The Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines , and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 99,542	$ 2,677	$ 169	$ -
General Government	1,508,994	498,045	117,937	-
Regulation and Protection	780,363	595,692	221,250	-
Conservation and Development	529,292	169,483	91,957	-
Health and Hospitals	2,300,369	73,980	178,263	-
Transportation	1,637,847	55,552	-	725,080
Human Services	6,675,895	77,153	4,800,112	-
Education, Libraries, and Museums	4,463,129	32,822	814,611	-
Corrections	1,932,375	9,439	115,291	-
Judicial	828,124	132,468	10,477	-
Interest and Fiscal Charges	873,847	-	-	-
Total Governmental Activities	21,629,777	1,647,311	6,350,067	725,080
Business-Type Activities:				
University of Connecticut & Health Center	1,806,815	982,949	222,290	1,989
State Universities	651,513	366,009	64,950	17,263
Bradley International Airport	68,415	63,076	-	6,001
Connecticut Lottery Corporation	738,397	1,016,697	-	-
Employment Security	2,306,715	809,364	1,367,271	-
Clean Water	45,473	20,460	23,838	-
Other	542,184	157,323	111,348	14,846
Total Business-Type Activities	6,159,512	3,415,878	1,789,697	40,099
Total Primary Government	$ 27,789,289	$ 5,063,189	$ 8,139,764	$ 765,179
Component Units				
Connecticut Housing Finance Authority (12-31-10)	$ 243,109	$ 194,748	$ -	$ -
Connecticut Health and Educational Facilities Authority	7,870	6,788	-	-
Other	262,950	176,850	11,286	885
Total Component Units	$ 513,929	$ 378,386	$ 11,286	$ 885

General Revenues:
- Taxes:
  - Personal Income
  - Corporate Income
  - Sales and Use
  - Other
- Restricted for Transportation Purposes:
  - Motor Fuel
  - Other
- Casino Gaming Payments
- Tobacco Settlement
- Unrestricted Investment Earnings

Contributions to Endowments

Transfers-Internal Activities

Total General Revenues, Contributions, and Transfers

Change in Net Assets

Net Assets (Deficit)- Beginning (as restated)

Net Assets (Deficit)- Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (96,696)	$ -	$ (96,696)	$ -
(893,012)	-	(893,012)	-
36,579	-	36,579	-
(267,852)	-	(267,852)	-
(2,048,126)	-	(2,048,126)	-
(857,215)	-	(857,215)	-
(1,798,630)	-	(1,798,630)	-
(3,615,696)	-	(3,615,696)	-
(1,807,645)	-	(1,807,645)	-
(685,179)	-	(685,179)	-
(873,847)	-	(873,847)	-
(12,907,319)	-	(12,907,319)	-
-	(599,587)	(599,587)	-
-	(203,291)	(203,291)	-
-	662	662	-
-	278,300	278,300	-
-	(130,080)	(130,080)	-
-	(1,175)	(1,175)	-
-	(258,667)	(258,667)	-
-	(913,838)	(913,838)	-
(12,907,319)	(913,838)	(13,821,157)	-
-	-	-	(48,361)
-	-	-	(1,082)
-	-	-	(73,929)
-	-	-	(123,372)
6,327,263	-	6,327,263	-
726,090	-	726,090	-
3,365,250	-	3,365,250	-
1,655,594		1,655,594	-
477,411	-	477,411	-
237,242	-	237,242	-
359,582	-	359,582	-
121,422	-	121,422	-
18,434	31,580	50,014	117,450
-	-	-	30,299
(790,851)	790,851	-	-
12,497,437	822,431	13,319,868	147,749
(409,882)	(91,407)	(501,289)	24,377
(13,639,828)	4,284,643	(9,355,185)	1,798,368
$ (14,049,710)	$ 4,193,236	$ (9,856,474)	$ 1,822,745

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Governmental Fund Financial Statements

Major Funds

General Fund:
This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:
This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:
to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Restricted Grants and Accounts Fund:
This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Balance Sheet
Governmental Funds

June 30, 2011
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 119,062	$ 77,956	$ 610,314	$ 807,332
Investments	278,228	-	-	-	103,840	382,068
Securities Lending Collateral	-	-	-	-	18,681	18,681
Receivables:						
Taxes, Net of Allowances	1,011,100	-	42,457	-	-	1,053,557
Accounts, Net of Allowances	270,123	-	10,408	8,436	36,990	325,957
Loans, Net of Allowances	3,419	-	-	2,072	244,544	250,035
From Other Governments	553,065	-	-	183,988	13,189	750,242
Interest	-	116	77	-	-	193
Other	-	-	-	-	3	3
Due from Other Funds	19,581	-	116	320,659	674,250	1,014,606
Due from Component Units	19,026	-	-	-	-	19,026
Inventories	13,572	-	27,733	-	-	41,305
Restricted Assets	-	708,645	-	-	2,235	710,880
Other Assets	-	-	-	-	292	292
Total Assets	$ 2,168,114	$ 708,761	$ 199,853	$ 593,111	$ 1,704,338	$ 5,374,177
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 365,049	$ -	$ 24,861	$ 120,137	$ 78,993	$ 589,040
Due to Other Funds	1,015,957	116	-	2,568	185,866	1,204,507
Due to Component Units	-	-	-	324	12,664	12,988
Due to Other Governments	186,931	-	-	15,520	-	202,451
Deferred Revenue	586,963	-	5,175	10,447	45,713	648,298
Medicaid Liability	525,733	-	-	-	-	525,733
Liability For Escheated Property	578,709	-	-	-	-	578,709
Securities Lending Obligation	-	-	-	-	18,681	18,681
Other Liabilities	206,081	-	-	-	-	206,081
Total Liabilities	3,465,423	116	30,036	148,996	341,917	3,986,488
Fund Balances						
Nonspendable:						
Inventories/Long-Term Receivables	36,017	-	27,733	-	-	63,750
Permanent Fund Principal	-	-	-	-	97,485	97,485
Restricted For:						
Debt Service	-	708,645	-	-	-	708,645
Transportation Programs	-	-	142,084	-	-	142,084
Federal Grant and State Programs	-	-	-	444,115	-	444,115
Other	-	-	-	-	1,257,497	1,257,497
Committed For:						
Continuing Appropriations	178,649	-	-	-	-	178,649
Budget Reserve Fund	48	-	-	-	-	48
Assigned To:						
Surplus Transfer to Fiscal Year 2012	236,923	-	-	-	-	236,923
Other	-	-	-	-	13,971	13,971
Unassigned	(1,748,946)	-	-	-	(6,532)	(1,755,478)
Total Fund Balances	(1,297,309)	708,645	169,817	444,115	1,362,421	1,387,689
Total Liabilities and Fund Balances	$ 2,168,114	$ 708,761	$ 199,853	$ 593,111	$ 1,704,338	$ 5,374,177

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

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

June 30, 2011
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 1,387,689
Net assets reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Buildings	3,275,731	
Equipment	1,790,182	
Infrastructure	12,655,722	
Other Capital Assets	4,405,723	
Accumulated Depreciation	(11,232,402)	10,894,956
Debt issue costs are recorded as expenditures in the funds. However, these costs are deferred (reported as other assets) and amortized over the life of the bonds in the Statement of Net Assets.		81,993
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		635,349
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(51,052)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 17).		
Net Pension Obligation	(2,447,084)	
Net OPEB Obligation	(4,602,759)	
Worker's Compensation	(511,413)	
Capital Leases	(42,995)	
Compensated Absences	(557,208)	
Claims and Judgments	(56,227)	(8,217,686)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement (Note 17).		
Bonds and Notes Payable	(18,067,730)	
Unamortized Premiums	(712,896)	
Less: Deferred Loss on Refundings	186,784	
Accrued Interest Payable	(187,117)	(18,780,959)
Net Assets of Governmental Activities		$ (14,049,710)

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

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 11,888,079	$ -	$ 713,936	$ -	$ -	$ 12,602,015
Assessments	-	-	-	-	28,444	28,444
Licenses, Permits and Fees	248,548	-	299,575	11,438	42,206	601,767
Tobacco Settlement	-	-	-	-	121,422	121,422
Federal Grants and Aid	4,878,669	-	9,360	2,254,614	99,181	7,241,824
Charges for Services	35,505	-	62,384	-	954	98,843
Fines, Forfeits and Rents	111,806	-	19,126	-	11,423	142,355
Casino Gaming Payments	359,582	-	-	-	-	359,582
Investment Earnings	-	4,334	1,096	1,367	11,829	18,626
Miscellaneous	184,624	-	7,004	399,191	121,647	712,466
Total Revenues	17,706,813	4,334	1,112,481	2,666,610	437,106	21,927,344
Expenditures						
Current:						
Legislative	96,234	-	-	3,755	-	99,989
General Government	1,157,346	-	1,119	246,962	96,589	1,502,016
Regulation and Protection	362,403	-	80,819	146,910	188,435	778,567
Conservation and Development	168,525	-	-	138,269	220,371	527,165
Health and Hospitals	2,039,074	-	-	221,893	10,108	2,271,075
Transportation	-	-	673,160	755,306	12,540	1,441,006
Human Services	6,008,019	-	-	562,699	8,001	6,578,719
Education, Libraries, and Museums	3,280,456	-	-	595,092	380,096	4,255,644
Corrections	1,897,355	-	-	19,078	3,746	1,920,179
Judicial	773,612	-	-	17,215	33,262	824,089
Capital Projects	-	-	-	-	464,023	464,023
Debt Service:						
Principal Retirement	1,001,948	271,330	-	-	-	1,273,278
Interest and Fiscal Charges	630,067	155,532	3,619	149,224	7,339	945,781
Total Expenditures	17,415,039	426,862	758,717	2,856,403	1,424,510	22,881,531
Excess (Deficiency) of Revenues Over Expenditures	291,774	(422,528)	353,764	(189,793)	(987,404)	(954,187)
Other Financing Sources (Uses)						
Bonds Issued	47,785	-	-	-	1,571,840	1,619,625
Premiums on Bonds Issued	1,137	19,748	-	-	53,698	74,583
Transfers In	518,020	446,775	111,884	40,956	93,783	1,211,418
Transfers Out	(1,213,584)	(4,422)	(459,615)	(28,000)	(300,313)	(2,005,934)
Refunding Bonds Issued	-	412,870	-	-	-	412,870
Payment to Refunded Bond Escrow Agent	-	(431,550)	-	-	-	(431,550)
Capital Lease Obligations	4,089	-	-	-	-	4,089
Total Other Financing Sources (Uses)	(642,553)	443,421	(347,731)	12,956	1,419,008	885,101
Net Change in Fund Balances	(350,779)	20,893	6,033	(176,837)	431,604	(69,086)
Fund Balances (Deficit) - Beginning (restated)	(949,605)	687,752	164,240	620,952	930,817	1,454,156
Changes in Reserves for Inventories & Loans Receivable	3,075	-	(456)	-	-	2,619
Fund Balances (Deficit) - Ending	$ (1,297,309)	$ 708,645	$ 169,817	$ 444,115	$ 1,362,421	$ 1,387,689

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2011

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (69,086)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long term-liabilities in the Statement of Net Assets. Bond proceeds were received this year from:		
Bonds Issued	(1,619,625)	
Refunding Bonds Issued	(412,870)	
Premium on Bonds Issued	(74,583)	(2,107,078)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt repayments this year consisted of:		
Principal Retirement	1,273,278	
Payments to Refunded Bond Escrow Agent	433,910	
Capital Lease Payments	2,796	1,709,984
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of activities		(4,089)
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:		
Capital Outlays	1,197,947	
Depreciation Expense	(836,178)	
Retirements	(16)	361,753
Loans issued during the year are reported as expenditures in the governmental funds. However, loans receivable are reported as an asset in the Statement of Net Assets. This is the amount of loans issued during the year.		3,419
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which consumption exceeded purchases of inventories.		(800)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Accrued Interest	(30,097)	
Decrease in Interest Accreted on Capital Appreciation Debt	43,255	
Amortization of Bond Premium	80,028	
Amortization of Loss on Debt Refundings	(23,928)	
Increase in Compensated Absences Liability	(36,924)	
Increase in Workers Compensation Liability	(50,817)	
Decrease in Claims and Judgments Liability	4,062	
Increase in Net Pension Obligation	(184,864)	
Increase in Net OPEB Obligation	(162,056)	(361,341)
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		83,402
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.		(26,361)
Debt issue costs are recorded as expenditures in the governmental funds. However, these costs are amortized over the life of the bonds in the Statement of Activities. In the current year, these amounts are:		
Debt Issue Costs Payments	8,429	
Amortization of Debt Issue Costs	(8,114)	315
Change in Net Assets of Governmental Activities		$ (409,882)

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

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

For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	**Original**	**Final**	**Actual**	**(negative)**
Budgeted:				
Taxes, Net of Refunds	$ 10,921,670	$ 11,976,000	$ 12,049,467	$ 73,467
Operating Transfers In	397,400	388,500	388,412	(88)
Casino Gaming Payments	365,800	359,600	359,581	(19)
Licenses, Permits, and Fees	235,400	250,400	250,442	42
Other	307,300	392,400	372,034	(20,366)
Federal Grants	4,256,000	4,214,000	4,235,178	21,178
Refunds of Payments	(900)	(1,900)	(1,875)	25
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer to the Resources of the General Fund	1,246,500	565,700	116,015	(449,685)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	17,667,370	18,082,900	17,707,454	(375,446)
Expenditures				
Budgeted:				
Legislative	80,543	80,543	66,109	14,434
General Government	509,154	518,598	476,090	42,508
Regulation and Protection	277,931	292,614	261,670	30,944
Conservation and Development	133,030	133,398	123,919	9,479
Health and Hospitals	1,725,236	1,790,004	1,715,670	74,334
Transportation	609	609	-	609
Human Services	5,205,006	5,483,807	5,387,535	96,272
Education, Libraries, and Museums	4,084,068	4,084,412	4,060,466	23,946
Corrections	1,503,312	1,542,853	1,484,460	58,393
Judicial	552,508	567,008	559,912	7,096
Non Functional	4,013,592	3,981,566	3,709,293	272,273
Total Expenditures	18,084,989	18,475,412	17,845,124	630,288
Appropriations Lapsed	296,344	426,300	-	(426,300)
Excess (Deficiency) of Revenues Over Expenditures	(121,275)	33,788	(137,670)	(171,458)
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	121,475	121,475	121,475	-
Appropriations Continued to Fiscal Year 2012	-	-	(200,985)	(200,985)
Transfer of 2010 Fiscal Year Surplus	-	-	449,869	449,869
Miscellaneous Adjustments	-	4,233	4,234	1
Total Other Financing Sources (Uses)	121,475	125,708	374,593	248,885
Net Change in Fund Balance	$ 200	$ 159,496	236,923	$ 77,427
Budgetary Fund Balances - July 1			572,182	
Changes in Reserves			(366,964)	
Budgetary Fund Balances - June 30			$ 442,141	

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

Transportation Fund			
Budget			Variance with Final Budget positive (negative)
Original	Final	Actual	
$ 713,400	$ 713,700	$ 713,999	$ 299
107,600	107,600	107,550	(50)
-	-	-	-
362,500	361,100	355,597	(5,503)
15,000	5,500	5,506	6
5,800	9,300	9,360	60
(2,500)	(3,000)	(3,005)	(5)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,300)	(15,300)	(15,300)	-
1,180,000	1,172,400	1,167,207	(5,193)
-	-	-	-
2,717	2,717	1,078	1,639
67,795	67,795	54,500	13,295
-	-	-	-
-	-	-	-
531,390	544,575	532,631	11,944
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
627,958	614,773	578,421	36,352
1,229,860	1,229,860	1,166,630	63,230
11,000	22,800	-	(22,800)
(38,860)	(34,660)	577	35,237
41,977	41,977	41,977	-
-	-	(40,553)	(40,553)
-	-	-	-
41,977	41,977	1,424	(40,553)
$ 3,117	$ 7,317	2,001	$ (5,316)
		147,341	
		(1,423)	
		$ 147,919	

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Proprietary Fund Financial Statements

Major Funds

University of Connecticut and Health Center:
This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities:
This fund is used to account for the operations of the State University System which consist of four universities: Central, Eastern, Southern, and Western.

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

The Connecticut Lottery Corporation:
The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

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

Clean Water:
to account for resources used to provide loans to municipalities to finance waste water treatment projects.

Statement of Net Assets
Proprietary Funds

June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 368,800	$ 176,958	$ 30,491	$ 16,616
Deposits with U.S. Treasury	-	-	-	-
Investments	3,151	38,382	-	26,172
Receivables:				
Accounts, Net of Allowances	102,338	171,470	5,923	23,901
Loans, Net of Allowances	1,864	1,567	-	-
Interest	-	-	-	4,129
From Other Governments	-	2,225	1,526	-
Due from Other Funds	51,015	36,750	-	-
Inventories	13,907	-	-	-
Restricted Assets	53,730	-	15,055	-
Other Current Assets	12,362	3,462	131	2,021
Total Current Assets	607,167	430,814	53,126	72,839
Noncurrent Assets:				
Cash and Cash Equivalents	1,356	116,227	-	-
Investments	10,686	26,566	-	134,810
Receivables:				
Loans, Net of Allowances	10,481	9,864	-	-
Restricted Assets	8,058	-	101,837	-
Capital Assets, Net of Accumulated Depreciation	1,697,556	852,933	305,406	2,531
Other Noncurrent Assets	2,063	2,266	22,317	4,968
Total Noncurrent Assets	1,730,200	1,007,856	429,560	142,309
Total Assets	2,337,367	1,438,670	482,686	215,148
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	145,904	55,094	8,981	10,948
Due to Other Funds	11,502	3,261	3,151	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	54,166	20,506	13,290	26,888
Deferred Revenue	36,892	185,058	1,788	802
Other Current Liabilities	26,955	7,413	-	33,479
Total Current Liabilities	275,419	271,332	27,210	72,117
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	304,727	316,748	171,035	135,517
Total Noncurrent Liabilities	304,727	316,748	171,035	135,517
Total Liabilities	580,146	588,080	198,245	207,634
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,422,787	686,811	138,105	2,531
Restricted For:				
Debt Service	7,229	-	17,252	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	40,962	-	74,109	-
Nonexpendable Purposes	11,892	560	-	-
Bond Indentures	-	-	2,250	-
Loans	4,500	-	-	-
Other Purposes	22,023	41,414	-	7,514
Unrestricted (Deficit)	247,828	121,805	52,725	(2,531)
Total Net Assets (Deficit)	$ 1,757,221	$ 850,590	$ 284,441	$ 7,514

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

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
$ -	$ 2,014	$ 153,939	$ 748,818	$ 8,142
337,799	-	-	337,799	-
-	-	-	67,705	-
185,777	-	13,513	502,922	151
-	253,811	9,801	267,043	-
-	8,419	370	12,918	-
9,387	-	-	13,138	-
2,196	-	177,606	267,567	2,172
-	-	-	13,907	3,829
-	-	-	68,785	-
-	-	280	18,256	332
535,159	264,244	355,509	2,318,858	14,626
-	182,818	40,338	340,739	-
-	21,556	-	193,618	-
-	624,317	61,762	706,424	-
-	453,596	81,166	644,657	-
-	-	609,652	3,468,078	29,342
-	16,334	2,150	50,098	-
-	1,298,621	795,068	5,403,614	29,342
535,159	1,562,865	1,150,577	7,722,472	43,968
-	9,128	64,939	294,994	24,998
885	-	-	18,799	66,931
1,965	-	-	1,965	-
-	70,687	8,877	194,414	112
-	-	3,274	227,814	-
-	-	265	68,112	-
2,850	79,815	77,355	806,098	92,041
809,876	818,045	167,190	2,723,138	2,979
809,876	818,045	167,190	2,723,138	2,979
812,726	897,860	244,545	3,529,236	95,020
-	-	568,401	2,818,635	29,342
-	-	4,508	28,989	-
-	660,342	99,665	760,007	-
-	-	-	115,071	-
-	-	20	12,472	-
-	-	-	2,250	-
-	-	-	4,500	-
-	-	158,429	229,380	-
(277,567)	4,663	75,009	221,932	(80,394)
$ (277,567)	$ 665,005	$ 906,032	$ 4,193,236	$ (51,052)

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

For The Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Operating Revenues				
Charges for Sales and Services	$ 862,814	$ 346,091	$ 46,445	$ 1,016,614
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	185,926	46,791	-	-
State Grants, Contracts and Other Aid	35,732	15,241	-	-
Private Gifts and Grants	28,910	2,918	-	-
Interest on Loans	-	-	-	-
Other	68,605	16,957	-	78
Total Operating Revenues	1,181,987	427,998	46,445	1,016,692
Operating Expenses				
Salaries, Wages and Administrative	1,568,450	581,030	41,726	98,448
Lottery Prize Awards	-	-	-	620,134
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	120,410	51,471	17,861	452
Other	105,347	7,541	-	8,299
Total Operating Expenses	1,794,207	640,042	59,587	727,333
Operating Income (Loss)	(612,220)	(212,044)	(13,142)	289,359
Nonoperating Revenue (Expenses)				
Interest and Investment Income	1,198	1,295	990	11,097
Interest and Fiscal Charges	(12,608)	(11,471)	(8,828)	(11,064)
Federal Grants	-	-	-	-
Other	23,252	2,961	16,631	5
Total Nonoperating Revenues (Expenses)	11,842	(7,215)	8,793	38
Income (Loss) Before Capital Contributions, Grants, and Transfers	(600,378)	(219,259)	(4,349)	289,397
Capital Contributions	1,989	17,263	6,001	-
Federal Capitalization Grants	-	-	-	-
Transfers In	567,600	270,475	10,056	-
Transfers Out	(25,000)	(13,000)	-	(289,300)
Change in Net Assets	(55,789)	55,479	11,708	97
Total Net Assets (Deficit) - Beginning	1,813,010	795,111	272,733	7,417
Total Net Assets (Deficit) - Ending	$ 1,757,221	$ 850,590	$ 284,441	$ 7,514

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
$ -	$ -	$ 119,044	$ 2,391,008	$ 51,398
805,679	-	30,883	836,562	-
1,352,973	-	89,045	1,674,735	-
14,298	-	17,877	83,148	-
-	-	4,426	36,254	-
-	16,195	1,653	17,848	-
3,685	-	5,603	94,928	109
2,176,635	16,195	268,531	5,134,483	51,507
-	723	434,012	2,724,389	61,685
-	-	-	620,134	-
2,306,715	-	-	2,306,715	-
-	-	31,760	31,760	-
-	-	21,976	212,170	15,899
-	8,745	48,620	178,552	-
2,306,715	9,468	536,368	6,073,720	77,584
(130,080)	6,727	(267,837)	(939,237)	(26,077)
-	15,416	1,584	31,580	2
-	(36,005)	(5,816)	(85,792)	-
-	-	-		154
-	4,265	140	47,254	(440)
-	(16,324)	(4,092)	(6,958)	(284)
(130,080)	(9,597)	(271,929)	(946,195)	(26,361)
-	-	-	25,253	-
-	23,838	14,846	38,684	-
-	-	289,627	1,137,758	-
(5,739)	(2,812)	(11,056)	(346,907)	-
(135,819)	11,429	21,488	(91,407)	(26,361)
(141,748)	653,576	884,544	4,284,643	(24,691)
$ (277,567)	$ 665,005	$ 906,032	$ 4,193,236	$ (51,052)

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Cash Flows from Operating Activities				
Receipts from Customers	$ 874,701	$ 341,521	$ 46,109	$ 1,015,647
Payments to Suppliers	(560,883)	(186,148)	(24,323)	(89,655)
Payments to Employees	(1,067,381)	(412,808)	(16,928)	(15,355)
Other Receipts (Payments)	351,667	83,325	-	(620,600)
Net Cash Provided by (Used in) Operating Activities	(401,896)	(174,110)	4,858	290,037
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(31,166)
Interest on Bonds and Annuities Payable	-	-	-	(12,103)
Transfers In	461,762	245,786	10,056	-
Transfers Out	-	-	-	(289,300)
Other Receipts (Payments)	8,067	(9,583)	-	9,127
Net Cash Flows from Noncapital Financing Activities	469,829	236,203	10,056	(323,442)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(137,635)	(57,441)	(13,413)	(316)
Proceeds from Capital Debt	-	41,045	152,380	-
Principal Paid on Capital Debt	(95,962)	(32,986)	(172,075)	-
Interest Paid on Capital Debt	(52,730)	(11,851)	(9,448)	-
Transfer In	127,907	40,995	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	6,073	-
Other Receipts (Payments)	1,526	25	6,584	-
Net Cash Flows from Capital and Related Financing Activities	(156,894)	(20,213)	(29,899)	(316)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	5,256	-	30,953
Purchase of Investment Securities	(18)	(30,739)	-	(11,027)
Interest on Investments	1,171	1,315	1,008	12,141
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	3,206	-	5,183	-
Net Cash Flows from Investing Activities	4,359	(24,168)	6,191	32,067
Net Increase (Decrease) in Cash and Cash Equivalents	(84,602)	17,712	(8,794)	(1,654)
Cash and Cash Equivalents - Beginning of Year	511,998	275,473	138,955	18,270
Cash and Cash Equivalents - End of Year	$ 427,396	$ 293,185	$ 130,161	$ 16,616
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (612,220)	$ (212,044)	$ (13,142)	$ 289,359
Adjustments not Affecting Cash:				
Depreciation and Amortization	120,410	51,471	17,861	452
Other	93,165	21	-	100
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(1,382)	(5,600)	(336)	(1,177)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	2,965	-		(905)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(4,834)	(8,331)	475	2,208
Increase (Decrease) in Due to Other Funds	-	373	-	-
Total Adjustments	210,324	37,934	18,000	678
Net Cash Provided by (Used In) Operating Activities	$ (401,896)	$ (174,110)	$ 4,858	$ 290,037
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 368,800	$ 176,958	$ 30,491	
Cash and Cash Equivalents - Noncurrent	1,356	116,227	-	
Cash and Cash Equivalents - Restricted	57,240	-	99,670	
	$ 427,396	$ 293,185	$ 130,161	

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

Business-Type Activities Enterprise Funds				Governmental Activities
Employment Security	Clean Water	Other	Totals	Internal Service Funds
$ 792,322	$ 81,870	$ 155,149	$ 3,307,319	$ 49,678
-	(8,745)	(88,550)	(958,304)	(29,098)
-	(691)	(357,197)	(1,870,360)	(13,536)
(782,830)	(111,131)	83,653	(995,916)	1,836
9,492	(38,697)	(206,945)	(517,261)	8,880
-	182,802	18,000	200,802	-
-	(67,310)	(5,810)	(104,286)	-
-	(32,724)	(2,141)	(46,968)	-
-	-	275,361	992,965	-
(5,739)	(2,812)	(10,056)	(307,907)	-
(3,753)	(31,554)	1,003	(26,693)	(440)
(9,492)	48,402	276,357	707,913	(440)
-	-	(6,708)	(215,513)	(8,591)
-	-	-	193,425	-
-	-	-	(301,023)	-
-	-	(3,378)	(77,407)	-
-	-	14,612	183,514	-
-	32,840	15,764	48,604	-
-	-	-	6,073	-
-	-	(74,970)	(66,835)	-
-	32,840	(54,680)	(229,162)	(8,591)
-	-	-	36,209	-
-	-	-	(41,784)	-
-	15,716	1,609	32,960	2
-	630	-	630	-
-	(61,298)	(13,651)	(66,560)	-
-	(44,952)	(12,042)	(38,545)	2
-	(2,407)	2,690	(77,055)	(149)
-	4,421	151,249	1,100,366	8,291
$ -	$ 2,014	$ 153,939	$ 1,023,311	$ 8,142
$ (130,080)	$ 6,727	$ (267,837)	$ (939,237)	$ (26,077)
-	-	21,976	212,170	15,899
-	-	(8,736)	84,550	154
(12,693)	(45,424)	(434)	(67,046)	95
(664)	-	-	(664)	(1,813)
(133,609)	-	45,939	(85,610)	1,703
311,423	-	2,147	303,088	18,919
(24,885)	-	-	(24,512)	-
139,572	(45,424)	60,892	421,976	34,957
$ 9,492	$ (38,697)	$ (206,945)	$ (517,261)	$ 8,880

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Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Private Purpose Trust Fund
Escheat Securities:
to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Cash and Cash Equivalents	$ 136,119	$ -	$ -	$ 127,292	$ 263,411
Receivables:					
Accounts, Net of Allowances	18,681	-	-	6,657	25,338
From Other Governments	1,276	-	-	-	1,276
From Other Funds	1,313	-	-	6,042	7,355
Interest	882	376	-	10	1,268
Investments	25,085,533	604,728	-	-	25,690,261
Inventories	-	-	-	13	13
Securities Lending Collateral	3,137,300	-	-	-	3,137,300
Other Assets	-	26	2,161	364,398	366,585
Total Assets	28,381,104	605,130	2,161	$ 504,412	29,492,807
Liabilities					
Accounts Payable and Accrued Liabilities	31,261	104	-	$ 22,702	54,067
Securities Lending Obligation	3,137,300	-	-	-	3,137,300
Due to Other Funds	1,463	-	-	-	1,463
Funds Held for Others	-	-	-	481,710	481,710
Total Liabilities	3,170,024	104	-	$ 504,412	3,674,540
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	25,086,280	-	-		25,086,280
Other Employee Benefits (Note 15)	124,800	-	-		124,800
Individuals, Organizations, and Other Governments	-	605,026	2,161		607,187
Total Net Assets	$ 25,211,080	$ 605,026	$ 2,161		$ 25,818,267

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2011
(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	$ 418,302	$ -	$ -	$ 418,302
State	1,957,473	-	-	1,957,473
Municipalities	51,126	-	-	51,126
Total Contributions	2,426,901	-	-	2,426,901
Investment Income	4,538,633	2,300	-	4,540,933
Less: Investment Expense	(93,585)	(164)	-	(93,749)
Net Investment Income	4,445,048	2,136	-	4,447,184
Escheat Securities Received	-	-	38,986	38,986
Transfers In	3,665	-	-	3,665
Other	2,076	-	-	2,076
Total Additions	6,877,690	2,136	38,986	6,918,812
Deductions				
Administrative Expense	3,063	-	-	3,063
Benefit Payments and Refunds	3,558,116	-	-	3,558,116
Escheat Securities Returned or Sold	-	-	56,955	56,955
Distributions to Pool Participants	-	2,137	-	2,137
Pool's Share Transactions	-	280,066	-	280,066
Other	3,482	-	1,968	5,450
Total Deductions	3,564,661	282,203	58,923	3,905,787
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	3,313,029	-	-	3,313,029
Individuals, Organizations, and Other Governments	-	(280,067)	(19,937)	(300,004)
Net Assets - Beginning	21,898,051	885,093	22,098	22,805,242
Net Assets - Ending	$ 25,211,080	$ 605,026	$ 2,161	$ 25,818,267

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

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Component Unit Financial Statements

Major Component Units

Connecticut Housing Finance Authority:
the Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families throughout the State.

Connecticut Health and Educational Facilities Authority:
the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

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Statement of Net Assets
Component Units

June 30, 2011

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-10)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 240	$ 144,334	$ 144,574
Investments	-	7,189	354,917	362,106
Receivables:				
Accounts, Net of Allowances	-	200	23,383	23,583
Loans, Net of Allowances	-	-	20,655	20,655
Other	-	-	1,156	1,156
Due From Primary Government	-	-	12,988	12,988
Restricted Assets	957,286	364,483	92,359	1,414,128
Inventories	-	-	4,086	4,086
Other Current Assets	-	120	2,804	2,924
Total Current Assets	957,286	372,232	656,682	1,986,200
Noncurrent Assets:				
Investments	-	-	41,085	41,085
Accounts, Net of Allowances	-	-	16,365	16,365
Loans, Net of Allowances	-	-	154,022	154,022
Restricted Assets	4,521,571	10,580	66,640	4,598,791
Capital Assets, Net of Accumulated Depreciation	3,680	188	413,705	417,573
Other Noncurrent Assets	-	-	11,154	11,154
Total Noncurrent Assets	4,525,251	10,768	702,971	5,238,990
Total Assets	5,482,537	383,000	1,359,653	7,225,190
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	29,766	4,181	34,705	68,652
Current Portion of Long-Term Obligations	283,930	-	25,543	309,473
Amount Held for Institutions	-	364,483	-	364,483
Other Liabilities	27,131	-	731	27,862
Total Current Liabilities	340,827	368,664	60,979	770,470
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,237,814	2,207	391,954	4,631,975
Total Noncurrent Liabilities	4,237,814	2,207	391,954	4,631,975
Total Liabilities	4,578,641	370,871	452,933	5,402,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,680	188	272,936	276,804
Restricted:				
Debt Service	-	-	22,765	22,765
Bond Indentures	936,984	-	-	936,984
Expendable Endowments	-	-	91,401	91,401
Nonexpendable Endowments	-	-	274,653	274,653
Other Purposes	-	5,373	45,609	50,982
Unrestricted (Deficit)	(36,768)	6,568	199,356	169,156
Total Net Assets	$ 903,896	$ 12,129	$ 906,720	$ 1,822,745

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/10)	$ 243,109	$ 194,748	$ -	$ -
Connecticut Health and Educational Facilities Authority	7,870	6,788	-	-
Other Component Units	262,950	176,850	11,286	885
Total Component Units	$ 513,929	$ 378,386	$ 11,286	$ 885

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

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

Net (Expense) Revenue and Changes in Net Assets			
Connecticut Housing Finance Authority (12-31-10)	Connecticut Health & Educational Facilities Authority	Other Component Units	Totals
$ (48,361)	$ -	$ -	$ (48,361)
-	(1,082)	-	(1,082)
-	-	(73,929)	(73,929)
(48,361)	(1,082)	(73,929)	(123,372)
71,274	22	46,154	117,450
-	-	30,299	30,299
71,274	22	76,453	147,749
22,913	(1,060)	2,524	24,377
880,983	13,189	904,196	1,798,368
$ 903,896	$ 12,129	$ 906,720	$ 1,822,745

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Notes to the Financial Statements
June 30, 2011

Note 1 Summary of Significant Accounting Policies
a. Basis of Presentation
The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity
For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

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

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

Connecticut Housing Finance Authority
The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2010.

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

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

Connecticut Health and Educational Facilities Authority
The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated
The corporation is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

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

University of Connecticut Foundation, Incorporated
The University of Connecticut Foundation, Incorporated is a nongovernmental nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund.

Financial statements for the major component units are included in the accompanying financial statements after the fund

financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

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

c. Government-wide and Fund Financial Statements
Government-wide Financial Statements
The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements
The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 constrains 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.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities - This fund is used to account for the operations of the State University System which consists of four universities: Central, Eastern, Southern, and Western.

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

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

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension (and Other Employee Benefits) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans and other employee benefits plans. These plans are discussed more fully in Notes 11, 12, and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 45 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because

the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2011 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund registered under the Investment Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

In the Statement of cash flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 4)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of equity and debt securities held by 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 assets.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

Securities Lending Transactions (see Note 4)
Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

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

Long-term Obligations
In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Other significant long-term obligations include the net pension and OPEB obligations, 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 assets at its net or accreted value rather than at face value.

Compensated Absences
The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

Pursuant to Special Act No. 09-06, the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund of the State. Under the provisions of this program, any employee participating in the program shall be eligible for payment of accrued sick days and for the balance of unused vacation leave in accordance with the existing rules as stated above, except for one modification. The modification provides that the balance of any compensated absences shall be paid in three equal annual installments beginning during fiscal year ending June 30, 2013.

g. Interest Rate Swap Agreements
The State has entered into interest rate swap agreements to reduce borrowing costs on outstanding variable-rate bonds. These agreements are considered to be derivative instruments and are discussed in more detail in Note No. 19.

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. Food Stamps
Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the governmental fund financial statements.

j. External Investment Pool
Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to the pool's participants.

k. Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 Budgetary vs. GAAP Basis of Accounting
The following is a reconciliation of the net change in fund balances as reported in the budgetary and GAAP basis of accounting statements of revenues, expenditures, and changes in fund balances (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ 236,923	$ 2,001
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(18,121)	(6,714)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(100,394)	13,277
Salaries and Fringe Benefits Payable	4,397	(2,935)
Increase (Decrease) in Continuing Appropriations	79,510	(1,423)
Less Transfer of 2010 Fiscal Year Surplus	(449,869)	-
Less Transfer From Budget Reserve Fund	(103,225)	-
Fund Reclassification-Bus Operations	-	1,827
Net change in fund balances (GAAP basis)	$ (350,779)	$ 6,033

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

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

2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

Note 3 Nonmajor Fund Deficits
The following funds have deficit fund/net assets balances at June 30, 2011, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Consumer Counsel Public Utility Control	$ 1,823
Capital Projects	
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 25,950
Internal Service	
Administrative Services	$ 61,339

Note 4 Cash Deposits and Investments

According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", the State needs to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.
Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.
Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.
Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.
Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund, one Medium-Term Investment Fund, and 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, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

As of June 30, 2011, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1	1-5
Floating Rate Notes	$ 26,741	$ 26,741	$ -
Federal Agency Securities	1,003,403	982,899	20,504
US Treasuries	25,103	25,103	-
US Gov. Guaranteed Securities	335,980	308,310	27,670
Government Money Market Funds	95,785	95,785	-
Repurchase Agreements	200,000	200,000	-
Bank Commercial Paper	685,000	685,000	-
Total Investments	$ 2,372,012	$ 2,323,838	$ 48,174

Interest Rate Risk

The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2011, the weighted average maturity of the STIF was 31 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and investments in such securities with maturities up to two years are limited to no more than 20 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2011, the amount of STIF's investments in variable-rate securities was $819 million.

Credit Risk

The STIF's policy for managing credit risk is to invest in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2011, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	A	Unrated
Floating Rate Notes	$ 26,741	$ -	$ -	$ 26,741
Federal Agency Securities	1,003,402	1,003,402	-	-
US Securities	25,103	25,103	-	-
US Gov. Guaranteed and Insured Secur	335,980	335,980	-	-
Government Money Market Funds	95,786	95,786	-	-
Repurchase Agreements	200,000	-	200,000	-
Bank Commercial Paper	685,000	-	685,000	-
Total Investments	$ 2,372,012	$ 1,460,271	$ 885,000	$ 26,741

Concentration of Credit Risk

STIF reduces its exposure to this risk by requiring that not more than 10 percent of its portfolio be invested in securities of any one issuer, except for overnight or two-business day repurchase agreements and U.S. government and agency securities. As of June 30, 2011, 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
US Bank	$ 510,000
Federal Farm Credit	$ 386,304
Fannie Mae	$ 242,738
Freddie Mac	$ 211,396
Merrill Lynch	$ 200,000
Federal Home Loan Bank	$ 162,964
Rabo Bank	$ 175,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):
The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A and its issuer rating is at least "C". As of June 30, 2011, $2,119,000 of the bank balance of STIF's deposits of $2,120,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,907,100
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	211,900
Total	$ 2,119,000

Short-Term Plus Investment Fund (STIF Plus)
STIF Plus is a money market and short-term bond investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF Plus in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptance, repurchase agreements, and asset-backed securities. STIF Plus's investments are reported at fair value on the fund's statement of net assets.

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

As of June 30, 2011, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

		Investment Maturities (in years)	
Investment Type	Fair Value	Less Than 1	1-5
Corporate Notes	$ 14,980	$ 14,980	$ -
Asset Backed Securities	4,566	3,745	821
Total Investments	$ 19,546	$ 18,725	$ 821

Interest Rate Risk
STIF Plus's policy for managing this risk is to perform, on a quarterly basis, an interest rate sensitivity analysis on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2011, the weighted average maturity of STIF Plus was 144 days. In addition, STIF Plus is allowed to invest in floating-rate debt securities. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprise frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2011, STIF Plus's investment in variable-rate securities was $18.7 million.

Credit Risk
The STIF Plus manages its credit risk by investing only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2011, STIF Plus's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

		Quality Ratings			
Investment Type	Fair Value	AAA	A	B	CCC
Corporate Notes	$ 14,980	$ -	$ 14,980	$ -	$ -
Asset Backed Securities	4,566	3,328	-	753	485
Total	$ 19,546	$ 3,328	$ 14,980	$ 753	$ 485

Concentration of Credit Risk
STIF Plus's policy for managing this risk is to limit the amount it may invest in any single corporate entity or federal agency to 5 percent and 15 percent, respectively, at the time of purchase. As of June 30, 2011, STIF Plus' investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Fair Value
Merrill Lynch	$ 9,981
Goldman Sachs	$ 4,999
Granite Master	$ 1,393
Argent Securities	$ 1,113

Combined Investment Funds (CIFS)
The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net assets.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

As of June 30, 2011, the amount of equity in the CIFS reported in the financial statements was as follows (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 97,485	$ 647	$ 25,085,533
Other Investments	284,583	67,058	604,728
Total Investments-Current	$ 382,068	$ 67,705	$ 25,690,261

As of June 30, 2011, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Cash Equivalents	$ 942,957	$ 742,526	$ 2,222	$ -	$ 198,209
Asset Backed Securities	110,040	67	93,312	16,661	-
Government Securities	2,775,763	115,115	1,176,573	674,571	809,504
Government Agency Securities	992,775	9,865	35,374	57,610	889,926
Mortgage Backed Securities	242,806	719	39,861	6,399	195,827
Corporate Debt	1,693,275	83,014	558,677	758,238	293,346
Convertible Debt	42,898	2,857	17,567	11,349	11,125
Mutual Fund	325,767	-	-	-	325,767
Total Debt Instruments	7,126,281	$ 954,163	$ 1,923,586	$ 1,524,828	$ 2,723,704
Common Stock	12,448,537				
Preferred Stock	107,956				
Real Estate Investment Trust	189,027				
Mutual Fund	1,451,909				
Limited Liability Corporation	4,168				
Trusts	2,138				
Limited Partnerships	3,917,579				
Total Investments	$ 25,247,595				

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2011, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$ 1,516,059	$ -	$ 65,293	$ 300,575	$ 873,075	$ 163,022	$ 114,094	$ -	$ -
Aa	241,933	-	8,991	67,290	-	11,583	154,069	-	-
A	424,358	-	661	191,572	-	4,348	227,729	48	-
Baa	595,952	-	-	247,697	-	6,184	342,062	9	-
Ba	304,777	-	-	119,018	-	2,351	178,115	5,293	-
B	373,176	-	-	49,812	-	-	318,503	4,861	-
Caa	139,050	-	-	1,420	-	6,724	130,906	-	-
Ca	5,205	-	-	-	-	-	5,205	-	-
C	877	-	-	-	-	877	-	-	-
MIG 1	3,353	-	-	3,353	-	-	-	-	-
Prime 1	46,090	46,090	-	-	-	-	-	-	-
Govt. Fixed Not Rated	1,914,726	-	-	1,795,026	119,700	-	-	-	-
Not Rated	1,560,725	896,867	35,095	-	-	47,717	222,592	32,687	325,767
Total	$ 7,126,281	$ 942,957	$ 110,040	$ 2,775,763	$ 992,775	$ 242,806	$ 1,693,275	$ 42,898	$ 325,767

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, 2011, CIFS' foreign deposits and investments were as follows (amounts in thousands):

	Combined Investment Funds											
				Fixed Income Securitities					Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Mutual Funds	Corporate Debt	Convertible Securities	Asset Backed	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$ 3,594	$ 273	$ -	$ 3,321	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	409,806	3,452	-	52,729	-	23,181	-	-	310,962	-	19,482
Brazilian Real	214,439	1,246	-	41,518	-	11,913	341	67	106,652	52,702	-
Canadian Dollar	120,666	1,450	-	502	-	-	-	-	118,668	-	46
Chilean Peso	8,734	31	-	1,821	-	-	-	-	6,882	-	-
Colombian Peso	17,459	-	-	9,267	-	6,729	-	1,463	-	-	-
Czech Koruna	16,549	-	-	-	-	-	-	-	16,549	-	-
Danish Krone	64,139	420	-	-	-	-	-	-	63,719	-	-
Egyptian Pound	11,721	963	-	144	-	-	-	-	10,614	-	-
Euro Currency	1,653,398	6,316	185	78,085	-	6,768	-	1,082	1,519,715	36,743	4,504
Ghana Cedi	843	-	-	843	-	-	-	-	-	-	-
Hong Hong Dollar	619,779	4,482	-	-	-	-	-	-	614,296	-	1,001
Hungarian Fornit	51,178	2	-	5,853	-	-	-	-	45,323	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-	-
Indian Rupee	3,385	-	-	3,385	-	-	-	-	-	-	-
Indonesian Rupiah	105,898	524	-	12,884	-	9,784	-	-	82,706	-	-
Israeli Shekel	10,274	61	-	278	-	-	-	-	9,935	-	-
Japanese Yen	989,240	7,252	-	495	-	-	-	-	977,250	-	4,243
Kazakhstan Tenge	551	-	-	-	-	551	-	-	-	-	-
Malaysian Ringgit	83,193	545	-	36,805	-	-	-	-	45,843	-	-
Mexican Peso	106,582	788	-	55,517	-	-	-	-	50,277	-	-
Moroccan Dirham	726	54	-	-	-	-	-	-	672	-	-
New Russian Rubel	4,628	13	-	2,441	-	1,812	-	-	362	-	-
New Taiwan Dollar	84,668	901	-	-	-	-	-	-	83,767	-	-
New Zealand Dollar	63,640	1,581	-	51,619	-	-	-	-	10,426	-	14
Norwegian Krone	56,828	233	-	16,991	-	-	-	-	39,604	-	-
Pakistan Rupee	169	169	-	-	-	-	-	-	-	-	-
Peruvian Nouveau Sol	1,963	9	-	1,954	-	-	-	-	-	-	-
Philippine Peso	26,032	73	-	2,518	-	-	-	-	23,441	-	-
Polish Zloty	98,067	3,513	-	47,661	-	-	-	-	46,893	-	-
Pound Sterling	1,037,326	4,780	-	18,907	686	1,866	-	-	1,004,549	-	6,538
Singapore Dollar	85,702	737	-	-	-	-	-	-	82,021	-	2,944
South African Rand	135,187	3,337	-	30,734	-	950	-	-	100,166	-	-
South Korean Won	507,644	2,128	-	352	-	-	-	-	495,720	9,444	-
Sri Lanka Rupee	664	-	-	-	-	-	-	-	664	-	-
Swedish Krona	113,665	676	-	-	-	-	-	-	112,989	-	-
Swiss Franc	353,870	1,899	-	-	-	-	-	-	351,971	-	-
Thailand Baht	111,074	481	-	8,779	-	-	-	-	101,814	-	-
Turkish Lira	104,729	729	-	21,284	-	-	-	-	79,326	-	3,390
Total	$ 7,278,012	$ 49,120	$ 185	$ 506,687	$ 686	$ 63,554	$ 341	$ 2,612	$ 6,513,776	$ 98,889	$ 42,162

Derivatives

As of June 30, 2011, the CIFS held the following derivative investments:

Derivative Investments	Fair Value
Asset Backed Securities	$ 110,040
Mortgage Backed Securities	65,752
Collateralized Mortgage Obligations	176,973
TBA's	242,923
Interest Only Securities	1,210
Options	608
Adjustable Rate Securities	619,870
Total	$ 1,217,376

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, 2011, the fair value of contracts to buy and contracts to sell was $4,111.0 million and $4,158.2 million, 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, 2011, the CIFS had deposits with a bank balance of $64.4 million which was uninsured and uncollateralized.

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

Other Investments

As of June 30, 2011, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Repurchase Agreements	$ 2,504	$ 2,504	$ -	$ -	$ -
State Bonds	36,585	1,672	1,917	10,986	22,010
U.S. Government Securities	129,290	4,708	115,415	6,450	2,717
Guaranteed Investment Contracts	260,050	19,943	31,830	99,611	108,666
Tax Exempt Proceeds Fund	11,892	11,892	-	-	-
Money Market Funds	6,062	6,062	-	-	-
Total Debt Investments	446,383	$ 46,781	$ 149,162	$ 117,047	$ 133,393
Annuity Contracts	160,982				
Endowment Pool	10,536				
Limited Partnership	150				
Total Investments	$ 618,051				

Credit Risk

As of June 30, 2011, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated
Repurchase Agreements	$ 2,504	$ 2,504	$ -	$ -	$ -
State Bonds	36,585	-	36,585	-	-
U.S. Government Securities	129,290	-	-	-	129,290
Guaranteed Investment Contracts	260,050	62,970	53,821	143,259	-
Tax Exempt Proceeds Fund	11,892	-	-	-	11,892
Money Market Funds	6,062	-	-	-	6,062
Total	$ 446,383	$ 65,474	$ 90,406	$ 143,259	$ 147,244

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, 2011, $257,584 of the bank balance of the Primary Government of $807,588 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 231,611
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	25,973
Total	$ 257,584

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) reported the following investments and maturities as of 12-31-10 and 6-30-11, respectively (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 1,120	$ -	$ -	$ 1,120
Corporate Finance Bonds	5,411	-	5,411	-
Federal NIBP Money Market Funds	119,496	119,496	-	-
Federated Funds	736	736	-	-
Fidelity Funds	10,680	10,680	-	-
Fidelity Tax Exempt Fund	5,272	5,272	-	-
GNMA Program Assets	847,996	-	-	847,996
Guaranteed Investment Contracts	17,002	15	16,987	-
Mortgage Backed Securities	1,986	-	293	1,693
Municipal Bonds	6,000	-	-	6,000
U.S. Government and Agency Securities	1,799	996	-	803
Structured Securities	519	-	-	519
Money Market Funds	351,991	351,991	-	-
Total	$ 1,370,008	$ 489,186	$ 22,691	$ 858,131

The CHFA and the CHEFA own 73.0 percent and 27.0 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity.

CHEFA

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless investment transactions and therefore represents a

minimum standard for the portfolio's rate of return. The Authority's policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

Credit Risk
CHFA
The Authority's investments are limited by state Statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the CIFS, and other obligations which are legal investments for savings banks in the state. The Federated and 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.

CHEFA
The Authority has an investment policy that would further limit its investment choices beyond those limited by state statutes for both unrestricted and restricted investments. For example, investments that may be purchased by the Authority with the written approval of an officer, provided that the investment has a maturity of one year or less, are as follows: obligations issued or guaranteed by the U.S. Government, including FDIC; qualified money market funds investing in short-term securities as permitted by the Authority's enabling legislation; the State's Short-Term Investment Fund (STIF) provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government.

CHFA's and CHEFA's investments were rated as of 12-31-10 and 6-30-11, respectively, as follows (amounts in thousands):

	Component Units					
	Fair	Quality Ratings				
Investment Type	Value	AAA	AA	BBB	D	Unrated
Collateralized Mortgage Obligations	$ 1,120	$ -	$ -	$ 1,120	$ -	$ -
Corporate Finance Bonds	5,411	-	-	5,411	-	-
Federal NIBP Money market Funds	119,496	119,496	-	-	-	-
Federated Funds	736	-	-	-	-	736
Fidelity Funds	10,680	-	-	-	-	10,680
Fidelity Tax Exempt Fund	5,272	-	-	-	-	5,272
GNMA Assets	847,996	-	-	-	-	847,996
Guaranteed Investment Contracts	17,002	-	15	-	-	16,987
Mortgage Backed Securities	1,986	-	-	-	-	1,986
Municipal Bonds	6,000	-	-	-	-	6,000
U.S Government and Agency Securities	1,799	-	-	-	-	1,799
Structured Securities	519	-	-	-	519	-
Money Market Funds	351,991	-	-	-	-	351,991
Total	$ 1,370,008	$ 119,496	$ 15	$ 6,531	$ 519	$ 1,243,447

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, 2010, 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 Program Assets).

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

Security Lending Transactions
Certain of the Combined Investment Funds are permitted by State Statute to engage in security lending transactions to provide incremental returns to the funds. The funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a form loan agreement.

During the year, the master custodian lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The master custodian 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 100 percent of the market value of the loaned securities.

According to the Agreement, the master custodian 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 and notice of Default of the Borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit exposure to borrowers because the value of the collateral held and the market value of securities on loan were $3,358.0 million and $3,235.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. If any of these limits is exceeded for any 3-day period, the Trustee shall take certain actions. At year end, the average duration of the collateral investments was

34.2 days; the average duration of the loans was unknown, although it is assumed to remain at 1 day.

Note 5 Receivables-Current

As of June 30, 2011, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,249,857	$ -	$ -
Accounts	1,079,334	592,719	23,784
Loans-Current Portion	-	267,043	22,896
Other Governments	750,242	13,138	-
Interest	193	12,918	1,156
Other (1)	195	-	-
Total Receivables	3,079,821	885,818	47,836
Allowance for Uncollectibles	(949,526)	(89,797)	(2,442)
Receivables, Net	$ 2,130,295	$ 796,021	$ 45,394

(1) Includes a reconciling amount of $192 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2011 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 526,930	$ -	$ 526,930
Income Taxes	249,252	-	249,252
Corporations	100,078	-	100,078
Gasoline and Special Fuel		42,600	42,600
Various Other	330,997	-	330,997
Total Taxes Receivable	1,207,257	42,600	1,249,857
Allowance for Uncollectibles	(196,157)	(143)	(196,300)
Taxes Receivable, Net	$ 1,011,100	$ 42,457	$ 1,053,557

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2011, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 16,365
Loans	251,751	709,310	163,624
Total Receivables	251,751	709,310	179,989
Allowance for Uncollectibles	(1,716)	(2,886)	(9,602)
Receivables, Net	$ 250,035	$ 706,424	$ 170,387

The Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was $624.3 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 9.7 percent. At year end, the noncurrent portion of loans receivable was $104.3 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2011, 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	$ 708,645	$ -	$ -	$ -	$ 708,645
Environmental	2,235	-	-	-	2,235
Total-Governmental Activities	$ 710,880	$ -	$ -	$ -	$ 710,880
Business-Type Activities:					
Bradley International Airport	$ 99,670	$ 15,056	$ -	$ 2,166	$ 116,892
UConn/Health Center	57,240	-	-	4,548	61,788
Clean Water	154,996	298,600	-	-	453,596
Other Proprietary	53,895	27,271	-	-	81,166
Total-Business-Type Activities	$ 365,801	$ 340,927	$ -	$ 6,714	$ 713,442
Component Units:					
CHFA	$ 2,409	$ 1,658,234	$ 3,552,918	$ 265,296	$ 5,478,857
CHEFA	12,230	362,784	-	49	375,063
Other Component Units	114,931	38,977	-	5,091	158,999
Total-Component Units	$ 129,570	$ 2,059,995	$ 3,552,918	$ 270,436	$ 6,012,919

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2011, 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	$ 119,144	$ 245,905	$ -	$ -	$ 365,049
Transportation	10,882	13,979	-	-	24,861
Other Governmental	152,367	29,123	-	17,640	199,130
Internal Service	377	1,203	-	23,418	24,998
Reconciling amount from fund financial statements to government-wide financial statements	-	-	187,117	6,084	193,201
Total-Governmental Activities	$ 282,770	$ 290,210	$ 187,117	$ 47,142	$ 807,239
Business-Type Activities:					
UConn/Health Center	$ 27,691	$ 88,463	$ -	$ 29,750	$ 145,904
State Universities	9,335	43,859	1,900	-	55,094
Other Proprietary	16,741	34,759	17,073	25,423	93,996
Total-Business-Type Activities	$ 53,767	$ 167,081	$ 18,973	$ 55,173	$ 294,994
Component Units:					
CHFA	$ -	$ -	$ 21,283	$ 8,483	$ 29,766
Other Component Units	5,321	-	1,559	32,006	38,886
Total-Component Units	$ 5,321	$ -	$ 22,842	$ 40,489	$ 68,652

Note 10 Capital Assets

Capital asset activity for the year was as follows (amounts in thousands):

	Beginning Balance	Additions		Retirements	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated:					
Land	$ 1,562,050	$ 32,770		$ 16	$ 1,594,804
Construction in Progress	1,719,377	1,064,125		443,349	2,340,153
Total Capital Assets not being Depreciated	3,281,427	1,096,895		443,365	3,934,957
Other Capital Assets:					
Buildings	3,174,519	105,098		3,730	3,275,887
Improvements Other than Buildings	471,424	9,122		9,255	471,291
Equipment	1,650,639	332,520		75,633	1,907,526
Infrastructure	12,555,781	99,941		-	12,655,722
Total Other Capital Assets at Historical Cost	17,852,363	546,681		88,618	18,310,426
Less: Accumulated Depreciation For:					
Buildings	1,721,603	81,509		3,730	1,799,382
Improvements Other than Buildings	270,270	33,698		9,255	294,713
Equipment	1,606,963	222,838		75,633	1,754,168
Infrastructure	6,965,102	507,720		-	7,472,822
Total Accumulated Depreciation	10,563,938	845,765	*	88,618	11,321,085
Other Capital Assets, Net	7,288,425	(299,084)		-	6,989,341
Governmental Activities, Capital Assets, Net	$ 10,569,852	$ 797,811		$ 443,365	$ 10,924,298

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,331
General Government	50,086
Regulation and Protection	32,446
Conservation and Development	15,773
Health and Hospitals	14,719
Transportation	598,599
Human Services	2,196
Education, Libraries and Museums	42,117
Corrections	50,656
Judicial	23,253
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	9,589
Total Depreciation Expense	$ 845,765

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 59,627	$ 5,194	$ 151	$ 64,670
Construction in Progress	194,140	178,527	77,179	295,488
Total Capital Assets not being Depreciated	253,767	183,721	77,330	360,158
Capital Assets being Depreciated:				
Buildings	3,943,691	109,141	2,378	4,050,454
Improvements Other Than Buildings	519,500	13,651	206	532,945
Equipment	958,218	71,182	74,838	954,562
Total Other Capital Assets at Historical Cost	5,421,409	193,974	77,422	5,537,961
Less: Accumulated Depreciation For:				
Buildings	1,414,099	122,499	1,532	1,535,066
Improvements Other Than Buildings	265,306	21,053	191	286,168
Equipment	614,247	67,777	73,217	608,807
Total Accumulated Depreciation	2,293,652	211,329	74,940	2,430,041
Other Capital Assets, Net	3,127,757	(17,355)	2,482	3,107,920
Business-Type Activities, Capital Assets, Net	$ 3,381,524	$ 166,366	$ 79,812	$ 3,468,078

Component Units

Capital assets of the component units consisted of the following as of June 30, 2011 (amounts in thousands):

Land	$ 29,031
Buildings	358,787
Improvements other than Buildings	2,697
Machinery and Equipment	423,368
Construction in Progress	20,896
Total Capital Assets	834,779
Accumulated Depreciation	417,206
Capital Assets, net	$ 417,573

Note 11 State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) and Tier IIA (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division administers SERS and JRS. The Teachers' Retirement Board administers TRS. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for SERS, TRS, and JRS are presented in Note No. 13.

Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2010	TRS 6/30/2010	JRS 6/30/2010
Retirees and beneficiaries receiving benefits	41,782	30,493	212
Terminated plan members entitled to but not yet receiving benefits	1,602	1,315	2
Active plan members	50,064	51,368	230
Total	93,448	83,176	444

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA Plan regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State. During fiscal year 2011, the State reduced the annual required contribution to the plan by $118.3 million to help reduce the deficit of the State's General fund.

Teachers' Retirement System

Plan Description

TRS is a single-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183pp of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation for each plan for the current year were as follows (amounts in thousands):

	SERS	TRS	JRS
Annual required contribution	$ 944,077	$ 581,593	$ 16,208
Interest on net pension obligation	232,919	(41,945)	1,313
Adjustment to annual required contribution	(177,735)	36,812	(987)
Annual pension cost	999,261	576,460	16,534
Contributions made	825,801	581,593	-
Increase (decrease) in net pension obligation	173,460	(5,133)	16,534
Net pension obligation (asset) beginning of year	2,740,234	(493,460)	15,449
Net pension obligation (asset) end of year	$ 2,913,694	$ (498,593)	$ 31,983

Three-year trend information for each plan is as follows (amounts in thousands):

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(asset)
SERS	2009	$ 810,776	86.3%	$ 2,508,005
	2010	$ 952,753	75.6%	$ 2,740,231
	2011	$ 999,261	82.6%	$ 2,913,694
TRS	2009	$ 532,423	101.3%	$ (487,390)
	2010	$ 553,154	101.1%	$ (498,460)
	2011	$ 576,460	100.9%	$ (498,593)
JRS	2009	$ 14,174	100%	$ 49
	2010	$ 15,400	0%	$ 15,449
	2011	$ 16,534	0%	$ 31,983

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2010 the most recent actuarial valuation date (amounts in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SERF	9,349.6	21,054.2	11,704.6	44.4%	3,295.7	355.1%
TRF	14,430.2	23,495.9	9,065.7	61.4%	3,646.0	248.6%
JRF	179.7	276.8	97.1	64.9%	31.6	307.3%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The following is information as of the most recent actuarial valuation:

	SERF	TRF	JRS
Valuation Date	6/30/2010	6/30/2010	6/30/10
Actuarial Cost Method	Projected unit credit	Entry Age	Projected unit credit
Amortization Method	Level percent of payroll, closed	Level percent closed	Level percent of payroll, closed
Remaining Amortization Period	21 Years	25.3 years	21 Years
Asset Valuation Method	5-year smoothed market	4- year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	8.25%	8.5%	8.25%
Projected Salary Increases	4.0%-20.0%	4.0%-7.5%	5.25%
Includes inflation at	4.0%	4.0%	0.00%
Cost-of-Living Adjustments	2.7%-3.6%	2.0%-3.0%	2.75-5.25%

Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $37.0 million and $22.6 million, respectively.

Note 12 Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for CMERS and CPJERS are presented in Note No. 13.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	CMERS 7/1/2010	CPJERS 12/31/2009
Retirees and beneficiaries receiving benefits	5,705	288
Terminated plan members entitled to but not receiving benefits	720	22
Active plan members	8,579	412
Total	15,004	722
Number of participating employers	186	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Note 13 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.

Statement of Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ 1,627	$ 971	$ -	$ 385	$ -	$ 249	$ 3,232
Receivables:							
Accounts, Net of Allowances	2,510	7,371	8	8,788	4	-	18,681
From Other Governments	-	1,276	-	-	-	-	1,276
From Other Funds	3	9	-	-	-	-	12
Interest	265	561	4	47	4	-	881
Investments	8,980,629	14,143,320	158,886	1,697,937	81,789	1,112	25,063,673
Securities Lending Collateral	1,120,350	1,734,341	24,357	242,783	11,542	161	3,133,534
Total Assets	10,105,384	15,887,849	183,255	1,949,940	93,339	1,522	28,221,289
Liabilities							
Accounts Payable and Accrued Liabilities	12	-	-	-	-	-	12
Securities Lending Obligation	1,120,350	1,734,341	24,357	242,783	11,542	161	3,133,534
Due to Other Funds	-	1,271	-	-	192	-	1,463
Total Liabilities	1,120,362	1,735,612	24,357	242,783	11,734	161	3,135,009
Net Assets							
Held in Trust For Employee Pension Benefits	8,985,022	14,152,237	158,898	1,707,157	81,605	1,361	25,086,280
Total Net Assets	$ 8,985,022	$ 14,152,237	$ 158,898	$ 1,707,157	$ 81,605	$ 1,361	$ 25,086,280

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 67,679	$ 253,925	$ 1,566	$ 16,307	$ 328	$ 38	$ 339,843
State	825,801	581,593	-	-	-	-	1,407,394
Municipalities	-	-	-	51,126	-	-	51,126
Total Contributions	893,480	835,518	1,566	67,433	328	38	1,798,363
Investment Income	1,657,847	2,570,338	27,516	266,655	13,082	101	4,535,539
Less: Investment Expenses	(34,184)	(53,003)	(567)	(5,498)	(270)	(2)	(93,524)
Net Investment Income	1,623,663	2,517,335	26,949	261,157	12,812	99	4,442,015
Transfers In	-	-	-	-	3,665	-	3,665
Other	476	452	-	1,138	10	-	2,076
Total Additions	2,517,619	3,353,305	28,515	329,728	16,815	137	6,246,119
Deductions							
Administrative Expense	346	-	11	-	-	-	357
Benefit Payments and Refunds	1,323,593	1,485,398	19,390	100,475	3,604	1	2,932,461
Other	-	-	-	3	3,465	-	3,468
Total Deductions	1,323,939	1,485,398	19,401	100,478	7,069	1	2,936,286
Changes in Net Assets	1,193,680	1,867,907	9,114	229,250	9,746	136	3,309,833
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	7,791,342	12,284,330	149,784	1,477,907	71,859	1,225	21,776,447
End of Year	$ 8,985,022	$ 14,152,237	$ 158,898	$ 1,707,157	$ 81,605	$ 1,361	$ 25,086,280

Note 14 Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 15.

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan

participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Plan Funding

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

As of June 30, 2011, the last actuarial valuation for the plan was dated April 1, 2008. This valuation disclosed that the plan had an unfunded accrued liability of $26.6 billion as of that date. Because of the date of the actuarial valuation, required disclosures for the plan on funded status, funding progress, and actuarial methods and assumptions could not be made in this note.

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes. As of June 30, 2010 (date of the latest actuarial valuation), the plan had 33,151 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP (6-30-10)	RTHP
Annual Required Contribution	$ 2,145,724	$ 177,063
Interest on Net OPEB Obligation	12,719	1,394
Adjustment to Annual Required Contribution	191,220	(11,089)
Annual OPEB Cost	2,349,663	167,368
Contributions Made	555,131	5,312
Increase in net OPEB Obligation	1,794,532	162,056
Net OPEB Obligation - Beginning of Year	2,356,334	289,837
Net OPEB Obligation - End of Year	$ 4,150,866	$ 451,893

In addition, other related information for each plan for the past three fiscal years was as follows:

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP	2010	$ 2,349,663	23.6%	$ 4,150,866
	2009	$ 1,669,321	27.1%	$ 2,356,334
	2008	$ 1,602,739	28.9%	$ 1,139,042
RTHP	2011	$ 167,368	3.2%	$ 451,893
	2010	$ 115,321	10.5%	$ 289,837
	2009	$ 113,704	19.7%	$ 186,624

Funded Status and Funding Progress

The following is funded status information for the RTHP as of June 30, 2010, date of the latest actuarial valuation (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
RTHP	$0	$ 2,997.8	$ 2,997.8	0.0%	$ 3,646.0	82.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the State and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	RTHP
Actuarial Valuation Date	6-30-2010
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	29 Years
Asset Valuation Method	n/a
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	4.0%-7.5%
Healthcare Inflation Rate	9% Initial, 5% Ultimate

Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 15.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of 6/30/10 there were 8 municipalities participating in the plan with a total membership of 610 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 15 OPEB Trust Fund Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

	Statement of Fiduciary Net Assets (000's)			
	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 74,975	$ 57,912	$ -	$ 132,887
Receivables:				
From Other Funds	(1)	1,302	-	1,301
Interest	-	-	1	1
Investments	-	-	21,860	21,860
Securities Lending Collateral	-	-	3,766	3,766
Total Assets	74,974	59,214	25,627	159,815
Liabilities				
Accounts Payable and Accrued Liabilit	25,327	5,922	-	31,249
Securities Lending Obligation	-	-	3,766	3,766
Total Liabilities	25,327	5,922	3,766	35,015
Net Assets				
Held in Trust For Other Postemployment Benefits	49,647	53,292	21,861	124,800
Total Net Assets	$ 49,647	$ 53,292	$ 21,861	$ 124,800

	Statement of Changes in Fiduciary Net Assets (000's)			
	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 77,997	$ 462	$ 78,459
State	544,767	5,312	-	550,079
Municipalities	-	-	-	-
Total Contributions	544,767	83,309	462	628,538
Investment Income	3	135	2,956	3,094
Less: Investment Expenses	-	-	(61)	(61)
Net Investment Income	3	135	2,895	3,033
Other	-	-	-	-
Total Additions	544,770	83,444	3,357	631,571
Deductions				
Administrative Expense	-	2,706	-	2,706
Benefit Payments and Refunds	530,779	93,946	930	625,655
Other	-	14	-	14
Total Deductions	530,779	96,666	930	628,375
Changes in Net Assets	13,991	(13,222)	2,427	3,196
Net Assets Held in Trust For Other Postemployment Benefits:				
Beginning of Year (as restated)	35,656	66,514	19,434	121,604
End of Year	$ 49,647	$ 53,292	$ 21,861	$ 124,800

Note 16 Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2012	$ 23,328
2013	23,161
2014	23,347
2015	24,173
2016	24,168
Thereafter	103,582
Total	$ 221,759

Contingent revenues for the year ended June 30, 2011, were $.2 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2011, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2012	$ 66,533	$ 8,493
2013	52,794	8,360
2014	51,833	8,354
2015	37,204	3,886
2016	72,382	2,910
2017-2021	6,714	12,856
2022-2026	-	6,132
2027-2031	-	6,090
Total minimum lease payments	$ 287,460	57,081
Less: Amount representing interest costs		14,086
Present value of minimum lease payments		$ 42,995

Minimum capital lease payments were discounted using an interest rate of approximately 6 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2011, were $66.5 million.

Lease/Lease Back Transaction

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately $122 million at June 30, 2011.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 17 Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2011, (amounts in thousands):

Governmental Activities	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
Bonds:					
General Obligation	$ 13,592,708	$ 1,294,820	$ 1,093,188	$ 13,794,340	$ 1,010,624
Transportation	3,030,485	737,675	410,565	3,357,595	274,275
	16,623,193	2,032,495	1,503,753	17,151,935	1,284,899
Plus/(Less) premiums and deferred amounts	526,578	57,827	58,293	526,112	50,004
Total Bonds	17,149,771	2,090,322	1,562,046	17,678,047	1,334,903
Long-Term Notes	1,143,955	-	228,160	915,795	-
Other L/T Liabilities:					
Net Pension Obligation	2,262,220	1,592,258	1,407,394	2,447,084	-
Net OPEB Obligation	4,440,703	167,368	5,312	4,602,759	-
Compensated Absences	522,764	56,479	19,649	559,594	12,757
Workers' Compensation	460,596	148,777	97,960	511,413	100,896
Capital Leases	41,702	4,089	2,796	42,995	6,383
Claims and Judgments	60,289	5,001	9,063	56,227	3,908
Liability on Interest Rate Swaps	27,817		5,220	22,597	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	7,816,796	1,973,972	1,547,394	8,243,374	123,944
Governmental Activities Long-Term Liabilities	$ 26,110,522	$ 4,064,294	$ 3,337,600	$ 26,837,216	$ 1,458,847
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	$ 1,498,377	$ 376,361	$ 318,520	$ 1,556,218	$ 114,397
Plus/(Less) premiums, discounts and deferred amounts	40,775	19,547	9,380	50,942	254
Total Revenue Bonds	1,539,152	395,908	327,900	1,607,160	114,651
Lottery Prizes	180,513	-	18,816	161,697	26,888
Compensated Absences	147,440	31,569	24,261	154,748	44,171
Federal Loans Payable	498,453	311,423	-	809,876	-
Other	194,544	10,088	20,561	184,071	8,704
Total Other Liabilities	1,020,950	353,080	63,638	1,310,392	79,763
Business-Type Long-Term Liabilities	$ 2,560,102	$ 748,988	$ 391,538	$ 2,917,552	$ 194,414

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $55.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique.

As of June 30, 2011, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2011	Amounts due within year
Bonds Payable	$ 4,450,169	$ 213,241
Escrow Deposits	391,857	89,533
Closure of Landfills	50,676	5,389
Due to State	19,026	-
Deferred Revenue	3,135	861
Other	26,585	449
Total	$ 4,941,448	$ 309,473

Note 18 Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

Public Act 09-2 authorized the issuance of $915.8 million of General Obligation Economic Recovery Notes in December, 2009. The notes funded a major part of the deficit in the State's general fund as reported by the Comptroller to the Governor for the fiscal year ended June 30, 2009.

Economic recovery notes outstanding at June 30, 2011 were $915.8 million. The notes mature on various dates through 2016 and bear interest rates from 2.0% to 5.0%.

Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2011, were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 167,860	$ 40,568	$ 208,428
2013	174,570	33,854	208,424
2014	182,705	25,724	208,429
2015	191,280	17,146	208,426
2016	199,380	9,044	208,424
Total	$ 915,795	$ 126,336	$ 1,042,131

b. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30, 2011, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2011-2030	2.00-6.414%	$ 1,924,881	$ 526,926
School Construction	2011-2029	2.00-6.777%	4,485,842	63,901
Municipal & Other Grants & Loans	2011-2030	1.00-6.701%	739,204	371,228
Housing Assistance	2012-2031	0.38-5.460%	169,130	36,906
Elimination of Water Pollution	2011-2028	1.00-6.034%	259,225	569,353
General Obligation Refunding	2011-2023	2.00-6.00%	3,710,302	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2011-2038	3.00-6.75%	122,505	545,246
			13,687,667	$ 2,113,560
Accretion-Various Capital Appreciation Bonds			106,673	
		Total	$ 13,794,340	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 1,010,624	$ 687,972	$ 1,698,596
2013	937,636	624,949	1,562,585
2014	907,333	569,561	1,476,894
2015	883,139	517,995	1,401,134
2016	879,755	477,420	1,357,175
2017-2021	3,555,128	1,848,534	5,403,662
2022-2026	2,813,027	1,383,070	4,196,097
2027-2031	2,326,765	471,167	2,797,932
2032-2036	369,745	23,723	393,468
2037-2041	4,515	335	4,850
Total	$ 13,687,667	$ 6,604,726	$ 20,292,393

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2011, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2011-2030	2.00-6.500%	$ 3,357,595	$ 2,099,925
			3,357,595	$ 2,099,925
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,357,595	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 274,275	$ 156,551	$ 430,826
2013	309,825	143,309	453,134
2014	262,365	130,555	392,920
2015	227,070	119,429	346,499
2016	209,740	109,694	319,434
2017-2021	910,055	411,880	1,321,935
2022-2026	708,580	210,361	918,941
2027-2031	455,685	53,696	509,381
	$ 3,357,595	$ 1,335,475	$ 4,693,070

Variable-Rate Demand Bonds

As of June 30, 2011, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	$ 30,000	1997	2014
General Obligation	100,000	2001	2021
General Obligation	280,000	2005	2023
Total	$ 410,000		

The State entered into various remarketing and standby bond purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a purchase price equal to principal plus accrued interest, if any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the standby bond purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The standby bond purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .11 percent to .15 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers were to be downgraded, suspended, or withdrawn. The standby bond purchase agreements expire as follows:
1997 GO expires in the year 2014,
2001 GO expires in the year 2015, and
2005 GO expires in the year 2015.

These agreements could be terminated at an earlier date if certain termination events described in the agreements were to occur.

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, 2011, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2012-2033	2.0-6.0%	$ 162,243
State Universities	2012-2036	2-6.0%	284,530
Clean Water	2012-2028	2-5.%	839,018
Drinking Water	2012-2027	2-5.%	60,087
Bradley International Airport	2012-2033	[1]	169,090
Bradley Parking Garage	2012-2024	6.125-6.6%	41,250
Total Revenue Bonds			1,556,218
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(1,621)
State Universities			2,386
Clean Water			49,714
Bradley International Airport			(2,699)
Other			3,162
Revenue Bonds, net			$ 1,607,160

[1] variable percent of one month LIBOR

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

Bradley International Airport periodically issues revenue bonds to finance the cost of improvements to the airport. These bonds are secured by and are payable solely from revenues generated by the airport and other receipts, funds or monies pledged in the bond indenture. As of June 30, 2011 the following bonds were outstanding:

a. 2001 Bradley International Airport Refunding Bonds in the amount of $16.7 million.
b. 2011 Bradley International Airport Refunding Bonds in the amount of $152.4 million.

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.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 114,397	$ 66,889	$ 181,286
2013	115,433	63,755	179,188
2014	105,023	58,922	163,945
2015	110,008	54,293	164,301
2016	110,729	49,308	160,037
2017-2021	433,483	184,104	617,587
2022-2026	369,495	87,111	456,606
2027-2031	159,210	23,131	182,341
2032-2036	38,440	1,817	40,257
Total	$ 1,556,218	$ 589,330	$ 2,145,548

d. Component Units

Component units' revenue bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2012-2020	4.40-5.250%	$ 15,800
CT Housing Finance Authority	2012-2049	0.40-6.625%	4,134,969
CT Resources Recovery Authority	2012-2016	5.125-5.50%	8,050
CT Higher Education Supplemental Loan Authority	2012-2028	1.70-6.00%	184,250
Capital City Economic Development Authority	2012-2033	2.50-7.00%	100,155
UConn Foundation	2012-2029	3.875-5.00%	6,505
Total Revenue Bonds			4,449,729
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			6
CRRA			(10)
CHESLA			770
CCEDA			(326)
Revenue Bonds, net			$ 4,450,169

Revenue bonds issued by the component units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and the purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. As of June 30, 2011 no bonds were outstanding under the Umbrella Program. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had $15.8 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 and an indenture dated 9/25/95. As of December 31, 2010, bonds outstanding under the bond resolution and the indenture were $4,068.6 million and $66.4 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year ($292.3 million at 12/31/10) on all outstanding bonds. As of December 31, 2010, the Authority has entered into interest rate swap agreements for $970.2 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Connecticut Resources Recovery Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end, except as discussed next. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was $8.1 million.

The Capital City Economic Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2011, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 18,850	$ 11,409	$ 30,259
2013	140,900	128,848	269,748
2014	133,582	123,727	257,309
2015	136,662	135,700	272,362
2016	140,498	118,359	258,857
2017-2021	802,782	637,872	1,440,654
2022-2026	815,323	388,058	1,203,381
2027-2031	837,265	254,335	1,091,600
2032-2036	775,355	126,842	902,197
2037-2041	504,305	28,447	532,752
2042-2046	107,535	2,325	109,860
2047-2051	7,795	28,398	36,193
2052-2056	805	51	856
2057-2061	28,072	-	28,072
Total	$ 4,449,729	$ 1,984,371	$ 6,434,100

No-commitment debt

Under the Self-Sustaining Bond program, the Connecticut Development Authority issues revenue bonds to finance such projects as described previously in the component unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2011 were $1,034.8 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, 2011, were $7,570.5 million, of which $291.6 million was secured by special capital reserve funds.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. The amount of these bonds outstanding at June 30, 2011 was $71.3 million.

The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

e. Debt Refundings

During the year, the State issued $184.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.42 percent to advance refund $187.2 million of general obligation and special tax obligation bonds with an average interest rate of 4.85 percent. The reacquisition price exceeded the carrying amount of the old debt by $18.5 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State advanced refunded these bonds to reduce its total debt service payments over the next eleven years by $24.1 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $26.5 million. As of June 30, 2011, $1,732.8 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2011, 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	Other Non-current Assets	$ 5,220	Non-current portion of LT Obligations	$ (22,597)	$ 355,620
Business-type activities					
Cash flow hedges:					
Bradley Airport:					
Pay-fixed interest rate swap	Other Non-current Assets	$ (1,188)	Non-current portion of LT Obligations	$ (17,935)	$ 152,380

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' hedging derivative instruments outstanding at June 30, 2011, 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 2001 GO bonds	$ 20,000	6/28/2001	6/15/2012	Pay 4.33% receive CPI plus 1.43%	Aa3/A+/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.392% receive 60% of LIBOR+30bp	Aa1/AAA/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.401% receive 60% of LIBOR+30bp	Aa3/A+/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	A2/A/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	A2/A/nr
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%	AAA/A+/nr
	Total Notional Amount	$ 355,620				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied 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, 2011, 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.

Interest Rate Risk
The State is exposed to interest rate risk on its interest rate swaps. As the LIBOR or CPI swap index rate decreases, the State's net payment on the swap increases.

Basis Risk
The State's variable-rate bond interest payments are based on the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. The State is exposed to basis risk on those swaps for which the State receives variable-rate payments that are based on the LIBOR swap index rate. As of June 30, 2011, the SIFMA rate was 0.09 percent, whereas 60 percent of LIBOR plus 30bp was 0.411 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2011, the budgeted amount for basis risk was $1,500,000.

Termination Risk
The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 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, 2011, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands).

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	SWAP, Net	Total
2012	$ 20,000	$ 9,052	$ 9,151	$ 38,203
2013	-	7,742	9,594	17,336
2014	-	7,742	9,594	17,336
2015	-	11,523	12,625	24,148
2016	260,620	22,385	29,373	312,378
2017-2021	75,000	2,166	2,874	80,040
Total	$ 355,620	$ 60,610	$ 73,211	$ 489,441

As of June 30, 2011, Bradley airport has entered into interest rate swap agreements for $152.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Note 20 Risk Management
The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

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

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

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

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net assets (government-wide and proprietary fund

statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-09	$ 459,778	$ 25,224
Incurred claims	109,601	3,800
Paid claims	(108,783)	(10,709)
Balance 6-30-10	460,596	18,315
Incurred claims	148,777	5,210
Paid claims	(97,960)	(3,086)
Balance 6-30-11	$ 511,413	$ 20,439

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2011, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	$ -	$ -	$ 312,690	$ 600,097	$ 50,784	$ 22,215	$ 19,719	$ 2,196	$ 2,172	$ 6,084	$ -	$ 1,015,957
Debt Service	-	116	-	-	-	-	-	-	-	-	-	116
Restricted Grants & Accounts	2,568	-	-	-	-	-	-	-	-	-	324	2,892
Other Governmental	1,846	-	5,222	6,145	231	14,535	157,887	-	-	-	12,664	198,530
UConn	11,502	-	-	-	-	-	-	-	-	-	-	11,502
State Universities	3,261	-	-	-	-	-	-	-	-	-	-	3,261
Employment Security	-	-	-	885	-	-	-	-	-	-	-	885
Other Proprietary	404	-	2,747	-	-	-	-	-	-	-	-	3,151
Internal Services	-	-	-	66,931	-	-	-	-	-	-	-	66,931
Fiduciary	-	-	-	192	-	-	-	-	-	1,271	-	1,463
Component Units	19,026	-	-	-	-	-	-	-	-	-	-	19,026
Total	$ 38,607	$ 116	$ 320,659	$ 674,250	$ 51,015	$ 36,750	$ 177,606	$ 2,196	$ 2,172	$ 7,355	$ 12,988	$ 1,323,714

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 22 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
Amount transferred from fund(s)										
General	$ -	$ -	$ 107,550	$ -	$ 61,837	$ 554,357	$ 245,058	$ 244,782	$ -	$ 1,213,584
Debt Service	-	-	4,334	88	-	-	-	-	-	4,422
Transportation	-	437,261	-	15,854	6,500	-	-	-	-	459,615
Restricted Grants & Accounts	28,000	-	-	-	-	-	-	-	-	28,000
Other Governmental	175,720	9,514	-	25,014	19,707	13,243	25,417	28,033	3,665	300,313
Connecticut Lottery	289,300	-	-	-	-	-	-	-	-	289,300
Employment Security	-	-	-	-	5,739	-	-	-	-	5,739
Uconn	25,000	-	-	-	-	-	-	-	-	25,000
State Universities	-	-	-	-	-	-	-	13,000	-	13,000
Other Proprietary	-	-	-	-	-	-	-	13,868	-	13,868
Total	$ 518,020	$ 446,775	$ 111,884	$ 40,956	$ 93,783	$ 567,600	$ 270,475	$ 299,683	$ 3,665	$ 2,352,841

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 23 Restatement of Fund Balances/Net Assets, Fund Balance Classifications, and Restricted Assets

Restatement of Fund Balance/Net Assets

As of June 30, 2011, the beginning fund balances/net assets for the following activities were restated as follows (amounts in thousands):

	Balance 6-30-10 Previously Reported	Correction of Reported Assets/Liabilities	Balance 6-30-10 as Restated
Governmental Funds and Activities			
Major Funds			
General Fund	$ (982,822)	$ 33,217	$ (949,605)
Total Governmental Funds	$ 1,420,939	$ 33,217	$ 1,454,156
Net Assets of Governmental Activities	$ (13,673,045)	$ 33,217	$ (13,639,828)

The beginning fund balance of the General Fund was adjusted to correct an understatement in the balance of taxes receivable reported last year.

Fund Balance – Restricted and Assigned

As of June 30, 2011 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows:

	Restricted Purposes	Assigned Purposes
Grant and Loan Programs	$ 487,514	$ 6,989
Capital Projects	447,502	-
Environmental Programs	132,023	-
Housing Programs	106,987	-
Employment Security Administration	34,295	-
Banking	17,990	-
Other	31,186	6,982
Total	$ 1,257,497	$ 13,971

Restricted Assets

As of June 30, 2011, the government-wide statement of net assets reported $2,969 of restricted net assets, of which $135 million was restricted by enabling legislation.

Note 24 Related Organizations

The Community Economic Development Fund and the Connecticut Student Loan Foundation 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 fiscal year 2011, the State implemented the following Statement issued by the Governmental Accounting Standards Board: Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Statement No. 54 requires governments to report fund balance of governmental funds by using the following categories: nonexpendable, restricted, committed, assigned, and unassigned. The Statement also clarifies the definitions of governmental fund types.

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, 2011, the Departments of Transportation and Public Works had contractual commitments of approximately $2,040 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,789 million.
Clean and drinking water loan programs $356 million.
Various programs and services $2,648 million.

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

Component Units

As of December 31, 2010, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $187 million.

B. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

In 2002 the City of Waterbury issued $97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 18 – Component Units.

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 or revenue sources of the State.

Note 27 Subsequent Events

In July 2011, the Connecticut Health and Educational Authority issued $28.8 million of series 2011 State supported Child Care Revenue Bonds. The bonds will mature in 2029 and bear interest rates ranging from 1% to 5%.

In July 2011 the State remarketed its series 2005-A variable rate General Obligation Bonds as General Obligation SIFMA index bonds. At any time on or after March 1, 2015, the reoffered bonds may be converted to bear interest at a flexible rate, a fixed rate, a weekly rate or a new adjusted SIFMA rate, at which time the bonds will be subject to mandatory tender for purchase.

In November 2011 the State issued $550 million of General Obligation series D bonds that mature in 2031 and bear interest ranging from 1.5% to 5.0%

In November 2011 the State issued $150.8 million of General Obligation series E refunding bonds that mature in 2019 and bear interest ranging from 1.0% to 5.0%

In December 2011 the State issued $221.2 million of Special Obligation series A infrastructure bonds that mature in 2031 and bear interest rates ranging from 3.38% to 5.0%.

In December 2011 the State issued $233.8 million of Special Obligation series B infrastructure refunding bonds that mature in 2022 and bear interest rates ranging from 2.0% to 5.0%.

In December 2011 the Tax Exempt Proceeds Fund (TEPF), included with other investments under footnote 4, ceased operations as planned. The TEPF made payments of state-aid grants and loans to Municipalities, school districts and other organizations in the state. A more modern state-aid payment system was implemented on December 1, 2011. The new system integrates the electronic funds transfer capabilities of the Automated Clearing House (ACH) with the state-wide accounting system, known as CORE-CT. This new payment system is controlled by the Office of the State Comptroller.

Required PERS Supplementary Information

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Funding Progress

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SERS						
6/30/2005	$8,517.7	$15,987.5	$7,469.8	53.3%	$2,980.1	250.7%
6/30/2006	$8,951.4	$16,830.3	$7,878.9	53.2%	$3,107.9	253.5%
6/30/2007	$9,585.1	$17,888.1	$8,303.0	53.6%	$3,310.4	250.8%
6/30/2008	$9,990.2	$19,243.4	$9,253.2	51.9%	$3,497.4	264.6%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$9,349.6	$21,054.2	$11,704.6	44.4%	$3,295.7	355.1%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
TRS						
6/30/2005 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2006	$10,190.3	$17,112.8	$6,922.5	59.5%	$3,137.7	220.6%
6/30/2007 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2008	$15,271.0	$21,801.0	$6,530.0	70.0%	$3,399.3	192.1%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$14,430.2	$23,495.9	$9,065.7	61.4%	$3,646.0	248.6%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
JRS						
6/30/2005	$160.3	$235.0	$74.7	68.2%	$30.2	247.8%
6/30/2006	$169.7	$246.9	$77.2	68.7%	$31.8	242.8%
6/30/2007	$182.4	$261.2	$78.8	69.8%	$33.8	233.1%
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$179.7	$276.8	$97.1	64.9%	$31.6	307.3%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions

(Expressed in Millions)

	SERS		TRS		JRS		RTHP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	21.5%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	25.3%
2010	$897.4	80.3%	$559.2	100.0%	$15.4	0.0%	$121.3	10.0%
2011	$944.1	87.5%	$581.6	100.0%	$16.2	0.0%	$177.1	3.0%

Schedules of employer contributions for other postemployment benefit plans (RTPH) are required to be disclosed startin with fiscal year 2008.

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APPENDIX III-D

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

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 27, 2012

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2007-2011. 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, 2007-2011.

The statements have been prepared on a modified cash basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied consistently and in accordance with the governing statutory requirements for all periods shown.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD

HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2007, 2008, 2009, 2010 and 2011 and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices III-D-4, III-D-5, III-D-6 and III-D-7. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note (a) to Appendix III-D-4, the State of Connecticut prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above present only the General Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2007, 2008, 2009, 2010 and 2011, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the General Fund of the State of Connecticut as of June 30, 2007, 2008, 2009, 2010 and 2011, and the results of its operations – modified cash basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix III-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 24, 2012
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2007	2008	2009	2010	2011
Assets					
Cash and Short-Term Investments	$ 30,148	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,111,655	1,133,886	976,536	1,091,117	1,077,249
Accrued Accounts Receivable	36,080	32,874	29,913	28,975	28,821
Federal and Other Grants Receivable and Unexpended Balances	--	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	--	--	--	--	--
Loans Receivable	13,320	--	--	--	3,419
Total Assets	$ 1,191,203	$ 1,166,760	$ 1,006,449	$ 1,120,092	$ 1,109,489
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	--	$ 477,251	$ 1,863,042	$ 547,305	$ 666,879
Accounts Payable	--	--	--	--	--
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	$ 9,975	$ 5,103	$ 1,374	$ 605	$ 469
Total Liabilities	$ 9,975	$ 482,354	$ 1,864,416	$ 547,910	$ 667,348
Reserves					
Petty Cash Funds	$ 918	$ 886	$ 840	$ 838	$ 814
Statutory Surplus Reserves	269,240	179,420	--	449,869	236,923
Appropriations Continued to Following Year	831,070	504,100	88,772	121,475	200,985
Reserved FY 07 Surplus for FY 08 Operations	80,000	--	--	--	--
Reserve for Receivables	--	--	--	--	3,419
Total Reserves	$ 1,181,228	$ 684,406	$ 89,612	$ 572,182	$ 442,141
Unappropriated Surplus (Deficit)	0	0	(947,579)[b]	0	0
Total Liabilities, Reserves and Surplus	$ 1,191,203	$ 1,166,760	$ 1,006,449	$ 1,120,092	$ 1,109,489

(a) The State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein.

(b) Under the provisions of Public Act No. 09-2 of the June 2009 Special Session, the accumulated deficit as of June 30, 2009 was financed through the issuance of economic recovery notes.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2007	2008	2009	2010	2011
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ (947,578)	$ -0-
Resources from Reserve for Debt Avoidance/ERN	--	--	--	947,578	--
Total Revenues (per Appendix III-D-6)	15,742,561	16,418,786	15,700,801	17,688,529	17,707,454
Total Expenditures (per Appendix III-D-7)	15,293,735[a]	16,627,447[b]	17,234,855[c]	17,208,021[d]	17,845,124[e]
Operating Balance	448,826	(208,661)	(1,534,054)	480,508	(137,670)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	(128,216)	326,972	415,327	(32,704)	(75,276)
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(269,240)	-0-	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance	(80,000)	(99,420)	-0-	-0-	(236,923)
Other Adjustments	(12,370)	(18,891)	(8,271)	2,065	--
Reserved for Fiscal Year 2011	-0-	-0-	-0-	-0-	--
Reserved from Prior Year	41,000	-0-	179,420	-0-	449,869
Subtotal	-0-	-0-	(947,578)	449,869	-0-
Transferred from Budget Reserve Fund	--	--	--	--	--
Unappropriated Surplus (Deficit), June 30[f]	$ -0-	$ -0-	$ (947,578)	$ -0-	$ -0-

(a) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($128,216).

(b) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $326,972.

(c) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $415,327.

(d) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(32,704).

(e) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(75,276).

(f) The Fiscal Year 2009-10 surplus of $449,969 was reserved for fiscal year 2010-11 leaving no unappropriated surplus.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2007	2008	2009	2010	2011
Taxes:					
Personal Income	$ 6,749,462	$ 7,512,688	$ 6,385,856	$ 6,586,099	$ 7,246,431
Sales and Use	3,496,110	3,582,317	3,318,752	3,203,988	3,353,230
Corporations	890,730	733,942[c]	615,921	667,132	794,473
Insurance Companies	253,016	227,221	202,217	226,549	220,626
Inheritance and Estate	179,922	170,619	238,337	177,601	237,573
Alcoholic Beverages	46,007	47,077	47,065	48,196	48,923
Cigarettes	269,525	335,197	317,774	387,435	404,111
Admissions, Dues, Cabaret	33,439	37,277	36,040	34,379	34,455
Oil Companies	144,404	205,483	104,413	123,018	169,163
Public Service Corporations	235,502	237,113	268,495	267,946	269,806
Real Estate Conveyance	211,222	158,544	90,802	100,267	94,822
Miscellaneous	144,517	139,980	143,305	141,892	140,505
Refunds of Taxes	(746,539)	(852,184)	(1,052,286)	(1,061,433)	(956,054)
R&D Credit Exchange	(5,983)	(11,363)	(8,428)	(8,937)	(8,598)
Other Revenue:					
Licenses, Permits, Fees	151,738	171,739	162,474	257,569	250,422
Sales of Commodities and Services	35,529	30,066	32,558	33,678	35,506
Transfer – Special Revenue	283,808	287,604	287,195	289,314	293,108
Investment Income	83,610	63,943	18,806	4,062	30
Transfers — To Other Funds[a]	(86,300)	(86,300)	(86,300)	(61,800)	(61,800)
Fines, Escheats and Rents	51,782	59,922	64,018	252,792	157,771
Miscellaneous	188,324	140,089	163,023	142,910	178,727
Refunds of Payments	(514)	(501)	(662)	(1,189)	(1,875)
Federal Grants	2,602,774	2,701,603	3,619,490	4,066,314	4,235,178
Indian Gaming Payments	430,476	411,410	377,805	384,248	359,582
Statutory Transfers From Other Funds	100,000	115,300	354,131	1,426,497	211,319
Total Revenues[b]	$ 15,742,561	$ 16,418,786	$ 15,700,801	$ 17,688,528	$17,707,454

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix III-D-5 for surplus or deficit for each fiscal year.

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

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2007	2008	2009	2010	2011
Legislative	$ 68,141	$ 72,488	$ 71,555	$ 66,288	$ 66,109
General Government					
Executive	10,441	12,572	11,841	10,567	9,954
Financial Administration	414,664	499,320	424,610	400,369	381,716
Legal	75,535	90,957	83,664	75,382	84,420
Total General Government	500,640	602,849	520,115	486,318	476,090
Regulation and Protection of Persons and Property					
Public Safety	163,838	193,796	189,394	169,994	175,700
Regulative	101,843	87,196	97,428	92,826	86,066
Total Regulation and Protection	265,681	280,992	286,822	262,820	261,766
Conservation and Development					
Agriculture	11,557	15,960	12,276	20,423	11,356
Environment	36,477	39,965	39,038	69,174	71,353
Historical Sites, Commerce and Industry	48,227	63,833	62,015	39,555	41,210
Total Conservation and Development	96,261	119,758	113,329	129,152	123,919
Health and Hospitals					
Public Health	90,753	103,265	108,878	88,846	88,226
Mental Retardation	870,600	937,962	970,322	967,786	970,070
Mental Health	512,426	565,484	583,339	568,195	657,374
Total Health and Hospitals	1,473,779	1,606,711	1,662,539	1,624,827	1,715,670
Transportation	2,103	127	(50)	2,295	0
Human Services	4,221,641	4,629,658	5,041,515	5,012,333	5,387,535
Education, Libraries and Museums					
Department of Education	2,312,000	2,569,432	2,671,600	2,662,756	2,708,442
Education of the Blind and Deaf	13,864	15,337	13,537	11,598	11,145
University of Connecticut	222,567	234,481	234,058	233,011	232,656
Higher Education and the Arts	153,625	192,594	198,638	189,845	192,626
Libraries	11,795	13,248	13,100	10,911	11,067
Teachers Retirement	435,051	541,671	564,062	561,038	583,978
Community—Technical Colleges	145,503	161,778	161,451	158,523	158,282
State University	155,102	164,254	162,935	162,517	162,271
Total Education, Libraries and Museums	3,449,507	3,892,795	4,019,381	3,990,199	4,060,467
Corrections	1,430,316	1,549,792	1,577,167	1,475,769	1,484,364
Judicial	474,067	515,738	543,078	524,043	559,912
Non-Functional					
Debt Service	1,472,839	1,409,878	1,464,072	1,619,470	1,629,672
Miscellaneous	1,838,760	1,946,661	1,935,332	2,014,507	2,079,621
Total Non-Functional	3,311,599	3,356,539	3,399,404	3,633,977	3,709,293
Totals	15,293,735	16,627,447	17,234,855	17,208,021	17,845,125
Total Expenditures[a]	$15,293,735	$16,627,447	$17,234,855	$17,208,021	$17,845,125

(a) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

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GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2010-2011
ADOPTED BIENNIAL BUDGET FOR FISCAL YEARS 2011-2012 AND 2012-2013
ESTIMATED BUDGET FOR FISCAL YEAR 2011-12
(In Millions)

	Adopted Budget 2010-11[c]	Final Financial Results 2010-11[f]	Adopted Budget 2011-12[h]	Estimated Budget 2011-12[s]	Adopted Budget 2012-13[h]
Revenues					
Taxes					
Personal Income Tax	$ 6,682.5	$ 7,246.4	$ 8,660.8[i]	$ 8,381.0[i]	$ 9,025.5[i]
Sales & Use	3,164.9	3,353.2	3,789.0[j]	3,880.5[j]	3,955.4[j]
Corporation	662.9	794.5	707.7[k]	707.7[k]	799.8[k]
Public Service	271.4	269.8	268.7	268.7	275.2
Inheritance & Estate	99.0	237.6	158.0	158.0	162.1
Insurance Companies	223.9	220.6	237.2[l]	228.8[l]	238.3[l]
Cigarettes	386.5	404.1	443.8[l]	443.8[l]	425.9[l]
Real Estate Conveyance	113.2	94.8	90.3	92.1	98.4
Oil Companies	107.7	169.2	93.1	136.6	120.6
Electric Generation Tax	--	--	71.0[m]	71.0[m]	71.0[m]
Alcoholic Beverages	48.1	48.9	56.9[l]	54.9[l]	57.2[l]
Admissions and Dues	36.5	34.5	39.6[l]	36.5 [l]	44.2[l]
Health Provider Tax	--	--	526.3[n]	525.9[n]	530.6[n]
Miscellaneous	144.9	140.5	15.9	16.3	16.1
Total Taxes	$11,941.5	$13,014.1	$15,158.3	$15,001.8	$15,820.3
Less Refunds of Taxes	(1,009.3)	(956.1)	(1,020.0)	(873.6)	(1,063.7)
Less Earned Income Tax	--	--	(110.2)	(110.2)	(116.5)
Less R&D Credit Exchange	(10.5)	(8.6)	(9.0)	(9.0)	(9.5)
Net Taxes	$10,921.7	$12,049.5	$14,019.1	$14,009.0	$14,630.6
Other Revenues					
Transfers- Special Revenues	295.1	293.1	288.4	297.8	289.7
Indian Gaming Payments	365.8	359.6	375.5	342.4	387.2
Licenses, Permits, Fees	235.4	250.4	271.2	269.9	252.4
Sales of Commodities & Services	34.3	35.5	36.4	36.4	37.3
Rents, Fines & Escheats	99.5	157.8	127.4	123.7	121.7
Investment Income	6.5	0.0	2.9	2.0	4.4
Miscellaneous	167.0	178.7	163.0	168.0	163.9
Less Refunds of Payments	(0.9)	(1.9)	(38.3)[o]	(81.4)[o]	(22.6)[o]
Total Other Revenue	$ 1,202.7	$ 1,273.3	$ 1,226.5	1,158.8	$ 1,234.0
Other Sources					
Federal Grants	4,256.0[d]	4,235.2[d]	3,589.7[d]	3,572.8[d]	3,717.9[d]
Transfers to the Resources of the General Fund	1,246.5[e]	116.0[e]	--	-	--
Transfers from Tobacco Settlement Funds	102.3	95.3	96.1	96.1	93.1
Transfers to Other Funds[a]	(61.8)	(61.8)	(142.8)	(142.8)	(234.6)
Total Other Sources	$ 5,543.0	$ 4,384.7	$ 3,543.0	3,526.1	$ 3,576.4
Total Budgeted Revenue[b]	$17,667.4	$17,707.5	$18,788.6	$18,693.9	$19,441.0

	Adopted Budget 2010-11[c]	Final Financial Results 2010-11[f]	Adopted Budget 2011-12[h]	Estimated Budget 2011-12[s]	Adopted Budget 2012-13[h]
Appropriations/Expenditures					
Legislative	$ 80.4	$ 66.3	$ 80.1	$ 80.1	$ 83.5
General Government	502.8	475.3	655.9	655.9	647.6
Regulation & Protection	258.0	256.1	270.2	270.2	263.3
Conservation & Development	132.1	124.7	150.7	151.3	148.4
Health & Hospitals	1,723.0	1,723.4	1,886.2	1,886.2	1,911.3
Human Services	5,161.0	5,400.0	5,785.9[p]	5,785.9	5,925.4[p]
Education, Libraries & Museums	4,080.6	4,065.3	4,321.8	4,324.0	4,346.7
Corrections	1,501.0	1,482.3	1,576.5	1,576.5	1,540.2
Judicial	552.5	560.8	576.1	578.6	572.8
Non- Functional					
Debt Service	1,672.7	1,564.3	1,894.1	1,894.1	1,935.2
Miscellaneous	2,299.4	2,206.0	2,288.1	2,390.4	2,543.9
Subtotal	$17,963.5	$ 17,924.7	$ 19,485.6	$19,593.2	$ 19,918.3
Other Reductions and Lapses	(296.3)	--	(777.9)[q]	(935.2)	(965.8)[q]
Net Appropriations/Expenditures	$17,667.2	$ 17,924.7	$ 18,707.7	$18,658.0	$ 18,952.5
Surplus (or Deficit) from Operations	0.2	(217.2)	80.9	35.9	488.5
Miscellaneous Adjustments	--	4.2	--	-	--
Reserve for GAAP	--	--	(75.0)[r]	(75.0)[r]	(50.0)[r]
Statutory Transfer from Restricted Purposes	--	449.9	--	-	--
Balance[b]	$ 0.2	$ 236.9[g]	$ 5.9	$ (39.1)	$ 438.5

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns and the Special Transportation Fund. The amounts for fiscal years 2011-12 and 2012-13 include transfers of $61.8 million in each year to the Mashantucket Pequot Fund for grants to towns, and $81.6 million in fiscal year 2011-12 and $172.8 million in fiscal year 2012-13 to the Special Transportation Fund.

(b) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Per Section 4-30b of the Connecticut General Statutes and notwithstanding the requirement of Section 4-30a, after the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding notes issued under Section 3-20g of the Connecticut General Statutes.

(c) Per Public Act No. 09-3 of the June 2009 Special Session; Public Act No. 09-8, Public Act No. 09-7 and Public Act No. 09-5 of the September 2009 Special Session; Public Act No. 10-3 and Public Act No. 10-179 of the February Session; and Public Act No. 10-1 and Public Act No. 10-2 of the June Special Session. Pursuant to Public Act No. 10-179, any General Fund surplus in Fiscal Year 2009-10 shall be transferred to Fiscal Year 2010-11. See footnotes (e) and (g).

(d) Includes ARRA funds of $843.5 million for fiscal year 2009-10 and the revised adopted budget for fiscal year 2010 -11 assumed $932.0 million, but this amount has been reduced to $773.1 million in the estimated budget column. The Governor's proposed budget for fiscal years 2011-12 and 2012-13 reflects the loss of federal ARRA funds and other adjustments.

(e) Pursuant to Public Act No. 10-3, as amended, includes transfers from the budget reserve fund of $103.2 million for 2010-11. Pursuant to Public Act No. 10-179 includes $140.0 million transferred from balance for 2009-10 to fiscal year 2010-11.

(f) Per the Comptroller's audited financial results dated December 31, 2011 for the fiscal year ending June 30, 2011, as adjusted by the Office of Policy and Management to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(g) In accordance with a labor agreement, $14.5 million of this surplus will be deposited in the Other Post Employment Benefit Trust Fund and per State statutes, the remaining balance will be used to pay a portion of the State's $915.8 million Economic Recovery Notes (2009 Series A) issued to finance the fiscal year 2008-09 deficit.

(h) Per Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

(i) Includes rate increases, reduction of the property tax credit, and enactment of an Earned Income Tax credit.

(j) Includes rate increases and elimination of exemptions.

(k) Includes extension of the tax surcharge and other miscellaneous changes.

(l) Includes rate increases and/or elimination of exemptions.

(m) Includes the imposition of a new tax on electric generators.

(n) Includes the imposition of a new provider tax on hospitals and intermediate care facilities along with an increase in the existing tax on nursing home providers, which were previously included within the miscellaneous tax category.

(o) Consistent with the Consensus Revenue Forecast and per the budget, certain refunds of escheated property will now be reported as Refunds of Payments, instead of a Miscellaneous Adjustment.

(p) Includes additional appropriations related to the Health Provider Tax.

(q) Includes $658.2 million in fiscal year 2011-12 and $844.3 million in fiscal year 2012-13 for labor concessions.

(r) Pursuant to Public Act No. 11-48, notwithstanding the provisions of sections 4-30a and 4-30b of the general statutes, after the accounts for the fiscal years ending June 30, 2012, and June 30, 2013, are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount, not to exceed seventy-five million dollars for the fiscal year ending June 30, 2012, and fifty million dollars for the fiscal year ending June 30, 2013, to be applied to any net increase in unreserved negative General Fund balance beyond the amount reported by the Comptroller as of June 30, 2011, before any other reserve required by any provision of the general statutes is determined.

(s) Estimates reflect the February 21, 2012 Office of Policy and Management's letter to the State Comptroller for fiscal year 2011-12 (as of the period ending January 31, 2012).

NOTE: The information in **Appendix III-E** of this **Part III** 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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