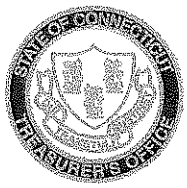
State of Connecticut

DENISE L. NAPPIER
TREASURER



Hartford

November 18, 2014

Joint Committee on Finance, Revenue and Bonding:
The Honorable John W. Fonfara, Senate Chair
The Honorable Patricia M. Widlitz, House Chair
The Honorable L. Scott Frantz, Senate Ranking Member
The Honorable Sean J. Williams, House Ranking Member

Appropriations Committee:
The Honorable Beth Bye, 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.:

Since the Treasury's last monthly report on cash and debt, pursuant to Section 3-37(b) of the general statutes, there have been developments with the State's cash position that warrant an interim update.

Overall cash balances remain adequate, with total available cash standing at roughly $1.1 billion (as of November 15th). The common cash pool, which covers operating expenses, has declined to levels which prompted my office to commence temporary transfers from bond proceeds investment accounts. These transfers are consistent with the State's long-standing and sanctioned process for managing fluctuations in the flow of cash to and from separate funds. Since November 13th to date, such transfers total $160 million, and more such transfers over the next month are likely until revenues increase in late December. The transferred monies will be returned to their accounts when other cash balances improve.

These transfers have been necessary because of three factors, working in combination: regular seasonal patterns in revenues and expenditures; deferred Medicaid reimbursements from the federal government in excess of $200 million; and the currently identified budget deficit.

It bears noting that the State's current cash position has benefitted from additional revenues and savings generated by the Treasury during Fiscal Year 2014, namely: estimated savings of $94.8 million over the next 11 years from refinancing $822 million of outstanding debt, and additional unclaimed property revenues, over and above projections, of roughly $11 million.

And for this 2015 fiscal year, we estimate that once the extension of the Economic Recovery Notes is completed as planned next month, we will have additional debt service budget savings of $66 million, which could be used to assist with the current year budget deficit or to reduce the size of the planned extension of the Economic Recovery Notes due January 1, 2015. In addition, debt service savings are expected later this week from the current $550 million general obligation bond sale that could further improve the fiscal situation.

We will, going forward, continue to strive to save and earn extra dollars for the State, and we remain committed to maximizing our returns while minimizing costs.

As always, I will keep you updated on developments with our cash flow. In the meantime, should you have any questions, please feel free to call on me.

Sincerely,

Denise L. Nappier
State Treasurer

cc: 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