State of Connecticut

DENISE L. NAPPIER
TREASURER

Hartford

June 1, 2012

Joint Committee on Finance, Revenue and Bonding:
The Honorable Eileen M. Daily, Senate Chair
The Honorable Patricia M. Widlitz, House Chair
The Honorable Andrew W. Roraback, Senate Ranking Member
The Honorable Sean J. Williams, House Ranking Member

Appropriations Committee:
The Honorable Toni Nathaniel Harp, Senate Chair
The Honorable Toni E. Walker, House Chair
The Honorable Robert J. Kane, Senate Ranking Member
The Honorable Craig A. Miner, House Ranking Member

Legislative Office Building
Hartford, CT 06106

Dear Mesdames and Messrs.:

Pursuant to C.G.S. Section 3-37(b), please find attached the monthly report for the period ending April 28, 2012, which provides certain information regarding the State's cash position and bonding.

As I have previously discussed in these monthly reports on cash and debt, the common cash pool represents the cash resources on hand on a daily basis to fund State operations. Total available cash also includes bond funds and other balances which can be made available to the common cash pool through temporary transfers in accordance with the State's long-standing and sanctioned practice for managing fluctuations in the flow of cash to and from separate funds. The transfers are a prudent and cost-effective method for accommodating the timing mismatches in revenues and expenditures.

The report for April reflects an adequate overall cash balance. During the month of April, bond proceeds were temporarily transferred to and from the common cash pool. An additional transfer to the common cash pool was made earlier today.

Throughout Fiscal Year 2012, total available cash has remained adequate, but the common cash pool balance has fallen substantially during the year and when compared to Fiscal Year 2011, thereby requiring the temporary transfers discussed above. The enclosed chart sets forth the actual week-ending balances (without transfers) for the common cash pool for Fiscal Years 2011 and 2012. As you can see, the common cash pool is trending downward over time and the need for temporary transfers or other resources is growing.

Several factors have had the most impact on the State's cash position. These include the $200 million budget deficit for Fiscal Year 2012, the accumulated unfunded GAAP deficit (which stands in excess of $1 billion), and the absence of a Budget Reserve Fund. Taken together, this means that the common cash pool must rely on other resources even with a balanced General Fund budget. Certainly, Governor Malloy's plan to fund the accumulated GAAP deficit over 15 years starting in 2014 will have a positive impact on our cash position; however, a plan to more rapidly fund the GAAP deficit or rebuild reserves is strongly advised as a potential cost-effective approach to managing these needs during periods of fiscal stress and uncertainty, and avoid further pressure on the State's cash flow.

Looking forward to Fiscal Year 2013, we expect to manage the State's cash needs throughout the year by use of the State's total available cash. A note of caution, however, is warranted. As mentioned earlier, there has been a significant decline in the common cash pool. The balance stood at $121 million as of May 26, 2012; at the same point last year, it stood at $895 million. This decline could trigger periods of cash flow pressure, which would require more extensive transfers to the common cash pool and possibly the need for external funding sources (e.g., short-term options include temporary notes, or a line of credit; longer-term options include issuance of bonds to more rapidly fund the GAAP deficit). The situation is highly dependent on possible changes in forecasts in revenues and expenditures over the remaining weeks of this fiscal year and all of next fiscal year.

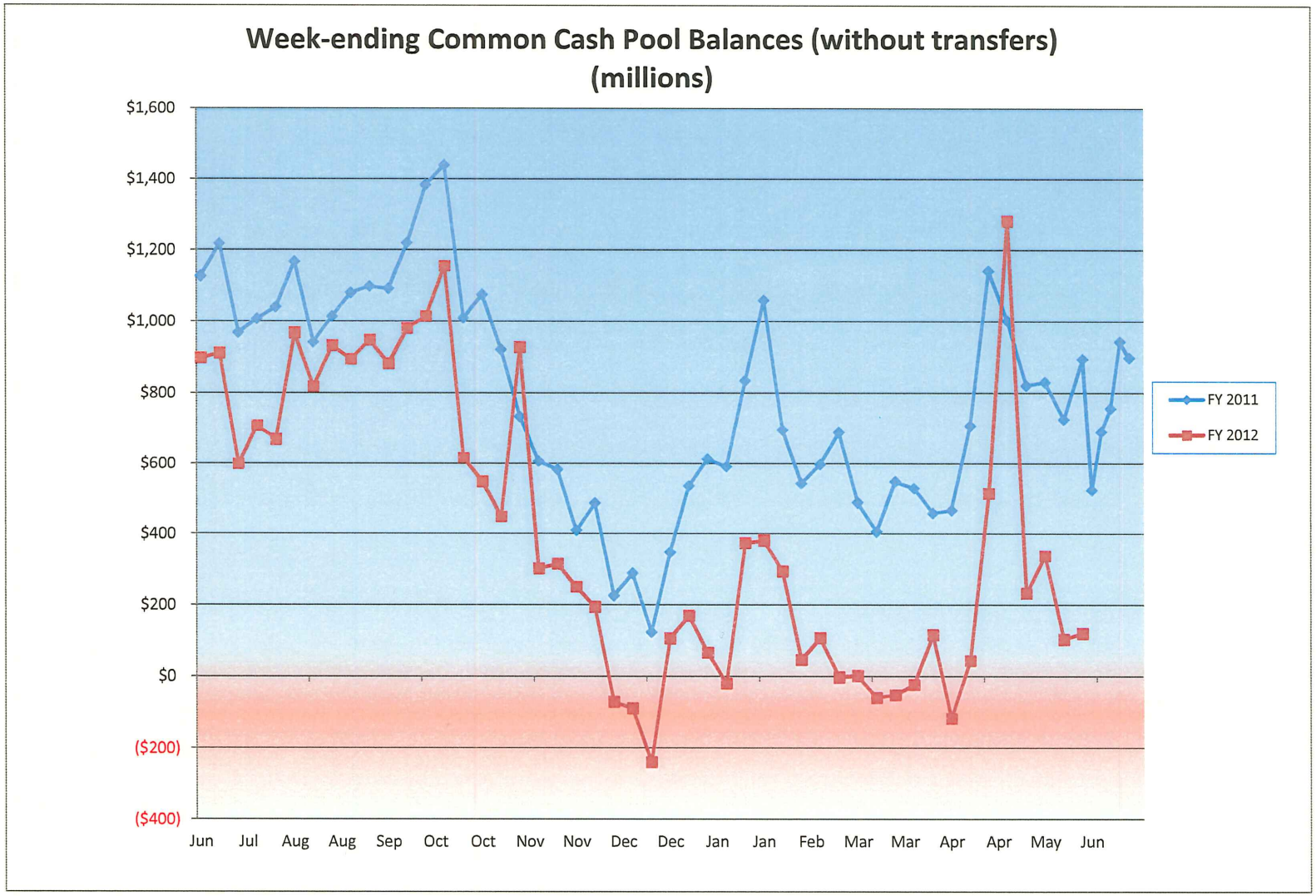
I will keep you updated as the fiscal year develops. In the meantime, should you have any questions, please feel free to call on me.

Sincerely,

Denise L. Nappier
State Treasurer

Enclosures

cc: The Honorable Dannel P. Malloy, Governor
Mr. Alan Calandro, Director, Office of Fiscal Analysis
Mr. Michael Murphy, Section Chief, Office of Fiscal Analysis
Ms. Linda Miller, Principal Analyst, Office of Fiscal Analysis


Week-ending Common Cash Pool Balances (without transfers) (millions)
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
($400)
Jun
Jul
Aug
Aug
Sep
Oct
Oct
Nov
Nov
Dec
Dec
Jan
Jan
Feb
Mar
Mar
Apr
Apr
May
Jun
FY 2011
FY 2012

Report for the Month of April 2012, dated June 1, 2012
(in millions)

Week Ending Available Cash Balance	April 7, 2012 Amount	April 7, 2012 Percent	April 14, 2012 Amount	April 14, 2012 Percent	April 21, 2012 Amount	April 21, 2012 Percent	April 28, 2012 Amount	April 28, 2012 Percent
Common Cash Pool [1]	$25.9	2.8%	$67.0	6.2%	$516.0	33.7%	$1,283.0	46.0%
GO Bond STIF Accounts[2]	$329.5	35.1%	$449.5	41.3%	$446.7	29.2%	$882.6	31.7%
STO Bond STIF Accounts	$379.4	40.4%	$367.8	33.8%	$367.8	24.0%	$358.7	12.9%
Clean Water Bond STIF Accounts	$117.5	12.5%	$117.5	10.8%	$113.0	7.4%	$173.0	6.2%
Transportation Fund STIF Account	$71.5	7.6%	$71.5	6.6%	$71.5	4.7%	$71.5	2.6%
Misc. STIF Accounts	$15.9	1.7%	$15.9	1.5%	$15.9	1.0%	$17.4	0.6%
Total Available Cash*	**$939.6**	**100.0%**	**$1,089.1**	**100.0%**	**$1,530.8**	**100.0%**	**$2,786.1**	**100.0%**

(1) The Common Cash Pool represents the state's operating cash.
(2) Bond proceeds were temporarily transferred to and from the Common Cash Pool during April 2012.
STIF = Short-Term Investment Fund

Components of Common Cash Pool[3]	April 7, 2012	April 14, 2012	April 21, 2012	April 28, 2012
Short-Term Investment Fund	$0.1	$0.6	$83.9	$891.3
Short-Term Investment Fund Plus	$15.3	$15.3	$15.3	$15.2
Extended Investment Portfolio	$4.1	$4.1	$4.1	$4.1
Community Bank & Credit Union Initiative	$4.0	$4.0	$4.0	$4.0
Bank Concentration Account	$2.4	$43.0	$408.7	$368.4
Total Common Cash Pool*	**$25.9**	**$67.0**	**$516.0**	**$1,283.0**

(3) Balances are allocated daily between investment and bank options based on relative interest and earnings credit rates and projected cash flows.

Authorized and Unissued Bonding by Program as of April 30, 2012 — Bonding Program	Authorized by Legislature but Unissued	Authorized by Bond Commission but Unissued	2012 Fiscal Year To Date Issuance	New Bond Issuance Assumptions For the Balance of 2012 Fiscal Year
General Obligation	$3,061.0	$1,303.4	$1,105.0	$0.0
Special Tax Obligation	$3,002.3	$2,552.4	$221.2	$0.0
Clean Water Fund	$595.2	$361.8	$0.0	$0.0
UConn 2000 Program	$96.0	$96.0	$179.7	$0.0
Total	**$6,754.5**	**$4,313.6**	**$1,505.9**	**$0.0**

Note: The State of Connecticut has not issued any other debt instruments and does not currently have a commercial paper program or line of credit outstanding.

* Details may not add due to rounding.