FY 2016 – FY 2017 Biennium
Economic Report of the Governor

This publication, required by Section 4-74a of the Connecticut General Statutes, is prepared by the Office of Policy and Management.

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February 18, 2015
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INTRODUCTION

This report fulfills the requirements of Section 4-74a of the General Statutes which stipulates that:

> "The budget document shall include the recommendations of the Governor concerning the economy and shall include an analysis of the impact of both proposed spending and proposed revenue programs on the employment, production and purchasing power of the people and industries within the state."

This report is also designed to provide a brief profile of the State of Connecticut, the economy of the state, revenues and economic assumptions that support the Governor's budget, and an analysis of the impact of both proposed spending and proposed revenue programs on the economy of the State of Connecticut.

The report focuses on eight areas including: (1) the general characteristics of the state; (2) the profile of employment in the state; (3) an in-depth analysis of important Connecticut sectors; (4) the performance indicators the United States, the New England region, and Connecticut; (5) a discussion of the most important revenue sources; (6) the economic assumptions of the Governor's budget and a numerical comparison of some of the important indicators used in the preparation of the Governor's budget; (7) the revenue forecasts of the General Fund and the Special Transportation Fund; and (8) the expected impact of the Governor's budget on the economy of the State of Connecticut.

EXECUTIVE SUMMARY

Highlights included in this report are as follows:

Population

Between 2000 and 2010, Connecticut's population grew at a rate of 4.9%, faster than the 3.8% population growth in New England but trailing behind the 9.7% of the U.S. In 2014, Connecticut's population experienced a year over year decline of 2,664 residents. Connecticut continues to experience net outmigration, with a deficit of 49,771 between 2006 and 2011. At the time of the 2010 census, the relative size of Connecticut's elderly population (age 65+) exceeded both New England and the U.S., while its younger age cohorts, those under 45, trailed the nation as a whole. Population projections indicate that by 2025 the age 65 and over cohort will grow by 54.5% while the working age population will decline 0.5%, resulting in Connecticut's aged dependency ratio increasing by 54.1% by 2025.

Housing

Connecticut's housing market indicators remain mixed. Following two years of growth, housing starts in Connecticut decreased by 11.2% in fiscal year 2014. Median existing home prices increased 1.6% in Connecticut in 2013, significantly lower than the U.S. as a whole, which saw median home prices increase 11.5%. On a positive note, 2013 was the first year that median existing home prices in Connecticut experienced a year-over-year increase since the start of the housing crisis. Thirty year mortgage rates remain extremely low, decreasing to 4.0% in November of 2014, and foreclosure rates have declined to their lowest level since 2007. Homeowner equity as a percentage of home values improved for the fourth year of in a row in 2013, reaching their highest level since 2006.

Employment

In FY 2014 Connecticut gained 12,475 non-farm jobs, representing a 0.8% growth in jobs. During the recent financial crisis, Connecticut lost approximately 100,000 non-farm jobs, and as of fiscal year 2014 had regained 54,000. Manufacturing remains an important sector of Connecticut's economy, representing 9.8% of all non-farm jobs in fiscal year 2014. Connecticut continues to see a decline in manufacturing employment, decreasing 1.0% in FY 2014, while the U.S. experienced slight growth in manufacturing employment. Nonmanufacturing employment gained 14,060 jobs, or 0.9%, in FY 2014, trailing the U.S.'s growth of 1.9% and New England's growth of 1.3%. The largest growth in nonmanufacturing employment in Connecticut came in the services sector, which gained 11,740 jobs or 1.6% In FY 2014, Connecticut's unemployment rate was 7.3%, higher than the U.S. at 6.8% and New England at 6.6%. Connecticut's unemployment rate is now 2.0% lower than the fiscal year 2011 peak of 9.3%.

Energy

Energy markets experienced significant changes in 2014, as an abundance of supply in the oil market, driven in part by the North American energy boom, drove down the price of oil and gasoline during the second half of the year. In 2013, The United States became the world's largest supplier of oil. In 2012 Connecticut consumed 3.7 thousand BTU's per 2005 chained dollar of GDP, making it one of the most energy efficient states relative to output. Overall, Connecticut is 32.8% below the nation's per capita energy consumption and ranks 5th in energy efficiency per capita. In 2012, Connecticut residents consumed 400.0 gallons of gasoline per capita, lower than the national average of 428.5. Connecticut's energy efficiency is likely due in part to the high relative price of energy in the state. In 2012 Connecticut's overall energy costs were 30% higher than the national average and its electricity prices were 57% higher than the national average.

Export Sector

Exports play a crucial role in the economy. The U.S. trade deficit in 2013 was $276.7 billion, down from $334.6 billion in 2012. Total trade exports grew 93.0% from 2004 to 2013, while trade imports have grown 56.9% over the same period. Connecticut exports totaled $16.4 billion and accounted for 6.6% of GSP in 2013. Over the past five years, Connecticut's exports have grown by an average of 4.1%. Transportation equipment, nonelectrical machinery and computer and electronic equipment are Connecticut's largest exporting industries and comprise 68.0% of exports in 2013.

Defense Industry

Prime defense contracts tend to be a leading indicator of Connecticut's economic activity. In federal fiscal year (FFY) 2013, Connecticut contractors were awarded $10.0 billion in defense related prime contracts, down 21.4% from the $12.7 billion awarded in FFY 2012. However, as defense contract awards normally take several years to complete, the 3-year moving average is a better reflection of actual production activities. In FFY 2013, this average was $11.8 billion.

Retail Trade

Connecticut's retail trade in FY 2014 totaled $54.2 billion, a 1.6% increase over FY 2013. Growth in durable sales outpaced growth in non-durable sales in FY 2014, at 6.4% and -0.1% respectively. U.S. E-commerce sales continued their rapid growth, increasing an estimated 16.1% compared to a 3.8% increase in traditional retail sales. Connecticut retail trade as a percentage of disposable income increased slightly to 29.3% in FY 2014 from 29.1% in FY 2013.

Nonfinancial Debt

Total nonfinancial debt between 2000 and 2013 has grown 119.6%, far outpacing GDP growth of 63.0%. Federal indebtedness grew 264.9%, state and local government debt grew 145.5%, business debts grew 71.9% and household debts grew 89.4%. Connecticut's state government debt outstanding at the end of FY 2012 was $32.0 billion, up from $30.5 billion in FY 2011 and $30.2 billion in FY 2010. Connecticut per capita state government debt was $8,898 in FY 2012, compared to $8,482 in FY 2010 and far above the fifty state average of $3,661 in FY 2012.

Gross State Product

In calendar year 2013, Connecticut's real GSP increased 0.9% to $234.0 billion in 2009 dollars, falling behind the U.S. and New England which saw increases of 1.8% and 1.3% respectively. Per capita real GSP in Connecticut was 32% higher than that of the U.S.

Personal Income

In fiscal year 2014, Real personal income in Connecticut decreased 0.1%, compared to 1.1% growth in the U.S. and 0.8% growth in New England. Connecticut's real personal income decline in 2014 followed gains in fiscal years 2011 through 2013. In FY 2014, Connecticut possessed the highest per capita personal income in the nation at $61,464, a growth of 1.5% over FY 2013.

Economic Forecast

Connecticut's personal income is expected to increase 3.9% in FY 2016 and 4.9% in FY 2017 to $238,812 and $250,469 respectively. Connecticut is projected to add 21,300 jobs in FY 2016 and 16,300 jobs in FY 2017, or a respective 1.3% and 1.0% growth. The unemployment rate is projected to decline to 0.6% to 5.7% in FY 2016 and 0.3% to 5.4% in FY 2017.

GENERAL CHARACTERISTICS OF THE STATE OF CONNECTICUT

Connecticut, settled in 1633, became the fifth state to ratify the United States Constitution in 1788. The state is the most southern of the New England states, located on the northeast coast and bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Connecticut enjoys a favorable location within New England and the rest of the Eastern seaboard as rail, truck, air transport and ports in the region provide easy access to local and regional markets in this country, Canada, and even Europe and South America. 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 Connecticut.

Connecticut is highly urbanized with a population density of 738 persons for each of its 4,842.4 square miles of land, compared with 87 persons per square mile of land for the United States (3,531,905 square miles), based on 2010 census figures. Hartford, the capital, is a center for the insurance industry and a major service center for business and commerce. Industrial activity in the state is concentrated in two regions: the Naugatuck valley, extending from Bridgeport north, and a belt extending from Hartford west to New Britain and Bristol, and south to New Haven.

Connecticut is a mature and highly developed state, whose primary resources are the energies and skills of its citizens who have benefited from the state's rich historical heritage and have continued its tradition of economic, social and cultural growth.

Census Information

The census is taken on April 1 of each census year. The 2010 Census of Population and Housing was the 23rd in a series that began in 1790 (with a count of four million residents in 18 states).

TABLE 1
CENSUS POPULATION COUNTS
(In Thousands)

	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1930	123,203	16.3	8,166	10.3	1,607	16.3
1940	132,165	7.2	8,437	3.3	1,709	6.3
1950	151,326	14.5	9,314	10.3	2,007	17.4
1960	179,323	18.5	10,509	12.8	2,535	26.3
1970	203,302	13.4	11,847	12.6	3,032	19.6
1980	226,542	11.4	12,349	4.2	3,108	2.5
1990	248,710	9.8	13,207	6.9	3,287	5.8
2000	281,422	13.2	13,923	5.4	3,406	3.6
2010	308,746	9.7	14,445	3.8	3,574	4.9

Source: U.S. Bureau of the Census

In 2010, the population in the 50 states and the District of Columbia totaled 308.7 million people. Since 1930, the population has risen in all three data series for all decades. However, since 1970, the rate of population growth in Connecticut and New England has been significantly lower than the prior three decades and lower than the nation for recent periods.

In the United States, the resident population, which excludes armed forces overseas, increased from 281,421,906 in 2000 to 308,745,538 in 2010, an increase of 9.7%, and the lowest rate of increase since the 1930s. New England's population increased 3.8% from 2000 to 2010, also experiencing its slowest growth since the 1930s. Within New England, only Connecticut and New Hampshire experienced growth significantly higher than the regional average.

During the last few decades, the heavily populated states experienced a slowdown in the growth of their populations. This phenomenon was common in New England, the Middle Atlantic, the East North Central and the West North Central regions. The fastest growing states were those in the West, the South, the Pacific and the southern portion of the Mountain regions. The overall apportionment of seats in the U.S. House of Representatives generally changes as a result of each decennial census. Also, Connecticut's federal aid levels for certain grants will continue to fall as the state's estimated population size, relative to the nation's, decreases each year.

Resident population in Connecticut, according to figures from the 2010 census, was 3,574,097, an increase of 168,532 from the 3,405,565 figure of 2000. This represented growth of 4.9% for the decade, slower growth than was experienced by the nation as a whole for the fourth consecutive decade, but faster growth than New England for the first time since the 1960s. Between 2000 and 2010, the state's growth rate was the sixteenth lowest in the nation.

TABLE 2
COUNTY POPULATION IN CONNECTICUT

County	2000 Census	2000 Percent	2010 Census	2010 Percent	Percent Change
Fairfield	882,567	25.9	916,829	25.7	3.9
Hartford	857,183	25.2	894,014	25.0	4.3
Litchfield	182,193	5.3	189,927	5.3	4.2
Middlesex	155,071	4.6	165,676	4.6	6.8
New Haven	824,008	24.2	862,477	24.1	4.7
New London	259,088	7.6	274,055	7.7	5.8
Tolland	136,364	4.0	152,691	4.3	12.0
Windham	109,091	3.2	118,428	3.3	8.6
TOTAL	3,405,565	100.0	3,574,097	100.0	4.9

Source: U.S. Bureau of the Census

In the time since the 2010 census, Connecticut has experienced slow population growth. From 2013 to 2014, the state actually experienced a slight decline in population. Following the Great Recession, migration around the country was hampered. However, Connecticut continued to

experience net-outmigration during this time, putting downward pressure on population growth. The migration of population to and from Connecticut over the last few decades generally parallels the performance of the state's economy, rising during expansion and declining during recession. Connecticut counties experiencing faster growth during the 2000s generally were those not dominated by large urban areas.

The national population is estimated monthly by the United States Bureau of the Census for total population which includes armed forces overseas, resident population and civilian population. Population growth is a primary long-run determinant of the potential expansion path of the economy from both the supply and demand sides of the economy. The growth of the population and its composition have profound impacts on the labor force, education, housing, and the demand for consumer goods and services.

Annual estimates of population as of mid-calendar year for each state are vital for comparing standards of living through per capita income, productivity through per capita Gross State Product, or a state's private activity bond limitation which, under federal law, is capped at a level dependent upon the size of the population. Estimates are prepared by the U.S. Bureau of the Census based on the number of births and deaths as well as a variety of factors to approximate net migration changes. These factors can include Medicare enrollees, motor vehicle registrations, building permits, licensed drivers, and school enrollments. To comply with the Connecticut General Statutes concerning state aid to municipalities, the Department of Public Health also prepares an annual mid-year estimate of population based on the number of births, deaths and school age population.

TABLE 3
MID-YEAR POPULATION
(In Thousands)

Mid	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2005	295,517	0.9	14,217	0.1	3,507	0.3
2006	298,380	1.0	14,246	0.2	3,517	0.3
2007	301,231	1.0	14,279	0.2	3,527	0.3
2008	304,094	1.0	14,340	0.4	3,546	0.5
2009	306,772	0.9	14,404	0.4	3,562	0.5
2010	309,347	0.8	14,466	0.4	3,579	0.5
2011	311,722	0.8	14,527	0.4	3,591	0.3
2012	314,112	0.8	14,579	0.4	3,594	0.1
2013	316,498	0.8	14,640	0.4	3,599	0.1
2014	318,857	0.7	14,681	0.3	3,597	(0.1)

Source: U.S. Bureau of the Census

In addition to naturally occurring births and deaths, the size of the total population is also a product of migration, the number of households and individuals moving into and out of the state. The Internal Revenue Service (IRS) publishes data on changes in filing addresses used by federal income tax filers in successive years, and changes in number of individuals claimed on a return can be used to estimate migration between states. This data shows that between 2006 and 2011 Connecticut experienced net outmigration of 49,771 residents that, when combined with births and deaths, results in a modest increase in population. This same data also shows migration into Connecticut as well as out of Connecticut has generally been declining. Net migration out of Connecticut decreased from 2006 through 2010, likely due to the recession, before bouncing back slightly in 2011.

TABLE 4
SIGNIFICANT MIGRATION PATTERNS IN STATE POPULATION

Changes in Connecticut's Population Due to Migration Between 2006 and 2011

Major Sources of In Migration to Connecticut		Major Destinations of Out Migration from Connecticut		States with Greatest Impact On Connecticut Migration	
New York	80,656	New York	(56,674)	New York	23,982
Massachusetts	30,266	Florida	(45,040)	Florida	(18,824)
Florida	26,216	Massachusetts	(34,954)	North Carolina	(9,669)
New Jersey	15,877	California	(18,212)	Texas	(5,579)
California	14,747	North Carolina	(17,539)	Massachusetts	(4,688)
Other States	126,399	Other States	(172,733)	Other States	(36,213)
Outside US	13,946	Outside US	(12,726)	Outside US	1,220
Total In	308,107	Total Out	(357,878)	Total Net	(49,771)

Source: Internal Revenue Service

The 2000 and 2010 census counts are available for each of the 169 cities and towns in Connecticut. Using that information, it is possible to identify those growing at the fastest rates as well as the slowest growing municipalities in the state as seen in the following table.

TABLE 5
FASTEST AND SLOWEST GROWING MUNICIPALITIES IN CONNECTICUT

Fastest Growing Municipalities	Population			Slowest Growing Municipalities	Population		
City/Town	2000	2010	% Change	City/Town	2000	2010	% Change
Oxford	9,821	12,683	29.1%	Cornwall	1,434	1,420	-1.0%
Mansfield	20,720	26,543	28.1%	North Canaan	3,350	3,315	-1.0%
Sterling	3,099	3,830	23.6%	Old Saybrook	10,367	10,242	-1.2%
Union	693	854	23.2%	Enfield	45,212	44,654	-1.2%
Ellington	12,921	15,602	20.7%	Branford	28,683	28,026	-2.3%
Lyme	2,016	2,406	19.3%	East Hampton	13,352	12,959	-2.9%
Middlebury	6,451	7,575	17.4%	Bridgewater	1,824	1,727	-5.3%
Haddam	7,157	8,346	16.6%	Salisbury	3,977	3,741	-5.9%
Warren	1,254	1,461	16.5%	Sharon	2,968	2,782	-6.3%
Canton	8,840	10,292	16.4%	Sherman	3,827	3,581	-6.4%
State Average Growth			4.9%				

Source: U.S. Bureau of the Census

Households

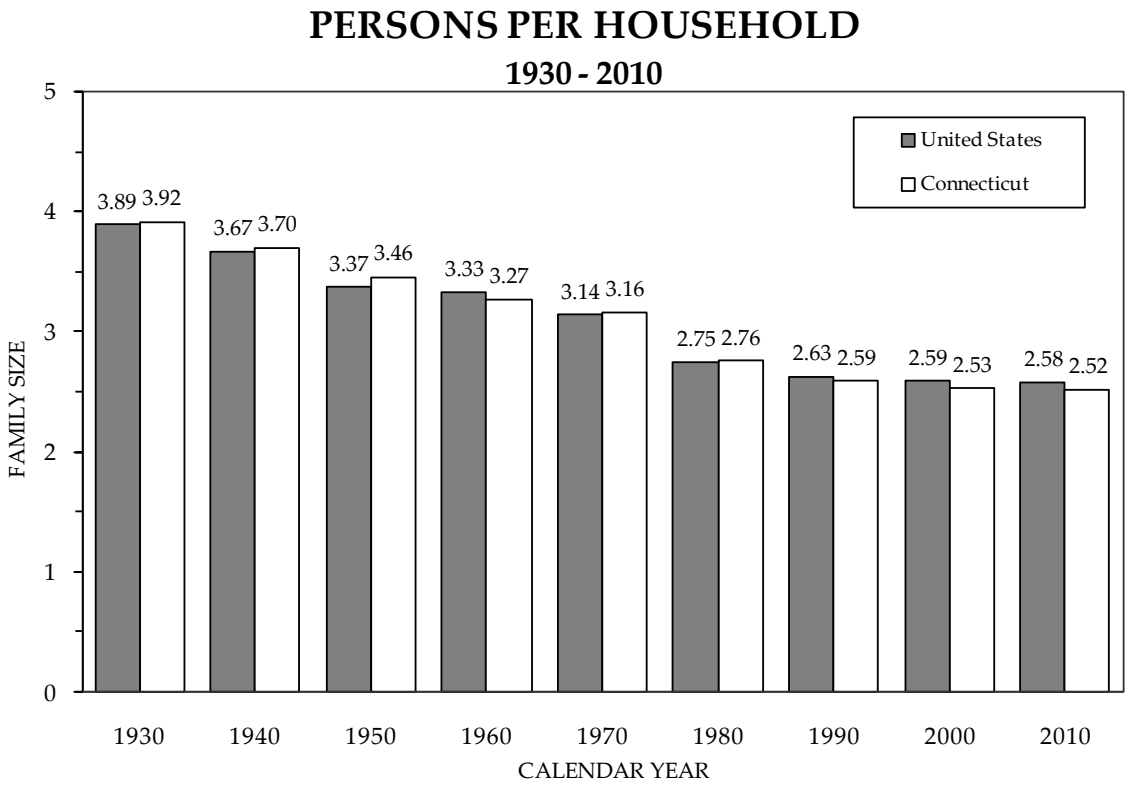
Demand for goods and services depends upon the level of household income and the total number of households. The number of households is a function of household size and population: for example, for a given population, as the size of the household declines, the number of households increases, which causes higher demand for housing and automobiles as well as household goods and services.

The number of households in Connecticut in 2010 was 1,371,087, up 5.3% from the 2000 Census estimate, and up 3.6% from the 2005 count. This is not unexpected in that it reflects the slow growth of Connecticut's population over the last several years. Family households include a householder and one or more other persons living in the same household who are related by birth, marriage or adoption. Non-family households include a householder living alone or with non-relatives.

TABLE 6
HOUSEHOLDS
(In Thousands)

	Households			% Change	
Calendar Year	U.S.	Connecticut	During Period	U.S.	Connecticut
2000	105,480	1,302	2000-2005	5.3%	1.7%
2005	111,091	1,324	2005-2010	5.1%	3.6%
2010	116,716	1,371	2000-2010	10.7%	5.3%

Source: U.S. Bureau of the Census



Source: U.S. Bureau of the Census

Between 1990 and 2010, the relatively stable population, the increasing number of households, and the changing mix in the types of households in Connecticut resulted in a decrease in average population per household in the state.

The decline in household size can be considered an indicator of social change. Society is adjusting its mores to fit the demands of new generations including delaying marriage, both delaying and having fewer children, and the establishment of one or two person households by career minded men and women. Other social changes that result in smaller households are the increase in the elderly population and the increasing number of one parent families that are the consequence of the general rise in the number of divorces.

Age Cohorts

According to the latest data available, the distribution of Connecticut's population between age cohorts is somewhat different from that of the U.S. average. The state has a lower concentration of persons aged 18 to 44 years than either New England or the nation as a whole, and a higher concentration of persons aged 65 and over (especially 85 and over) than the nation as a whole. Growth in this older age cohort in Connecticut will accelerate as baby boomers age. The aging population will put pressure on state spending requirements, which could be exacerbated by state revenues that are not growing at the same rate as during the late 1990s. The National Center for

Health Statistics estimated average life expectancy at birth to be 78.7 years in 2010, up from 73.7 years in 1980, 75.4 years in 1990, and 76.8 years in 2000. As life spans continue to increase nationally, this trend will impact retirement, social security, pension systems, health care, and other similar requirements.

TABLE 7
POPULATION DISTRIBUTION BY AGE IN 2010
(In Thousands)

	0 to 17	18 to 24	25 to 44	45 to 64	65 +	85 +	Total
United States	74,181	30,672	82,135	81,489	40,268	5,493	308,746
% of Total	24.0	9.9	26.6	26.4	13.0	1.8	100
New England	3,151	1,429	3,689	4,135	2,042	324	14,445
% of Total	21.8	9.9	25.5	28.6	14.1	2.2	100
Connecticut	817	327	905	1,019	507	85	3,574
% of Total	22.9	9.1	25.3	28.5	14.2	2.4	100

Source: U.S. Bureau of the Census

Population Projections

The U.S. Bureau of the Census publishes population projections for the United States, while the Connecticut State Data Center at the University of Connecticut produces projections for the state. Based on these projections, the elderly population (those 65 years and over) will continue to grow substantially. The ratio of workers aged 20 to 64 to persons over the age of 65 is projected to decrease 35.6 percent, from 4.2 workers in 2010 to 2.7 workers in 2025.

TABLE 8
PROJECTIONS OF THE POPULATION IN CONNECTICUT
(Mid-Year Resident Population In Thousands)

Age Group	2000 Census	2010 Census	2015 Proj.	2020 Proj.	2025 Proj.	% Change 2010-2025
Total	3,405.6	3,574.1	3,644.5	3,702.5	3,746.2	4.8
0-19	925.7	915.8	891.8	852.4	822.9	(10.1)
20-44	1,220.3	1,132.7	1,107.6	1,129.4	1,143.9	1.0
45-64	789.4	1,019.0	1,062.9	1,049.7	996.5	(2.2)
65 & Over	470.2	506.6	582.2	671.0	782.8	54.5
85 & Over	64.3	84.9	94.6	94.9	96.4	13.5
Ratio 20-64/65+	4.3	4.2	3.7	3.2	2.7	(35.6)

Source: U.S. Bureau of the Census, Connecticut State Data Center

This significant growth in the elderly population will impact both the size and complexity of the demand for services required by this segment of Connecticut's population. There will be

increased demand and costs associated with health care facilities, public transportation, elderly housing, and other services. These changes are being driven by the baby boom generation, which began to reach the age of sixty-five in 2011.

More specifically, the following three tables call attention to some significant trends with particular implications to be considered as resource allocation decisions are made for the future. First, as shown in the following table, Connecticut is and will remain a very densely populated state in a very densely populated region of the country. This has implications for housing, transportation, law enforcement and natural resources, as well as other services.

TABLE 9
POPULATION DENSITY BY YEAR
(Persons per Square Mile)

	2000 Census	2010 Census	2015 Projected	2020 Projected	2025 Projected	% Change 2010-2025
United States	79.7	87.4	91.0	94.7	98.3	12.5
Connecticut	703.3	738.1	752.6	764.6	773.6	4.8

Source: U.S. Bureau of the Census

In addition, a change is occurring in the age distribution of the population. The following table demonstrates that the elderly population is increasing in number while the non-elderly, on a relative scale, are decreasing. This means that increasing pressure will be brought upon those between the ages of 18 and 65 to provide social and support services for the young and, most particularly, the elderly.

TABLE 10
DEPENDENCY RATIOS*
(Number of Dependent Population per 100 Provider Population)

	2000	2010	2015	2020	2025
Total Dependency Ratio	61.6	58.9	60.8	64.0	68.3
Youth Dependency Ratio	41.5	38.2	36.8	36.3	36.3
Aged Dependency Ratio	20.1	20.7	23.9	27.7	31.9

* The dependency ratio is the number of the target dependent population (i.e., the aged or youth or the two groups combined) divided by the segment of the population which has traditionally provided for the dependent population, through taxes for health and social programs, volunteer activities, etc. The provider group is considered to be those older than 17 and less than 65 years of age.

Source: U.S. Bureau of the Census, Connecticut State Data Center

Finally, the racial and ethnic distribution of the state's population is changing. The white population is decreasing as a percentage of the total, as both the African-American and Hispanic groups increase as a percentage of the total population, with the Hispanic growth rate outpacing the African-American growth rate. Although Asians make up a very small percentage of the total population, Asians comprise the fastest growing group, while the American Indian population remains fairly stable. These same trends are occurring in the nation and the region.

TABLE 11
POPULATION DISTRIBUTION BY RACE AND YEAR
(Percent of Total Population Based On Each Census)

	United States			Northeast Region			Connecticut		
	1990	2000	2010	1990	2000	2010	1990	2000	2010
White	83.9	75.1	72.4	85.6	77.5	74.4	89.6	81.6	77.6
African-	12.3	12.3	12.6	11.4	11.4	11.8	8.6	9.1	10.1
Asian	3.0	3.6	4.7	2.7	4.0	5.5	1.6	2.4	3.8
American Indian	0.8	0.9	0.9	0.3	0.3	0.4	0.2	0.3	0.3
Two Or More	-	2.4	2.9	-	2.3	2.6	-	2.2	2.6
Other	-	5.6	6.4	-	4.6	5.3	-	4.4	5.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hispanic Origin	9.0	12.5	17.3	7.6	9.8	12.6	6.5	9.4	13.4

Note: The method of counting by race changed in 2000. Definitions of various race categories were changed and, for the first time, a respondent could indicate more than one race.

Source: U.S. Bureau of the Census

Housing

The United States' financial systems underwent significant turmoil in the latter half of the last decade. Events in the housing sector, which prior to the Great Recession was one of the strongest pillars of the economy, played a pivotal role in precipitating the financial crisis and economic downturn. Record foreclosures due to the resetting of variable rate and subprime mortgages shocked the housing market and mortgage lenders, leading to the demise of some of the nation's largest financial institutions.

During the following years, homeowners watched the equity in their homes decline or disappear. Homes have not sold quickly, and they are still selling for less than they would have prior to the recession. Sluggish growth in the housing market, particularly in the single-family housing market, has had an impact on overall economic activity in the northeast. One leading indicator of strength in the housing market is the monthly National Association of Home Builders Housing Market Index (HMI), which gauges builder confidence in the demand for single-family homes. The index can range from 0 to 100; a reading over 50 indicates that the majority of builders view housing market conditions as good. During state fiscal year 2014, the average HMI reading for

the nation was 52, the highest average since fiscal year 2006. By comparison, the average HMI reading for the northeast region during the same period was 37.

TABLE 12
HOUSING STARTS
(In Thousands)

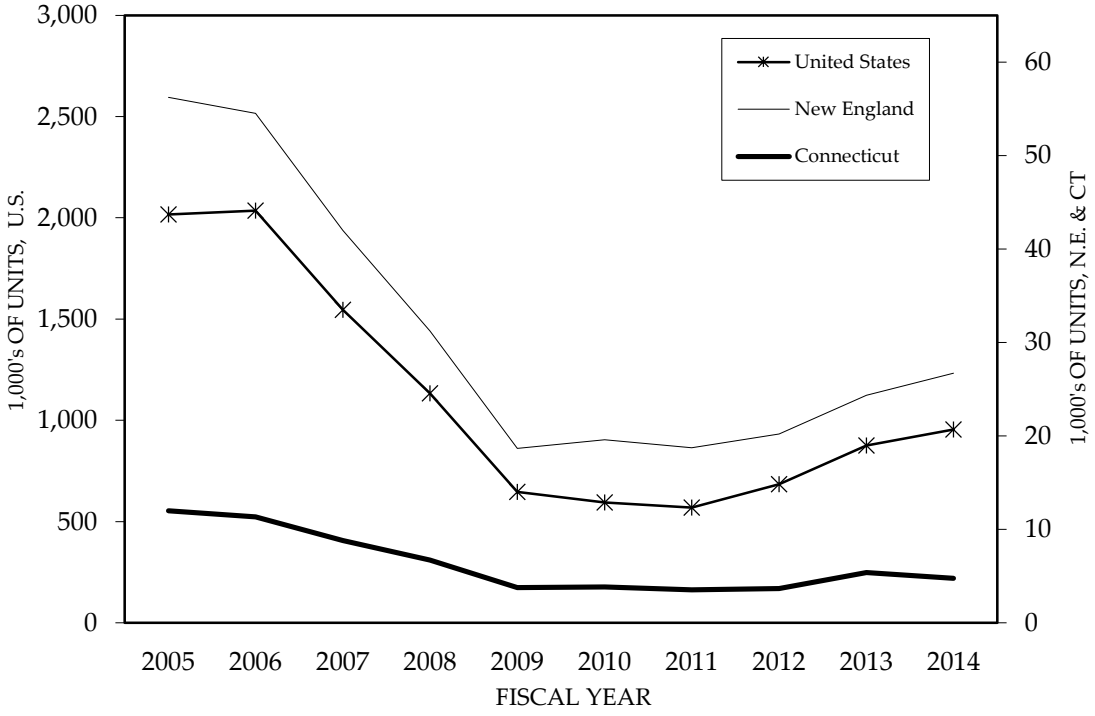
Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2005	2,016.3	3.7	56.2	11.3	12.0	20.1
2006	2,036.0	1.0	54.5	(3.0)	11.4	(5.4)
2007	1,546.2	(24.1)	42.0	(23.0)	8.8	(22.6)
2008	1,132.4	(26.8)	31.2	(25.6)	6.7	(23.8)
2009	646.3	(42.9)	18.7	(40.2)	3.8	(43.8)
2010	594.0	(8.1)	19.6	5.0	3.8	1.7
2011	569.7	(4.1)	18.7	(4.4)	3.5	(7.7)
2012	684.4	20.1	20.2	7.9	3.7	3.4
2013	875.0	27.8	24.4	20.5	5.4	47.0
2014	954.3	9.1	26.7	9.7	4.8	(11.2)

Source: U.S. Department of Commerce, Bureau of the Census, IHS.

Recent housing market indicators in Connecticut and the nation have been mixed. While the number of housing starts continued to increase in state fiscal year 2014 in the United States and New England, they decreased by 11.2% in Connecticut. The decrease occurred in both the single-family and multi-family markets. Nevertheless, starts in Connecticut had their second highest year since the end of the Great Recession. Recent indicators suggest that the dip in starts in fiscal year 2014 was temporary. In the first quarter of fiscal year 2015, the latest data available, total starts in Connecticut were 5,932 on an annualized basis. Starts are forecast to be 5,500 in fiscal year 2015, virtually on track with starts in fiscal year 2013. There is some cause for cautious optimism about the housing market, but any recovery will likely remain slow and modest.

Starts fell to record lows in FY 2011. In calendar 2009 fewer homes were started in the United States than in any year since the end of World War II, even though the current United States population was more than 2 times greater than the population in 1945. The dramatic decline in housing starts in the aftermath of the Great Recession negatively impacted homebuilders, among others in the construction sector, and undoubtedly contributed to the high unemployment rate nationwide.

HOUSING STARTS
BY FISCAL YEAR

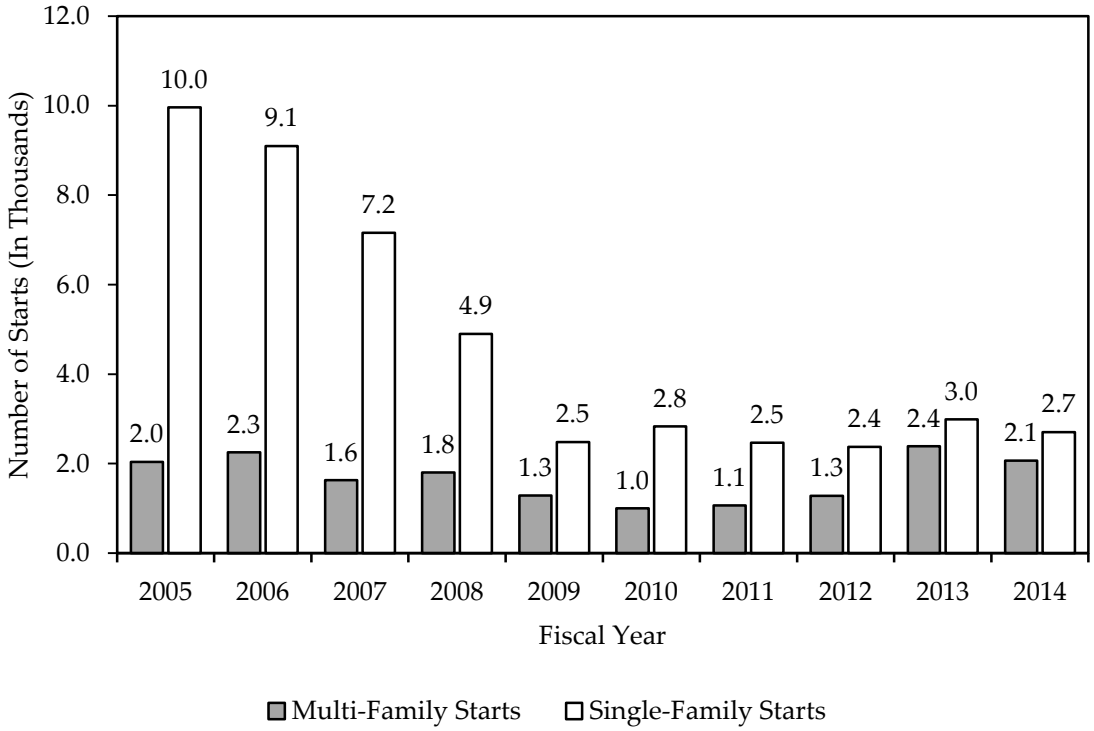


Source: U.S. Department of Commerce, Bureau of the Census, IHS

While starts have begun to recover from lows experienced in the aftermath of the Great Recession, the mix of housing starts is significantly different than it was prior to the crisis in the housing market. In Connecticut in particular, starts in multi-family housing units have recovered to levels seen prior to the recession, while starts in single-family units have languished. This change may be driven by demographic changes and shifting preferences in the state. As the size of the average household decreases and the Connecticut population ages, demand for smaller and more affordable housing units will increase. The following graph shows both single- and multi-family housing starts in Connecticut by fiscal year. The chart shows that, over the last decade, the balance between single- and multi-family charts has shifted. In fiscal year 2004, multi-family units accounted for 20.7% of all housing starts in Connecticut. In 2014, multi-family units accounted for 43.3% of all housing starts.

CONNECTICUT SINGLE-FAMILY AND MULTI-FAMILY STARTS

(In Thousands)



Source: U.S. Department of Commerce, Bureau of the Census, IHS

Census data from calendar years 2003 to 2007 indicates Americans built over 9.0 million units of housing during these years. Over the same five-year period, the number of American households grew by only 6.7 million. Assuming a million of those units replaced older homes that were destroyed or abandoned, it could be estimated that the United States entered the last recession with an excess of approximately 1.3 million housing units from the prior five years. Demand for these excess units will increase when households form at a faster rate than houses are built. However, as depicted in the following table, housing formations have been low in the last years of the decade and have only recently started to improve.

Given that housing starts were low through the recent recession, it is no surprise that household formation has also been depressed. New households may be formed when couples separate, children move out of their family's home and when individuals live singly after previously sharing a residence. Conversely, households are reduced when young people move back home with their parents, and households combine to lower expenses. Economic conditions have promoted the latter behavior in recent years.

TABLE 13
U.S. HOUSEHOLD FORMATIONS
(In Thousands)

Calendar Year	Total Number of Households	Change in Households from Previous Year
2001	108,209	3,504
2002	109,297	1,088
2003	111,278	1,981
2004	112,000	722
2005	113,343	1,343
2006	114,384	1,041
2007	116,011	1,627
2008	116,783	772
2009	117,181	398
2010	117,538	357
2011	119,927	2,389
2012	121,084	1,157
2013	122,459	1,375

Source: U.S. Bureau of the Census

A leading indicator of construction activity is the number of building permits issued by local authorities authorizing construction. The following table shows the Connecticut counties in which privately owned housing permits were issued in calendar 2013, demonstrating the geographic distribution of housing construction activity in Connecticut.

TABLE 14
CONNECTICUT HOUSING PERMIT ACTIVITY
Calendar Year 2013

County	Total Units Authorized	% of Total	% Growth Over CY 2012
Fairfield	2,501	46.1	17.0
Hartford	1,063	19.6	26.8
Litchfield	158	2.9	2.6
Middlesex	234	4.3	(6.0)
New Haven	815	15.0	21.8
New London	372	6.9	27.8
Tolland	182	3.4	(22.9)
Windham	99	1.8	5.3
State Total	5,424	100.0	16.2

Source: Connecticut Department of Economic and Community Development

Construction is ultimately undertaken for all but a very small percentage of housing units authorized by permits. A major portion typically gets under way during the month of permit issuance and most of the remainder begins within the three following months. Because of this lag, the number of housing permits issued does not represent the number of units actually put into construction for the period shown and should not be interpreted as housing starts.

Housing permit activity increased 16.2% in calendar year 2013, decelerating from a 47.1% increase in activity in 2012. In 2013, six of Connecticut's eight counties experienced an increase in housing permit activity over 2012. New London, New Haven, and Hartford Counties experienced a significant increases between 20 and 30%. Housing permit activity in Fairfield County grew 17.0%, following extraordinary growth of 128.2% in 2012. Growth was minimal in Litchfield and Windham Counties and contracted in Tolland and Middlesex counties. Tolland County experienced its second year of declines in permit activity of more than 20%.

Residential demolition permits issued during calendar year 2013 totaled 1,397, an increase of 46.3% over calendar year 2012. Fairfield County issued the most demolition permits with 561, followed by Hartford (478) and New Haven (57). At the end of 2012, the latest data available, an estimated 1,481,396 housing units existed in Connecticut. The following table shows changes in Connecticut's housing unit inventory on a calendar year basis from 2011 to 2012.

TABLE 15
CONNECTICUT HOUSING INVENTORY

Structure Type	Inventory 2011	% of Total	Inventory 2012	% of Total	Net Change	Growth Rate
One-Unit	951,992	64.4	953,861	64.4	1,869	0.20%
Two-Units	119,775	8.1	119,763	8.1	(12)	-0.01%
Three & Four Units	133,043	9.0	133,047	9.0	4	0.00%
Five Or More Units	259,680	17.6	261,536	17.7	1,856	0.71%
Other	13,192	0.9	13,189	0.9	(3)	-0.02%
Total Inventory	1,477,682	100.0	1,481,396	100.0	3,714	0.25%

Source: Connecticut Department of Economic and Community Development

Median Sales Price of Housing

Median sales price is the midpoint at which half of the sales are above and half below the price. The median sales price data shown in the following table is for the sale of existing single-family homes. The median sales price in Connecticut in 2013 was $274,382. The United States experienced an increase of 11.5% in the median sales price in 2013 over 2012, compared to an increase of 1.6% in Connecticut. However, Connecticut has fared slightly better than the United States in the last eight years with a decrease in median home price of 4.7% compared to 9.9% nationally.

TABLE 16
SALES PRICE OF EXISTING HOMES IN CONNECTICUT AND THE UNITED STATES
(By Calendar Year)

Calendar Year	Median Price U.S.	% Change	Median Price CT	% Change	CT as a % of U.S.	U.S. Affordability Index
2005	$217,492		$289,002		132.9	113.74
2006	$221,883	2.0	$304,828	5.5	137.4	107.72
2007	$215,517	(2.9)	$309,763	1.6	143.7	117.01
2008	$195,775	(9.2)	$300,755	(2.9)	153.6	139.03
2009	$172,492	(11.9)	$290,903	(3.3)	168.6	172.34
2010	$172,742	0.1	$283,304	(2.6)	164.0	172.62
2011	$164,933	(4.5)	$275,331	(2.8)	166.9	188.02
2012	$175,783	6.6	$269,998	(1.9)	153.6	197.36
2013	$195,933	11.5	$274,382	1.6	140.0	179.63
05-13 Change	($21,558)	(9.9)	($14,620)	(5.1)		
CAGR*		(1.3)		(0.8)		

*Compound Annual Growth Rate for period of 2005-2013
Source: IHS

The U.S. housing affordability index reversed a six-year trend of year-over-year growth in calendar year 2013. To interpret the housing affordability index, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home, assuming a 20% down payment. A value above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home. Although the affordability index remains favorable, the median housing price has not fully recovered from the housing crisis in either Connecticut or the nation as a whole.

Age of Buyer or Renter

As Table 8 demonstrates, current population projections anticipate a slight increase in the 20-44 year old age group of 1.0% between 2010 and 2025. This is significant in the housing market for two reasons. First, this age group is the prime source of household formation. Consequently, a slow population growth within this age group will equate to slow formation of new households, reducing demand for starter homes. Moreover, weak demand for starter homes makes it harder for maturing families who already own starter homes to move up, thus reducing demand and appreciation throughout the housing market.

The age group of citizens 65 and older grew during the 2000s at a rate of 7.7%. This age group is projected to continue to grow rapidly during the next ten years. Projected growth rates of the 65

and older age group are 54.5% from 2010 to 2025. With the growth in this demographic, the housing market will see a shift in the type of housing units that are desirable. As more baby-boomers turn into empty-nesters, they will trade-down their large homes for smaller, easier to maintain condos and second homes. Demand for easier to maintain rental or condo units, particularly those targeted toward the elderly, will accelerate and boost the state's housing market, but at a cost. As the elderly population expands, additional benefits and services to care for this group will be required. How society will pay for these growing needs has yet to be determined.

Government Responses to the Housing Market

The federal government has taken several steps to mitigate the effects of the decline in the housing market. The Making Home Affordable (MHA) program offers services intended to stabilize the housing market and assist current homeowners facing financial duress. The Home Affordable Modification Program (HAMP) is available for homeowners facing imminent default. Through the third quarter of 2014, HAMP had nearly one million active permanent loan modifications. Nearly 20,000 permanent modifications were started in Connecticut; the median monthly payment reduction in the state was $532.49. The Home Affordable Refinancing Program (HARP) is available for mortgages owned or guaranteed by Fannie Mae or Freddie Mac which are underwater. As of March 2013, HARP helped more than three million refinance. The HAMP and HARP programs are currently set to expire on December 31, 2015.

Changes in Housing Finance

In calendar year 2013, thirty-year fixed mortgage rates rose over one percentage point from 3.41% in January to 4.46% in December. This trend largely reversed itself in 2014, with rates dropping over the course of the year to 4.00% in November according to data from Freddie Mac. Turmoil in global financial markets may cause investors to seek the safety of treasury bonds, which would put downward pressure on mortgage interest rates.

Most recent reports on foreclosure rates indicate positive change. The Mortgage Bankers Association reported that mortgages 90 days or more past due declined to 4.65% of all mortgages in the U.S. in the third quarter of 2014, down a full percentage point from the third quarter of 2013. Both delinquency rates and foreclosure rates are at their lowest level since 2007.

Home Equity

A home's equity is calculated by taking the current market value of the home and subtracting the outstanding mortgage balance. This measure shows the amount of ownership homeowners have in their home. A decrease in home equity occurs if there is an increase in the amount of debt homeowners are taking on to pay for their homes or if housing values decline. An increase in home equity may occur if housing values increase or if there is a decrease in the amount of debt issued to homebuyers. According to the Federal Reserve, owners' equity as a percentage of

household real estate declined to its lowest levels since World War II during the Great Recession. From 2000 to 2009 home equity dropped 36%, from 60.5% in 2000 to 38.6% in 2009. Home equity has increased in recent years and reached 52.1% in 2013, the highest level since 2006. The overall decline during the 2000's is likely due to a combination of increasing home mortgage debt and sharp declines in home values due to the 2008 recession.

TABLE 17
OWNERS' EQUITY AS A PERCENTAGE OF HOUSEHOLD REAL ESTATE
(In Billions)

Calendar Year	Home Values*	Home Mortgages*	Home Equity
1945	116.0	18.7	83.9%
1950	243.3	45.3	81.4%
1955	367.4	87.9	76.1%
1960	486.9	141.4	71.0%
1965	605.6	219.4	63.8%
1970	874.5	286.0	67.3%
1975	1,413.7	459.1	67.5%
1980	2,943.2	926.5	68.5%
1985	4,699.0	1,450.2	69.1%
1990	6,796.9	2,489.3	63.4%
1995	8,055.5	3,319.2	58.8%
2000	12,213.4	4,813.9	60.6%
2005	22,030.1	8,912.7	59.5%
2006	22,541.0	9,910.3	56.0%
2007	20,691.1	10,613.2	48.7%
2008	17,445.3	10,580.6	39.3%
2009	16,966.8	10,419.2	38.6%
2010	16,396.0	9,915.0	39.5%
2011	16,084.6	9,698.9	39.7%
2012	17,510.4	9,496.8	45.8%
2013	19,638.8	9,407.9	52.1%

Source: Federal Reserve "Flow of Funds" Table B.100 and L.100
* In Nominal Dollars

EMPLOYMENT PROFILE

Employment Estimates

The employment estimates for most of the tables included in this section are from the U.S. Bureau of Labor Statistics and the Connecticut Labor Department. They are developed as part of the federal-state cooperative Current Employment Statistics (CES) Program. The estimates for the state and the labor market areas are based on the responses to surveys of 5,000 Connecticut employers registered with the Unemployment Insurance program. Companies are chosen to participate based on specifications from the U.S. Bureau of Labor Statistics. As a general rule, all large establishments are included in the survey as well as a sample of smaller employers. It should be noted, however, that this method of estimating employment may result in under-counting jobs created by agricultural and private household employees, the self-employed and unpaid family workers who are not included in the sample. The survey only counts total business payroll employment in the economy.

In an effort to provide a broader employment picture, the following table, based on residential employment, was developed. Total residential employment is estimated based on household surveys which include individuals excluded from establishment employment figures such as self-employed and workers in the agricultural sector. By this measure, residential employment in fiscal year 2014 increased by 827 jobs. Likewise, the level of establishment employment based on the survey response increased by 12,475 jobs in fiscal year 2014.

The following table provides a ten fiscal year historical profile of residential and establishment employment in Connecticut.

TABLE 18
CONNECTICUT SURVEY EMPLOYMENT COMPARISONS
(In Thousands)

Fiscal Year	Residential Employment	% Growth	Establishment Employment	% Growth
2005	1,708.15	0.63	1,657.02	0.81
2006	1,731.59	1.37	1,670.75	0.83
2007	1,756.61	1.45	1,689.74	1.14
2008	1,766.64	0.57	1,706.30	0.98
2009	1,757.60	(0.51)	1,664.71	(2.44)
2010	1,735.59	(1.25)	1,605.91	(3.53)
2011	1,737.53	0.11	1,618.38	0.78
2012	1,736.15	(0.08)	1,633.59	0.94
2013	1,722.94	(0.76)	1,647.15	0.83
2014	1,723.77	0.05	1,659.63	0.76

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Nonagricultural Employment

Nonagricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid family workers, farm and household domestic workers. Nonagricultural employment is comprised of the broad manufacturing sector and the nonmanufacturing sector. These two components of nonagricultural employment are discussed in detail in the following sections.

The following table shows a ten fiscal year historical profile of nonagricultural employment in the United States, the New England region, and Connecticut.

TABLE 19
NONAGRICULTURAL EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2005	132,771	1.51	6,910	0.66	1,657	0.81
2006	135,317	1.92	6,966	0.81	1,671	0.83
2007	137,295	1.46	7,036	1.00	1,690	1.14
2008	138,084	0.57	7,087	0.72	1,706	0.98
2009	134,300	(2.74)	6,944	(2.01)	1,665	(2.44)
2010	130,091	(3.13)	6,775	(2.43)	1,606	(3.53)
2011	130,914	0.63	6,830	0.80	1,618	0.78
2012	133,004	1.60	6,913	1.22	1,634	0.94
2013	135,174	1.63	6,992	1.15	1,647	0.83
2014	137,534	1.75	7,073	1.16	1,660	0.76

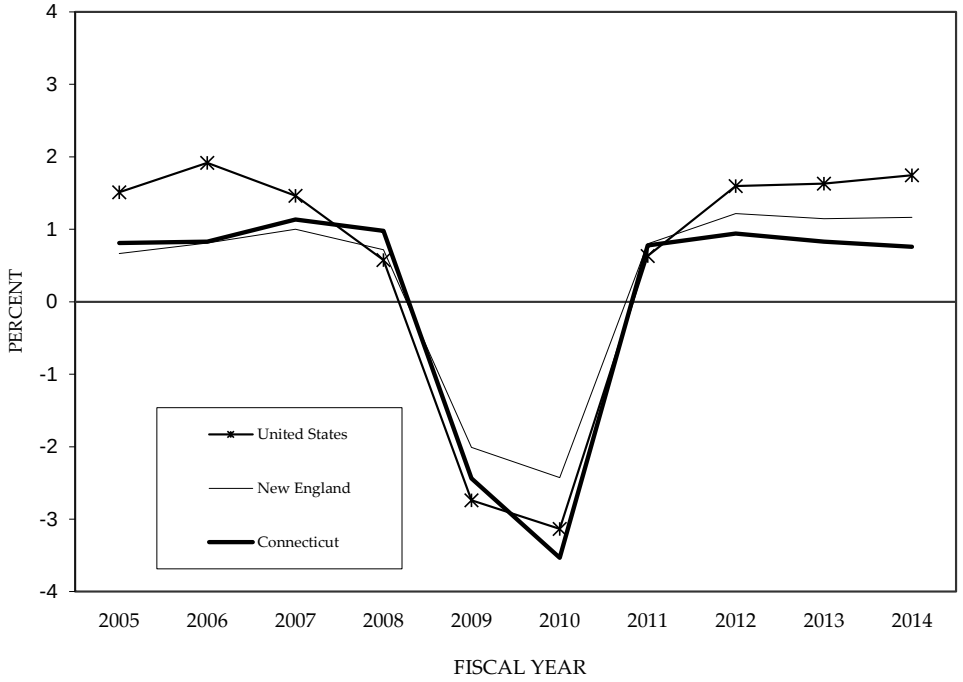
Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

In Connecticut, approximately 49% of total personal income is derived from wages earned by workers classified in the nonagricultural employment sector. Thus, increases in employment in this sector lead to increases in personal income growth and consumer demand. In addition, nonagricultural employment can be used to compare similarities and differences between economies, whether state or regional, and to observe structural changes within. These factors make nonagricultural employment figures a valuable indicator of economic activity.

Connecticut experienced positive growth in nonagricultural employment from fiscal year 2004 through fiscal year 2008. After reaching a peak in fiscal year 2008, Connecticut lost approximately 100,000 nonagricultural jobs due to the Great Recession. As of fiscal year 2014 Connecticut had regained approximately 54,000 nonagricultural jobs. The following chart provides a graphic presentation of the growth rates in nonagricultural employment for the state, New England region and nation over a ten fiscal year period.

NONAGRICULTURAL EMPLOYMENT

FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The following table shows employment growth rates for the United States and the State of Connecticut over six decades beginning in state fiscal year 1950. This table highlights the robust growth in nonagricultural employment for Connecticut prior to 1990 juxtaposed by the modest 2.2% growth between 1990 and 2000 and the negative 4.5% growth during the 2000-2010 time period which was significantly impacted by the Great Recession. U.S. growth was negative in the 2000-2010 period for the first time in five decades with a 0.5% decline. Since 2010, employment growth has increased for both the United States and Connecticut by 5.7% and 3.3% respectively.

TABLE 20
NONAGRICULTURAL EMPLOYMENT
LONG-TERM GROWTH RATES

	Growth Rates		Cumulative Growth Rates	
Fiscal Year	United States	Connecticut	United States	Connecticut
1950-1960	23.4%	24.6%	23.4%	24.6%
1960-1970	31.6%	31.9%	62.4%	64.4%
1970-1980	27.3%	17.8%	106.7%	93.6%
1980-1990	20.4%	16.1%	148.8%	124.8%
1990-2000	19.8%	2.2%	198.2%	129.7%
2000-2010	(0.5%)	(4.5%)	197.0%	119.2%
2010-2014	5.7%	3.3%	214.0%	126.7%

Source: U.S. Bureau of Labor Statistics

Throughout the last two decades, while manufacturing employment in Connecticut has been steadily declining, employment growth in nonmanufacturing industries has surged. Relatively rapid growth in the nonmanufacturing sector is a trend that is evident nationwide and reflects the increased importance of the service industry. This shift in employment provides for relatively more stable economic growth in the long run through the moderation of the peaks and troughs of economic cycles. In fiscal year 2014, approximately 90% of the state's workforce was employed in nonmanufacturing jobs, up from roughly 50% in the early 1950s.

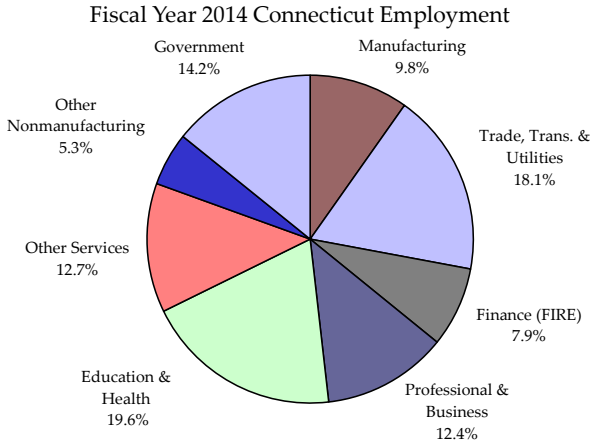
The following table depicts the decrease in the ratio of manufacturing employment to total employment in Connecticut over the last six decades.

TABLE 21
CONNECTICUT RATIO OF MANUFACTURING EMPLOYMENT TO TOTAL EMPLOYMENT
(In Thousands)

Fiscal Year	Total Employment	Manufacturing Employment	NonMfg. Employment	Ratio of Mfg. Employment to Total Employment
1950	766.1	379.9	386.2	49.6
1955	874.7	423.2	451.6	48.4
1960	915.2	407.1	508.1	44.5
1965	1,033.0	436.2	596.8	42.2
1970	1,198.1	441.8	756.3	36.9
1975	1,224.6	389.8	834.8	31.8
1980	1,428.4	440.8	987.6	30.9
1985	1,558.2	408.0	1,150.2	26.2
1990	1,623.5	341.0	1,282.5	21.0
1995	1,556.2	251.8	1,304.3	16.2
2000	1,682.1	236.8	1,460.3	14.1
2005	1,657.0	196.7	1,457.2	11.9
2010	1,605.9	166.3	1,439.6	10.4
2014	1,659.6	162.8	1,496.8	9.8

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The graph on the right provides a breakdown of Connecticut employment in fiscal year 2014. As is evident, Connecticut employment is highly concentrated in nonmanufacturing employment sectors with only 9.8% of Connecticut laborers employed in the manufacturing sector. The services sector, which includes the professional and business, education and



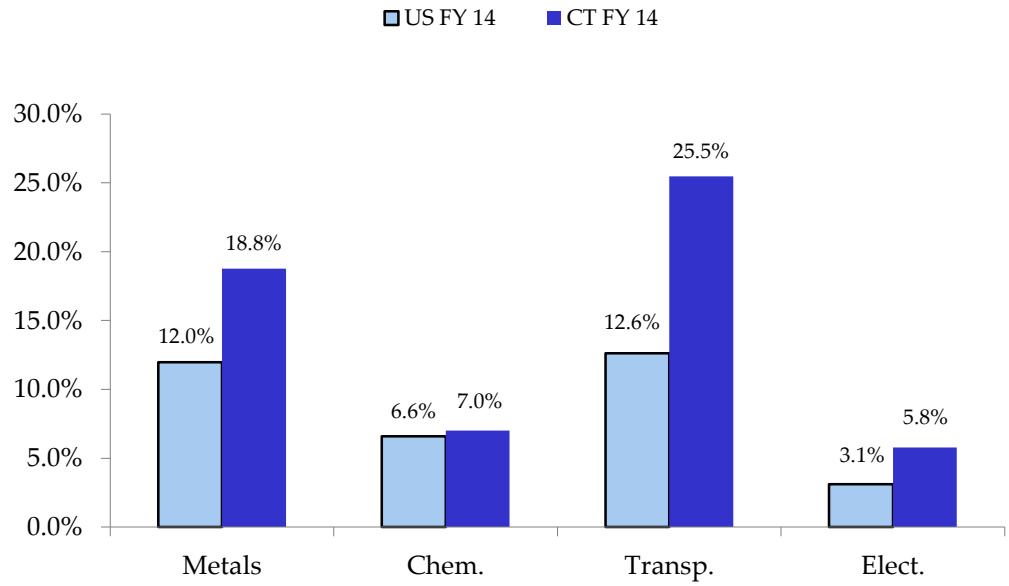
health, and leisure and hospitality segments (included in Other Services), is clearly the leading sector with 44.7% of those working employed in that classification.

Manufacturing Employment

Even with declines in overall manufacturing employment, the ratio of manufacturing employment to total employment still defines Connecticut as one of the major manufacturing and industrial states in the country. Based on the level of personal income derived from this sector, Connecticut ranks twentieth in the nation for its dependency on manufacturing. Within this broad definition, the manufacturing sector can be further broken down into the major components of the sector. The largest employer in this industry is United Technologies Corporation. Two of its largest divisions are Sikorsky, based in Stratford, and Pratt & Whitney, based in East Hartford; both are in the aerospace industry.

Over the last decade the state's distribution of manufacturing employment has remained relatively stable. Defense expenditures have stabilized the transportation equipment sector as evidenced by the percentage of total state manufacturing employment in that sector at 22.0% in fiscal year 2005 and 25.5% in fiscal year 2014. The fabricated metals production sector employment figures as a percent of total state manufacturing have remained stable over the past decade at approximately 17.2% in fiscal 2005 and 18.8% in fiscal 2014. The other major manufacturing sectors, electrical equipment and appliances and chemicals, make up approximately 5.8% and 7.0% of the total manufacturing sector respectively in fiscal 2014. The distribution of employment figures within the manufacturing sector highlights that Connecticut manufacturing is diversified, but has a greater reliance on the metals and transportation equipment sectors.

COMPARISON OF MANUFACTURING EMPLOYMENT IN CERTAIN SECTORS
(As A Percentage Of Total Manufacturing Employment)



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

In fiscal year 2014, manufacturing employment in the state and New England declined by 0.97% and 0.37% respectively. In contrast, the United States continued an upward trend with a growth rate of 0.64%.

TABLE 22
MANUFACTURING EMPLOYMENT
(In Thousands)

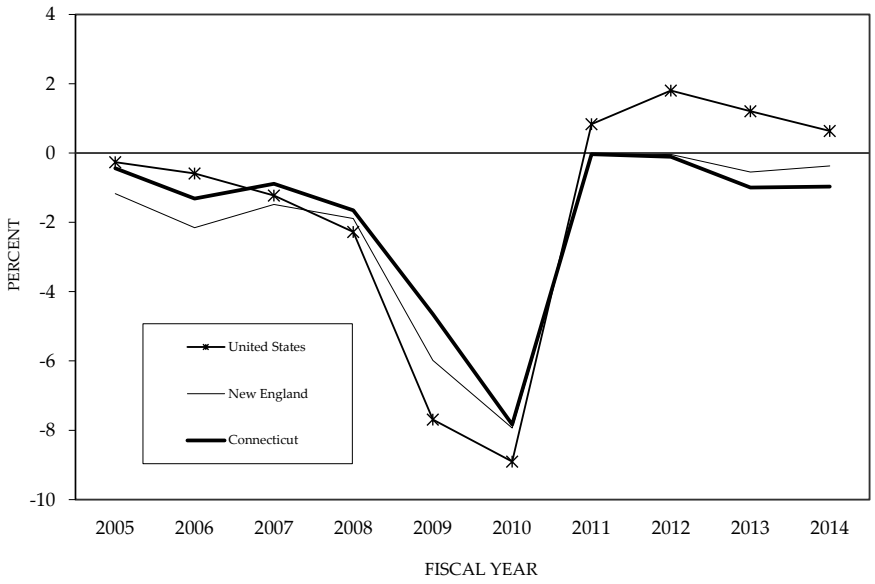
Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2005	14,288.7	(0.26)	742.4	(1.17)	196.7	(0.44)
2006	14,204.2	(0.59)	726.4	(2.16)	194.1	(1.31)
2007	14,029.8	(1.23)	715.6	(1.48)	192.4	(0.88)
2008	13,710.1	(2.28)	702.1	(1.89)	189.2	(1.65)
2009	12,655.3	(7.69)	660.1	(5.99)	180.4	(4.65)
2010	11,528.8	(8.90)	607.7	(7.93)	166.3	(7.83)
2011	11,624.5	0.83	607.3	(0.07)	166.2	(0.04)
2012	11,833.8	1.80	607.1	(0.04)	166.0	(0.11)
2013	11,976.6	1.21	603.7	(0.55)	164.4	(1.00)
2014	12,052.9	0.64	601.5	(0.37)	162.8	(0.97)

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Historically, manufacturing employment closely parallels the business cycle, typically expanding when the economy is healthy and contracting during recessionary periods, as it did during the early 1980s. However, this relationship changed in the latter part of the 1980s, as contractions in manufacturing employment were not initially accompanied by a recession. Other factors, such as heightened foreign competition, smaller defense budgets, and improved productivity, played a significant role in affecting the overall level of manufacturing employment in Connecticut.

The erosion of the state's manufacturing base reflects the national trend away from traditional industries, both durable and nondurable. More of U.S. demand is being satisfied by foreign producers who can manufacture goods more cheaply. The upward trend of higher productivity has enabled Connecticut manufacturers to make more with fewer workers. Even with the structural change, manufacturing employment in Connecticut still accounts for 9.8% of all nonfarm payroll jobs, compared with 8.8% in the U.S. and 8.5% in New England through fiscal year 2014. Table 23 provides a breakdown of the state's manufacturing employment by industry and indicates percentage changes for the year and for a ten year period for each of the manufacturing sectors.

MANUFACTURING EMPLOYMENT
FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing employment showed little signs of improvement in fiscal year 2014 over fiscal year 2013. Fabricated Metal production was the only industry with significant employment growth of 1.9% over fiscal year 2014. The largest reductions in employment were seen in electical equipment and applicances which dropped 3.9%, and printing and related support activities which dropped 3.2% over the same period. The percent change from fiscal year 2005 to 2014 demonstrates the overall decline in manufacturing employment over the last decade.

TABLE 23
CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
	FY	FY	FY	FY 2013 to	FY 2005 to
Industry	2005	2013	2014	FY 2014	FY 2014
Transportation Equipment	43.3	41.8	41.1	(1.7)	(5.2)
Fabricated Metal Production	33.9	29.7	30.2	1.9	(10.8)
Electrical Equipment & Appl.	10.5	9.7	9.3	(3.9)	(11.1)
Chemicals	17.2	11.2	11.3	1.1	(34.3)
Printing & Related Support	8.2	5.3	5.1	(3.2)	(37.6)
Industrial Machinery	18.3	14.3	14.1	(1.3)	(23.1)
All Other	65.2	51.5	50.0	(2.8)	(23.3)
Total Mfg. Employment	196.7	163.4	161.2	(1.3)	(18.0)

Source: U.S. Bureau of Economic Analysis, Connecticut Labor Department

The following table ranks the 50 states in terms of their relative dependence on manufacturing wages as a percentage of total personal income.

TABLE 24
MANUFACTURING WAGES AS A PERCENT OF PERSONAL INCOME BY STATE
Fiscal Year 2013
(In Millions)

Rank	State	Personal Income	Mfg. Wages	%	Rank	State	Personal Income	Mfg. Wages	%
1	Indiana	$ 252,962	$ 29,242	11.56%	26	Texas	$1,129,419	$59,517	5.27%
2	Wisconsin	244,451	25,708	10.52%	27	Georgia	377,069	19,702	5.22%
3	Michigan	383,483	34,751	9.06%	28	Massachusetts	376,329	19,386	5.15%
4	Iowa	137,505	11,369	8.27%	29	Maine	53,900	2,768	5.14%
5	Ohio	468,204	37,558	8.02%	30	Nebraska	84,776	4,300	5.07%
6	South Carolina	167,123	12,522	7.49%	31	Louisiana	186,230	9,383	5.04%
7	Kentucky	157,597	11,792	7.48%	32	Rhode Island	48,854	2,306	4.72%
8	New Hampshire	65,732	4,887	7.44%	33	Oklahoma	157,684	7,380	4.68%
9	Alabama	174,822	12,742	7.29%	34	Arizona	240,762	10,901	4.53%
10	Kansas	125,506	8,995	7.17%	35	South Dakota	38,423	1,739	4.53%
11	Minnesota	256,106	17,981	7.02%	36	New Jersey	493,390	21,648	4.39%
12	Oregon	154,946	10,578	6.83%	37	West Virginia	65,586	2,664	4.06%
13	Tennessee	252,970	16,999	6.72%	38	Colorado	241,384	8,557	3.55%
14	Mississippi	101,660	6,642	6.53%	39	Virginia	400,287	13,646	3.41%
15	North Carolina	374,366	24,399	6.52%	40	Delaware	41,190	1,322	3.21%
16	Vermont	28,281	1,797	6.35%	41	North Dakota	40,101	1,134	2.83%
17	Washington	322,832	20,492	6.35%	42	Maryland	319,530	8,897	2.78%
18	Arkansas	105,746	6,692	6.33%	43	New York	1,053,135	25,749	2.44%
19	Illinois	596,604	37,713	6.32%	44	New Mexico	74,889	1,702	2.27%
20	**Connecticut**	**216,469**	**13,632**	**6.30%**	45	Florida	804,181	17,929	2.23%
21	Utah	103,125	6,236	6.05%	46	Montana	39,309	788	2.00%
22	Idaho	55,976	3,149	5.63%	47	Nevada	106,957	2,094	1.96%
23	Pennsylvania	581,072	32,584	5.61%	48	Wyoming	29,378	546	1.86%
24	California	1,794,312	98,868	5.51%	49	Alaska	36,448	547	1.50%
25	Missouri	238,426	13,119	5.50%	50	Hawaii	63,261	541	0.86%
	United States	$13,910,489	$740,550	5.32%					

Source: U.S. Department of Commerce, Bureau of Economic Analysis
Note: The preceding graph is a reprint of the same graph published in the prior year's Economic Report of the Governor. Personal income data in this graph have not been updated to provide an "apples-to-apples" comparison of the states.

Nonmanufacturing Employment

The nonmanufacturing sector is comprised of industries that provide a service. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Connecticut's nonmanufacturing sector consists of the industries listed in the following table. Over the last three decades, nonmanufacturing employment has risen in importance to the Connecticut economy, reflecting the overall national trend away from manufacturing.

Nonmanufacturing employment gained approximately 14,060 positions and increased by approximately 1.0% from fiscal year 2013 to 2014. This growth was due in large part to an increase in the services sector which grew by 1.6% (11,740 additional employed). The education and health sector also experienced the largest percentage growth from fiscal year 2005 to 2014 with a 19.8% gain during that period.

The following table provides detail on Connecticut's nonmanufacturing employment by industry and indicates percentage changes for the year and over a ten year period for each of the sectors.

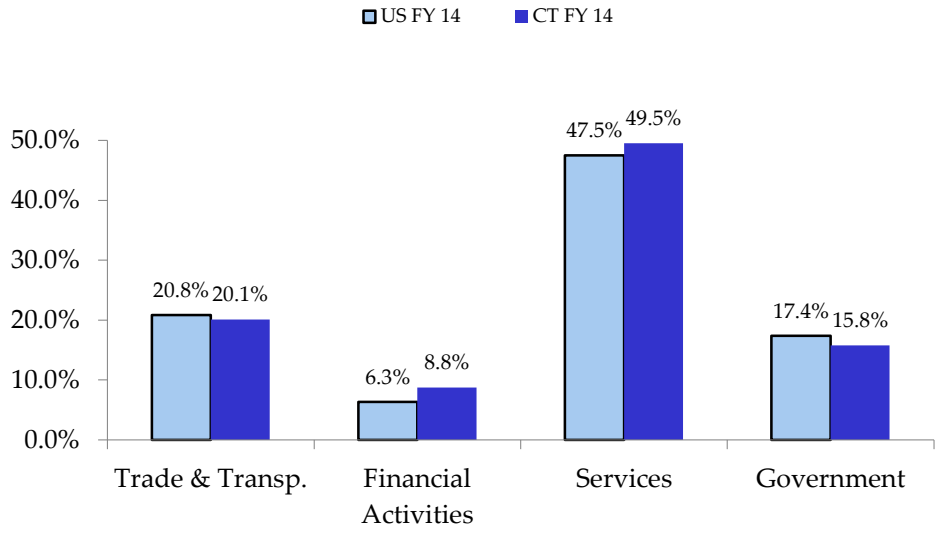
TABLE 25
CONNECTICUT NONMANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
Industry	FY 2005	FY 2013	FY 2014	FY 2013 to FY 2014	FY 2005 to FY 2014
Construction & Mining	67.23	53.05	55.79	5.17	(17.02)
Information	38.68	31.68	31.68	0.00	(18.08)
Transp., Trade & Utilities	310.10	296.86	300.61	1.26	(3.06)
Transp., & Warehousing	42.82	43.69	45.37	3.85	5.96
Utilities	8.66	7.52	7.55	0.35	(12.83)
Wholesale	65.91	63.10	63.90	1.27	(3.05)
Retail	192.72	182.55	183.79	0.68	(4.63)
Finance (FIRE)	141.23	132.28	131.02	(0.96)	(7.23)
Finance & Insurance	120.74	113.38	111.93	(1.28)	(7.30)
Real Estate	20.49	18.90	19.08	0.97	(6.87)
Services	660.23	729.85	741.59	1.61	12.32
Professional & Business	197.88	203.48	205.27	0.88	3.74
Education & Health	271.03	319.44	324.78	1.67	19.83
Leisure & Hospitality	128.67	144.73	149.67	3.41	16.32
All Other Services	62.65	62.21	61.88	(0.54)	(1.24)
Government	242.85	239.04	236.14	(1.21)	(2.76)
Federal	19.96	17.48	17.29	(1.05)	(13.36)
State & Local	222.89	221.57	218.85	(1.23)	(1.81)
Total Nonmanufacturing Employment	1,460.32	1,482.77	1,496.83	0.95	2.50

Note: Totals may not agree with detail due to rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following chart provides a comparison of select nonmanufacturing sectors in Connecticut to national results.

COMPARISON OF NONMANUFACTURING EMPLOYMENT IN CERTAIN SECTORS
(As A Percentage Of Total Non-Manufacturing Employment)



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The following table and chart provide a ten fiscal year profile of nonmanufacturing employment in the United States, the New England region, and Connecticut.

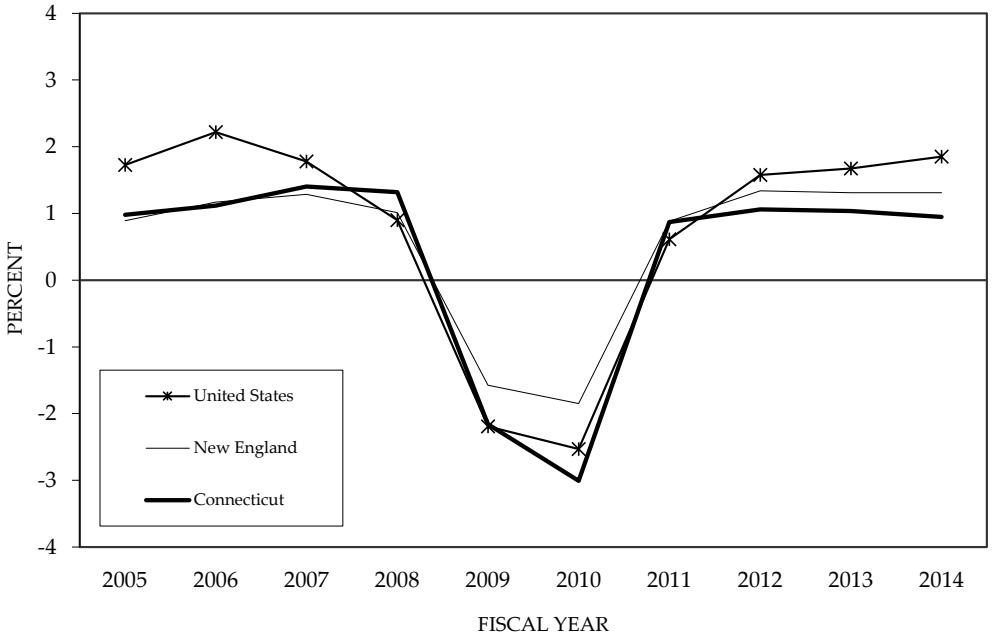
TABLE 26
NONMANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2005	118,482	1.7	6,168	0.9	1,460.3	1.0
2006	121,113	2.2	6,240	1.2	1,476.6	1.1
2007	123,265	1.8	6,320	1.3	1,497.3	1.4
2008	124,374	0.9	6,384	1.0	1,517.1	1.3
2009	121,644	(2.2)	6,284	(1.6)	1,484.3	(2.2)
2010	118,562	(2.5)	6,168	(1.8)	1,439.6	(3.0)
2011	119,289	0.6	6,222	0.9	1,452.2	0.9
2012	121,170	1.6	6,306	1.3	1,467.6	1.1
2013	123,198	1.7	6,388	1.3	1,482.8	1.0
2014	125,481	1.9	6,472	1.3	1,496.8	0.9

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

NONMANUFACTURING EMPLOYMENT

FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Average annual salaries for Connecticut's nonmanufacturing industries are listed in the following table. The figures were derived by dividing total wage and salary disbursements by employment. Percent changes over the previous year and over the decade are also provided.

TABLE 27
AVERAGE CONNECTICUT NONMANUFACTURING ANNUAL SALARIES

				Percent Change	
	FY	FY	FY	FY 2013 to	FY 2005 to
Industry	2005	2013	2014	FY 2014	FY 2014
Construction	$52,506	$61,262	$60,765	-0.8	15.7
Information	63,146	86,525	91,924	6.2	45.6
Transp., Trade & Utilities	41,196	46,988	46,850	-0.3	13.7
Wholesale Trade	70,919	86,290	85,756	-0.6	20.9
Retail Trade	28,777	31,881	32,147	0.8	11.7
Finance, Ins. & Real Estate	114,175	141,582	143,975	1.7	26.1
Professional & Business Services	63,306	82,535	85,195	3.2	34.6
Education & Health Services	41,809	50,074	50,293	0.4	20.3
Leisure & Hospitality Services	20,355	22,596	22,705	0.5	11.5
Government	49,471	59,446	60,575	1.9	22.4
Federal	82,578	105,546	105,118	-0.4	27.3
State and Local	46,507	55,810	57,055	2.2	22.7

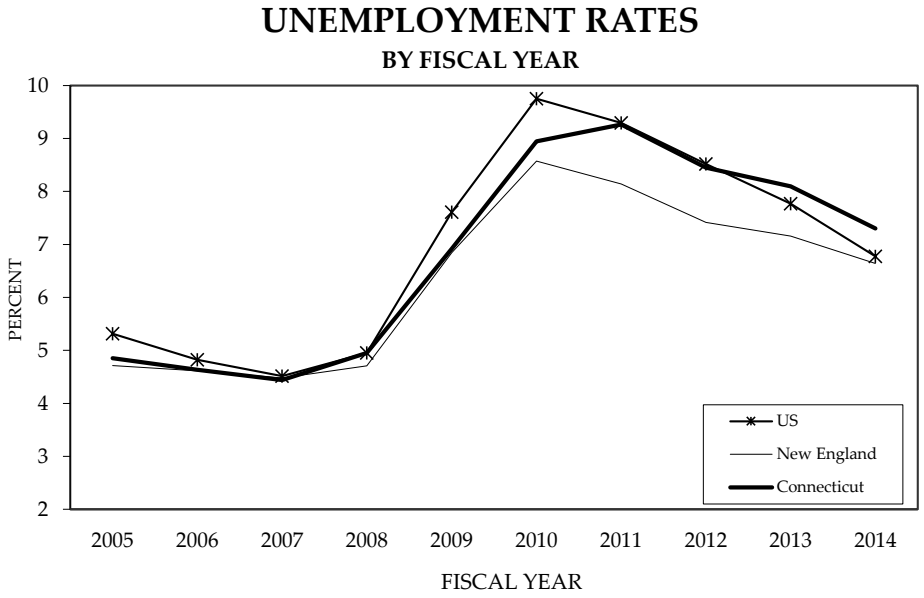
Source: U.S. Bureau of Economic Analysis

Unemployment Rate

The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. The rate is based upon a monthly survey in which household members are asked a series of questions, one of which is whether a jobless person has looked for work at some time during the preceding four weeks. Those looking for work are considered in the labor force but unemployed. The following table shows the unemployment rate for the U.S., the New England region, and Connecticut over a ten year period. Although the recession ended many years ago, unemployment rates have remained high in the U.S., the New England region and Connecticut from fiscal year 2009 through fiscal year 2014.

TABLE 28
UNEMPLOYMENT RATES (%)

Fiscal Year	United States	New England	Connecticut
2005	5.3	4.7	4.9
2006	4.8	4.6	4.6
2007	4.5	4.5	4.5
2008	5.0	4.7	4.9
2009	7.6	6.8	6.9
2010	9.7	8.6	8.9
2011	9.3	8.1	9.3
2012	8.5	7.4	8.4
2013	7.8	7.2	8.1
2014	6.8	6.6	7.3



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

SECTOR ANALYSIS

Energy

The cost of energy has an outsized impact on the economy. For most consumers, transportation and household energy are major and unavoidable expenses, and their cost can affect other spending decisions. Because the U.S. is a net importer of energy, changes in the global energy market often result in changes in the domestic economy. All of the nation's recessions in recent history were concurrent with energy disruptions that occurred worldwide: in 1973 (Arab Oil Embargo), in 1979 (Iranian Revolution), in 1981 (Iran/Iraq war), and in in 1991 (Iraq invasion of Kuwait). The March 2001 recession followed an energy supply disturbance that occurred in late 2000 when petroleum inventories remained relatively low and the price reached a then-record high of $37.80 per barrel, the highest since the Gulf War of 1991. The last recession, which began in December 2007, was preceded by a hike in oil prices accompanied by the joint crises in the housing and financial markets. West Texas Intermediate (WTI) crude oil crept up to a monthly average high of $94.62 a barrel in November 2007, up nearly 60% from a year earlier. The price continued to rise to an all-time monthly record high of $133.93 a barrel in June 2008.

Just as increases in the price of oil can negatively impact consumers, price decreases can put money back into consumer's pockets. Price declines which occurred during 2014 are projected to continue through the second quarter of 2015 and will have a positive impact on Connecticut residents. In 2013, each Connecticut household consumed an average of 1,065 gallons of gasoline. This means that for each ten cent decrease in gas, Connecticut households will save an average of $106.50 per year. According to AAA's Daily Fuel Gauge Report, the cost of gasoline was $2.995 on December 10, 2014, compared to $3.662 the same time one year ago. On an annualized basis, this decrease would result in an average savings of $710 dollars per Connecticut household, or nearly $1 billion statewide.

The United States, like the rest of the industrialized world, relies heavily on three fossil fuels: crude oil, coal, and natural gas. The following three sections describe energy production and consumption for the world, the United States, and Connecticut.

Worldwide

World oil supply and demand increased slightly in 2013 from 2012 levels. Demand from emerging economies in Asia such as India, China, and South Korea continued to rise. World oil supply and demand among countries or regions continued to be significantly imbalanced. The following table illustrates the disparity between the world's suppliers of oil and its users. Members of the Organization of Petroleum Exporting Countries (OPEC) supplied 35.98 million barrels per day (MBPD) in 2013 and consumed 9.05 MBPD, generating a 26.93 MBPD surplus. The Organization for Economic Cooperation and Development (OECD), on the other hand, consumed more than it supplied. In 2013, the OECD consumed 45.93 MBPD, while supplying only 23.71 MBPD, registering a 22.22 MBPD deficit.

TABLE 29
WORLD OIL SUPPLY AND DEMAND
Calendar Year 2013

	Supply			Demand	
	Millions of Barrels Per Day	% of Total		Millions of Barrels Per Day	% of Total
Total OECD (a)	23.71	26.3%	Total OECD	45.93	50.8%
United States	12.36	13.7%	United States	18.96	21.0%
Canada	4.07	4.5%	Canada	2.42	2.7%
Mexico	2.91	3.2%	Mexico	2.04	2.3%
North Sea (b)	2.85	3.2%	Japan	4.53	5.0%
Other OECD	1.51	1.7%	Germany	2.40	2.7%
			France	1.77	2.0%
Total OPEC (c)	35.98	39.9%	Italy	1.32	1.5%
Saudi Arabia	11.60	12.9%	United Kingdom	1.51	1.7%
Iran	3.19	3.5%	Other OECD	10.97	12.1%
Iraq	3.06	3.4%			
Other OPEC	18.13	20.1%	Total Non-OECD	44.45	49.2%
			Russia	3.32	3.7%
All Other	30.44	33.8%	China	10.12	11.2%
Russia	10.53	11.7%	India	3.51	3.9%
China	4.46	4.9%	OPEC	9.05	10.0%
Other	15.45	17.1%	Other	18.45	20.4%
Total 2013 Supply	90.13	100.0%	**Total 2013 Demand**	90.38	100.0%
Total 2012 Supply	89.75		**Total 2012 Demand**	89.72	
Change	0.38	0.4%	Change	0.65	0.7%

Note:
(a) The OECD includes the United States, Western and some Eastern European countries, some Latin American countries, Israel, Australia, Canada, Japan, and New Zealand.
(b) North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
(c) The OPEC includes Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
Totals may not add due to rounding.
Source: U.S. Dept. of Energy, Energy Information Administration

The United States has become increasingly less reliant on foreign oil due to the development of new oil production technologies as well as increasing fuel efficiency. The nation consumed 18.96 MBPD in 2013, up slightly from 18.49 MBPD consumed in 2012. The country supplied 12.35 MBPD in 2013, up from 11.12 MPBD supplied in 2012. The country had a 34.8% dependency rate

on foreign oil supplies, the lowest rate since 1986. The U.S. accounted for 21.0% of global demand and 13.7% of global supply. Deficits between supply and demand also exist in larger economies such as China, Japan, France, and Germany.

Demand in China and India, Asia's two most populous and fastest growing economies, continued its upward trend, accounting for 15.1% of the worldwide demand total in 2013, up from 5.5% in 1991. China, the world's second largest consumer, switched from a net exporter of oil in 1995, and began running an increasing oil deficit as its economy continued to grow at a brisk pace. In 2013 China consumed 10.12 MBPD while supplying 4.46 MBPD, registering a 5.66 MBPD deficit. China had a 55.9% dependence rate on foreign oil, surpassing the U.S. In light of energy security concerns as well as soaring world demand and fierce competition for resources, China has augmented crude and oil product stockpiles, encouraged businesses to invest in oil and gas fields, and secured long term supply contracts abroad.

Table 30 shows world oil and natural gas reserves by country. Oil or natural gas reserves are the estimated quantities that are recoverable in the future from known reservoirs under existing technological, operating, and economic conditions. Resources that currently are not technologically recoverable but could become recoverable in the future as technologies advance may also be added to the reserve. Energy companies whose equities are traded on the U.S. stock market are required to report their holdings of proved reserves.

Total world oil reserves increased 120 billion barrels (BBs) to 1,646.0 BBs in 2013. Reserves remain concentrated in the Middle East. Venezuela increasingly holds a significant percentage of the world's proven oil reserves as well; the country's reserves have now surpassed those of Saudi Arabia. Canada also shares a major portion of the world's oil reserves due to the tar sands in Alberta, Canada. Recent increases in Canada's resources could potentially help the U.S. shift its dependency on Middle Eastern oil. U.S. oil reserves increased by almost 4 BBs to 30.5 BBs in 2013 according to the Energy Information Administration (EIA).

Total world natural gas reserves increased 36.3 trillion cubic feet (TCFs) in 2013 to 6,845.6 TCFs according to the EIA. Russia, a significant exporter of natural gas to Europe, held 24.7% of these reserves. Middle Eastern countries held 41.2% of world reserves. Natural gas reserves in the United States have increased in recent years due to the development of horizontal drilling and hydraulic fracturing ("fracking") technologies used to extract shale gas. During a five year period from 2008-2013 proven reserves in the U.S. increased 70.7 TCFs, or 29.7%.

World energy reserves continue to mirror the pattern of disparity found in the oil supply market. The share of world oil reserves held by all OPEC countries is 71.9%. The Middle East controls 47.9% of world oil reserves with Saudi Arabia controlling approximately 15.8% of the total, followed by Iran's 9.3% and Iraq's 8.9%. The Middle East countries controlled 43.2% of natural gas reserves.

TABLE 30
WORLD OIL & NATURAL GAS RESERVES
Calendar Year 2013

	Oil		Gas	
	Billions of Barrels	% of Total	Trillions of Cubic Feet	% of Total
North America	213.9	13.0%	393.8	5.8%
United States	30.5	1.9%	308.4	4.5%
Mexico	10.3	0.6%	17.2	0.3%
Canada	173.1	10.5%	68.2	1.0%
Central & South America	325.9	19.8%	268.9	3.9%
Venezuela	297.6	18.1%	195.1	2.9%
Europe and Eurasia*	130.9	8.0%	2,323.3	33.9%
European Union	6.1	0.4%	69.6	1.0%
Russia	80.0	4.9%	1,688.0	24.7%
Middle East	802.2	48.7%	2,823.2	41.2%
Saudi Arabia	267.9	16.3%	287.8	4.2%
Iran	154.6	9.4%	1,187.0	17.3%
Iraq	141.4	8.6%	111.5	1.6%
Kuwait	104.0	6.3%	63.5	0.9%
Qatar	25.4	1.5%	890.0	13.0%
Africa	127.7	7.8%	514.8	7.5%
Libya	48.0	2.9%	54.6	0.8%
Nigeria	37.2	2.3%	182.0	2.7%
Asia Pacific	45.4	2.8%	521.5	7.6%
Total 2013 estimate	1,646.0	100.0%	6,845.6	100.0%
Total 2012 estimate	1,526.0		6,809.3	
Change	120.0	7.9%	36.3	0.5%

Note: * Comprises the continents of Europe and Asia
Totals may not add due to rounding.

Source: U.S. Dept. of Energy, Energy Information Administration (EIA)

United States

The U.S. has the largest demand for world oil. While the country contains 4.4% of the world population and produces 13.7% of world oil, it consumes 21.0% of world oil. The nation has long been a net energy importer, although America's energy dependence has decreased in recent years. According to the Energy Information Administration's *Monthly Energy Review*, the U.S. consumed 97.64 quadrillion British Thermal Units (QBTU's) of energy in 2013. While this was 2.2 times the 1960 level, energy use has decreased from its peak of 101.32 QBTU's in 2007.

Whereas the U.S. produced 81.82 QBTU's and exported 11.86 QBTU's in 2013, it required net imports of 12.70 QBTU's, which represented 13.0% of total national energy consumption, compared to 22.1% in 2010, 25.3% in 2000, 16.6% in 1990, and 6.0% in 1960. In 2013, 78.5% of energy produced in the U.S. was from fossil fuels (coal, 24.4%; natural gas, including both dry and liquid production, 34.8%; and crude oil, 19.3%). Coal and crude, both domestic and imported, have historically been the leading energy sources in the U.S. However, natural gas has been increasingly prominent since the 1980s.

National energy consumption rose steadily during the 1990s and 2000s before peaking in 2007. Changes in energy consumption are driven by overall economic conditions, the movement of prices, and increases in energy efficiency. The following table displays energy usage in the U.S. in 2013 by fuel type and by economic sector. Petroleum products are currently the most important energy source for the U.S. economy. The 35.20 quadrillion petroleum-generated BTU's accounted for 36.0% of U.S. energy consumption, followed by natural gas at 26.63 QBTU's and coal at 18.08 QBTU's. These fossil fuel sources together accounted for approximately 81.8% of U.S. energy consumption. Nuclear power and hydroelectric power were distant followers.

TABLE 31
U.S. ENERGY CONSUMPTION IN 2013
(Quadrillion BTU's)

Fuels	Resi - dential	Com- mercial	In- dustrial	Trans- portation	Electric Generation	Total	% of Total
Natural Gas	5.05	3.37	9.08	0.80	8.34	26.63	27.3
Petroleum	0.94	0.59	8.39	25.02	0.26	35.20	36.0
Coal	-	0.04	1.55	-	16.49	18.08	18.5
Nuclear	-	-	-	-	8.27	8.27	8.5
Renewables							
Hydroelectric	-	-	0.03	-	2.53	2.56	2.6
Other*	0.84	0.14	2.20	1.25	2.48	6.92	7.1
Electricity	4.75	4.57	3.26	0.03	-	12.60	12.9
Electric Losses	9.71	9.34	6.66	0.05	(38.37)	(12.60)	(12.9)
Total Demand	21.29	18.05	31.17	27.15	-	97.66	100.0

Note: * Includes power generated from wood, biofuels, wind, waste, geothermal, tide, and solar/photovoltaic, as well as imported electricity.
Totals may not add due to rounding.

Source: U.S. Dept. of Energy, Energy Information Administration

The U.S. lags other developed countries in utilizing renewable energy. Hydroelectricity, for example, provided approximately 6.6% of electric generation in the U.S., versus approximately 60% in Canada. Capital investments in alternative renewable energy from solar, hydroelectric, wind, biofuels, and geothermal have increased dramatically in the U.S.; nonetheless, their share of power production is still small. Green energy in total in the U.S. is expected to play an increasingly important role and therefore grow faster than non-green energy sources as awareness of the environmental consequence of greenhouse gas emissions and energy efficiency

rises. Operable nuclear reactors declined to 100 units through the end of 2013, down from a peak of 112 units in 1990. Nonetheless, nuclear generation accounted for 21.6% of domestic electricity net generation in 2013. The U.S. is the world's largest nuclear power producer, accounting for more than 30% of worldwide nuclear electricity production. Issues of plant and public safety, radioactive waste disposal, and high capital investment and maintenance risks have slowed the expansion of nuclear power plants. However, there are currently five new nuclear reactors currently under construction in the United States: one at the Watts Bar Nuclear Generating Station in Tennessee, two at the Vogtle Electric Generating Plant in Georgia, and two at the V.C. Summer Nuclear Generating Station in South Carolina.

There are five energy-use sectors: residential, commercial, industrial, transportation, and electric power generation. The first four sectors are end-users while the last one is an intermediate-user consisting of all utility and non-utility facilities and equipment used in the electricity industry. Of the four end-users, the industrial sector was the most prevalent, using 31.17 QBTU's in 2013, followed by transportation at 27.15 QBTU's, residential at 21.29 QBTU's, and commercial at 18.05 QBTU's.

In contrast to the relatively smooth trends in the other sectors, industrial consumption has shown the greatest fluctuation, dropping sharply in 1975, 1980-83, 2001-03, and 2008-09 in response to high oil prices and economic slowdowns. The electric power generation sector consumes and also produces energy. Energy losses occur throughout the entire electrical system beginning with utility generation in fossil-fired, nuclear or hydroelectric power plants all the way to the end-users. Energy losses are approximately two-thirds of total energy input during the conversion process of heat energy into mechanical energy for turning electric generators. Of the electricity generated, it is estimated that about 7% is lost in transmission and distribution.

Crude Oil Prices

Crude oil prices have a long history of large fluctuations that affect the global and U.S. economies as well as inflation levels. In 1973, the year of the Arab Oil Embargo, crude oil prices in the U.S. measured by the composite refiners' acquisition cost averaged $4.15 per barrel. After two consecutive supply disturbances brought on by the Iranian Revolution in 1979 and the Iran-Iraq war in 1980, oil prices reached $35.28 per barrel in 1981. Long-term prices then trended down to a low of $12.54 per barrel by 1998 and then stayed in the $20 range until mid-2003. Crude oil prices started to creep up above $30 per barrel in late 2003, soared to the mid $90s in 2008 and hit a record high of nearly $134 per barrel in mid-2008. Prices then plummeted 70% to close in the low $40s per barrel by the end of the year.

Following the collapse of oil prices in the midst of the Great Recession, the refiner's acquisition cost rebounded, rising to the mid $70s in late 2009 and the low $80s in late 2010. By mid-2011 prices rose above $100 and then returned to the high $90s late in the year. Prices hovered around $100 per barrel throughout 2012, 2013, and the first half of 2014. The average during the first three quarters of 2014 has been a little more than $98. However, at the end of 2014, the cost of a barrel of oil began to decline significantly due to oversupply in the global market. In October 2014, the

latest data available, the composite refiner acquisition cost dropped to $84 a barrel; this amount has certainly declined further during the last months of 2014. Adjusted for inflation, 2011's annual price of $98.75 per barrel price in 2010 dollars was an all-time high. In real terms, refiner's acquisition costs have dropped in each successive year following that peak.

TABLE 32
CRUDE OIL PRICES AND U.S. CONSUMPTION
Refiners' Crude Oil Acquisition Costs* Per Barrel

Year	Current $	In 2010 $*	Year	Current $	In 2010 $*
1973	4.15	20.37	2004	36.98	42.69
1975	10.38	42.06	2005	50.24	56.11
1980	28.07	74.31	2006	60.24	65.18
1981	35.24	84.51	2007	67.94	71.46
1985	26.75	54.22	2008	94.74	95.98
1990	22.22	37.09	2009	59.29	60.26
1995	17.23	24.66	2010	76.69	76.69
2000	28.26	35.79	2011	101.87	98.77
2001	22.95	28.27	2012	100.93	95.87
2002	24.10	29.22	2013	100.49	94.07
2003	28.53	33.81	2014**	98.34	90.59

Note: * Adjusted by 2010 CPI-U, where 1982-1984 = 100.00 and 2010 = 218.08.
** Average for the first three quarters.

Source: U.S. Department of Energy, Energy Information Administration

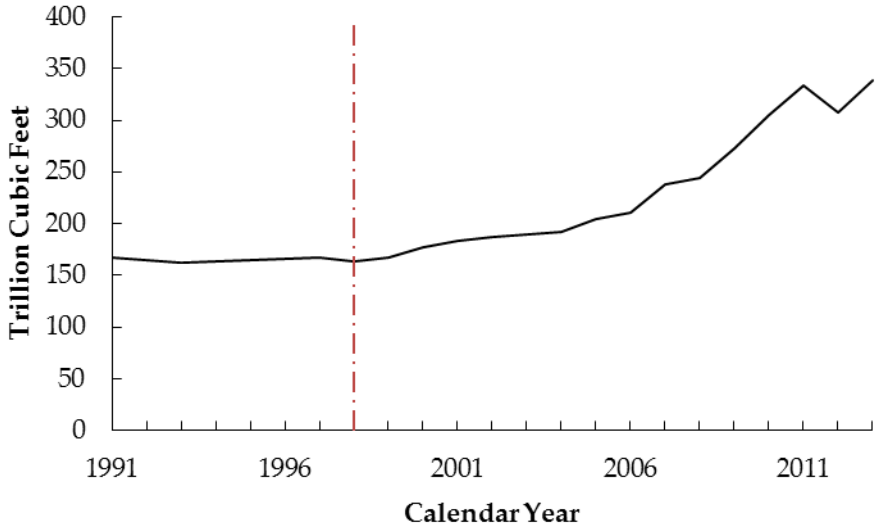
Shale Energy

Oil producers in the United States are increasingly able to extract natural gas and petroleum from shale formations across the country. Increased production of these fuels is attributable to the development of horizontal drilling and hydraulic fracturing ("fracking") technology. In the process of fracking, producers pump a mixture of water, sand, and chemicals into shale wells to extract natural gas and petroleum. In conjunction with horizontal drilling, this technique has made the development of shale energy sources economically feasible. As a result, energy resources in the country have increased. The following chart shows the amount of dry natural gas reserves in the United States in trillion cubic feet (TCF) from 1991 to 2013. The dashed line represents the first commercially successful use of fracking in 1998. As the graph shows, the amount of proven natural gas reserves has grown dramatically since the introduction of this technology.

The increased production of fossil fuels from shale formations has had a significant impact on the global market for fossil fuels. In the second half of 2014, additional supply of fossil fuels from the United States was one of the drivers of the decreasing cost of a barrel of oil. Energy observers predict that natural gas and petroleum from shale formations will continue to improve the United

States' energy production. The U.S. Energy Information Administration (EIA) forecasts that natural gas production will increase 55% between 2013 and 2040, from 24.2 QBTU to 37.5 QBTU. As fossil fuel production from shale deposits and other non-traditional petroleum resources increases, the nation's energy dependence will continue to decline. Connecticut's energy market may benefit from development of shale resources. The state is located in close proximity to one of the nation's largest shale formations, the Marcellus shale gas field in New York and Pennsylvania.

U.S. Proven Natural Gas Reserves, 1991-2012



Dashed line represents first commercial use of horizontal fracturing ("fracking"), in 1998.

Source: U.S. Department of Energy, Energy Information Administration

Efficiency

Increasing efficiency has been a focal point of the nation's energy conservation policy. Energy regulatory agencies have been aggressively protecting the environment by promoting energy-efficient products over the past two decades. The National Appliance Energy Conservation Act of 1987 set minimum efficiency standards for 13 appliances and prohibited the sale if standards were not met. In 1992, the EPA embarked upon "*Energy Star*" as a voluntary labeling program to identify and promote energy-efficient products to reduce greenhouse gas emissions. *Energy Star* products use less energy and help protect the environment. The *Energy Star* label now covers product categories from small battery chargers to central air conditioners, and includes appliances, electronics, heating and cooling equipment, office equipment, lighting, commercial food services, and new buildings and plants with additional energy-saving features that are 20–30% more efficient than standard homes.

To promote energy efficient buildings in the U.S., Leadership in Energy and Environmental Design (LEED), a non-profit organization under the U.S. Green Building Council (USGBC),

provides green building rating standards for environmentally sustainable construction and design.

Aside from energy conservation, increases in productivity also play a vital role in efficiency. Productivity, a crucial ingredient in the economy's long-term vitality, is a measure of economic efficiency which relates to how effectively economic inputs are converted into output. Productivity is measured by comparing the amount of goods and services produced with the inputs that are used in production. A measure of efficiency is the amount of energy used to produce a dollar of Gross Domestic Product (GDP). The following table compares U.S. consumption of fuel sources and illustrates the nation's improvement in energy efficiency.

TABLE 33
U.S. PRIMARY ENERGY CONSUMPTION & ENERGY EFFICIENCY

Calendar Year	U.S. Energy Consumption Total Quadrillion BTU's	% Change	GDP Billion (In 2009$)	BTU Per $1 GDP (In 2009$)	% Change
1975	71.97		5,385.4	13,364	
1980	78.07	8.5	6,450.4	12,103	(9.4)
1985	76.39	(2.2)	7,593.8	10,060	(16.9)
1990	84.49	10.6	8,955.0	9,435	(6.2)
1995	91.03	7.7	10,174.8	8,947	(5.2)
2000	98.81	8.5	12,559.7	7,867	(12.1)
2005	100.28	1.5	14,234.2	7,045	(10.5)
2010	98.02	(2.3)	14,783.8	6,630	(5.9)
2011	97.46	(0.6)	15,020.6	6,488	(2.1)
2012	95.00	(2.5)	15,369.2	6,181	(4.7)
2013	97.64	2.8	15,710.3	6,215	0.5

Source: U.S. Dept. of Energy, Energy Information Administration, *Monthly Energy Review*
U.S. Dept. of Commerce, Bureau of Economic Analysis

Between 1975 and 2012, energy consumption per dollar of real GDP decreased at a compound annual rate of 2.08% per year. This decline leveled off in 2013. In 1975, 13,378 BTU's of energy were required to produce $1 of GDP measured in 2009 dollars. In 2013, that number was 6,215 BTU's, a 53.5% reduction. The long-term decline in energy consumption per dollar of GDP resulted from efficiency improvements and a structural shift from energy intensive industries to those that consume less energy but create more value added products, such as finance, banking, and professional services. However, improvements in energy efficiency vary from period to period, depending upon energy prices, consumers' consumption habits, and technology improvements. Efficiency tends to stagnate when fuel prices decline; as oil prices fall, the incentive to conserve energy diminishes.

Oil Stability Program

To protect against supply disruptions, the United States began to create a Strategic Petroleum Reserve (SPR) under the Energy Policy and Conservation Act of 1975 (EPCA). The SPR program was established as a 750 million barrel capacity crude oil reserve with the objective of achieving a maximum draw-down rate within 15 days of the notice to proceed. To maximize long-term protection against oil supply disruptions, President George W. Bush in late 2001 directed the Secretary of Energy to fill the SPR up to its 700 million barrel capacity. As of September 2014, the reserve held 690.9 million barrels of crude oil, accounting for 65.6% of crude oil stocks.

In early 2000, a shortage of home heating oil sent prices to a high of $2.45 per gallon from $1.00 per gallon a year earlier. To reduce such risk in the future, the U.S. Department of Energy established the Northeast Home Heating Oil Reserve under the SPR program. The maximum inventory of heating oil in the reserve is 2 million barrels, which will provide relief for approximately 10 days. This reserve program was permanently established in March of 2001 as a part of America's energy readiness effort, separating it from the Strategic Petroleum Reserve. According to 2012 data from Energy Information Administration, heating oil is the dominant fuel used for home heating in Connecticut with 43.7% of all homes in Connecticut using heating oil as the primary heating fuel.

Connecticut

Connecticut is one of the most energy efficient states in the nation. The state consumed 3.7 thousand BTU's per 2005 chained dollar of Gross State Product in 2012, the latest available data. Connecticut was one of the most efficient states based on this measure, behind only the District of Columbia and New York. Connecticut was 47.1% below the national average of 7.1 thousand BTU's. When compared to the national per person consumption, Connecticut residents are moderate energy users. Connecticut consumed 203.3 million BTU's per capita in 2012, ranking 47th among the 50 states plus the District of Columbia. Only Hawaii, California, New York, and Rhode Island consumed less. Connecticut was 32.8% below the national figure of 302.6 million BTU's per capita. The state has few indigenous energy sources, and it must import nearly all the energy that it consumes. This situation affects Connecticut consumers' energy choices and results in prices that are higher than the national average. In 2012, Connecticut residents spent $28.25 per million BTU, compared to $21.65 for the nation.

TABLE 34
CONSUMER ENERGY PRICES IN THE UNITED STATES AND CONNECTICUT*
Nominal Dollars per Million BTU in 2012

	Natural Gas	Motor Gasoline	Residential Heating Fuel	All * Petroleum	Retail Electricity	Total Energy
Connecticut	$7.05	$29.95	$19.67	$29.40	$45.57	$28.25
United States	$5.76	$28.77	$17.31	$26.35	$28.97	$21.65
CT as a % of the U.S.	122%	104%	114%	112%	157%	130%

Note: * Includes motor gasoline, residential and distillate fuel oil, liquefied petroleum gases, and jet fuel, etc.

Source: U.S. Department of Energy, Energy Information Administration, *State Data 2012*

The above table compares various prices to the national average for natural gas, motor gasoline, residential heating oil, residential electricity, and total average energy paid by consumers in 2012, the latest data available. Overall energy costs in Connecticut in 2012 were 30% higher than the national average. Retail electricity prices were 57% higher than the national average. Although the electric industry has been deregulated in the state since the late 1990s, Connecticut's retail electric rates were the highest in the 48 continental states in 2012. To maintain utility rate stability, utility providers have entered into long-term fixed contracts and paid a hefty premium. Many power plants in Connecticut are old and less efficient.

The following table displays the amount and percentage share of total energy consumed in Connecticut by fuel source and sector in 2012, the latest available data. Compared to the nation, petroleum and natural gas provide more of Connecticut's energy needs, while coal provides significantly less. Petroleum remains the main source of energy in Connecticut because it is easily transported and fuel oil is the major source to heat homes. In 2013, 43.7% of Connecticut households used fuel oil for home heating, followed by natural gas at 33.6%, electricity at 15.6%, and liquefied petroleum gases at 3.5%, and others at 3.6%. The state's petroleum products are received at the ports in New Haven, New London, and Bridgeport, and shipped by barge on the Connecticut River to central Connecticut.

TABLE 35
CONNECTICUT ENERGY CONSUMPTION IN 2012
(Trillion BTU's)

Fuels	Resi-dential	Com-mercial	In-dustrial	Trans-portation	Electric Generation	CT Total	% of CT Total	% of US Total
Natural Gas	42.3	43.7	27.8	4.9	117.5	236.2	32.3	27.3
Petroleum	61.1	13.1	14.0	226.0	1.3	315.5	43.2	36.0
Coal	0.0	0.0	0.0	0.0	9.3	9.3	1.3	18.5
Nuclear	0.0	0.0	0.0	0.0	179.0	179.0	24.5	8.5
Hydroelectric	0.0	0.0	0.0	0.0	3.0	3.0	0.4	2.6
Other	7.1	0.7	3.5	0.0	12.2	23.5	3.2	7.1
Deliv. Elec.	43.5	44.4	12.2	0.7	-	100.8	13.8	26.4
Deliv. Losses	80.0	81.5	22.5	1.2	(322.3)	(137.1)	(18.8)	(26.4)
Total Demand	234.2	183.3	80.0	232.8	-	730.3	100.0	
% of Total-CT	32.1	25.1	11.0	31.9	-	100.0		
% of Total-U.S.	21.8	18.5	31.9	27.8	-	100.0		

Note: Other includes power generated from wood, biofuels, wind, waste, geothermal, tide, and solar/photovoltaic, as well as imported electricity.
Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, *State Energy Data 2012*

Connecticut is also more reliant on nuclear energy and less reliant on coal for electric generation than the United States. In 2012, the latest data available, the state generated 36,117,544 net megawatt hours of electricity, mostly using nuclear power and natural gas. Retail sales within the state were at 29,492,338 megawatt hours of electricity. This implies that Connecticut was more than 100% electricity self-sufficient, unlike 2000, when the state generated 56.8% of its own demand and relied on imports from other states and Canada for the balance of its need while certain nuclear reactors were shut down for servicing. In 2012, Connecticut had net electricity exports of 36.3 Trillion BTU.

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, other New England states, and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's borders.

All electric utilities in the state are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England Inc., operates this regional system. In 2012, the latest data available, there were 1,609,735 electric consumers in Connecticut. Of these, 90.4% were residential customers, 9.3% were commercial customers, and 0.3% were industrial and transportation customers. Approximately 90% of the

electricity was sold by two investor-owned companies: Connecticut Light & Power and United Illuminating.

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, although development of the Marcellus Shale Formation in New York and Pennsylvania could provide additional supply to the region. Connecticut also receives liquefied natural gas (LNG) through interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by LNG tanker ships. Natural gas service is provided to parts of the state through one municipal and three private gas distribution companies. Since 1996, the state's Public Utilities Regulatory Authority (formerly DPUC) has allowed some competitive market forces to enter the natural gas industry in the state. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. Natural gas is delivered to consumers using the local distribution company's mains and pipelines. Located at or near the end of pipelines, Connecticut's distribution companies have to pay higher transportation costs and outbid other buyers in order to gain access rights to the gas wellhead.

Gasoline Consumption and Automotive Fuel Economy

In the U.S., highway vehicles consume approximately 98% of all gasoline, with about 2% used for other purposes such as agriculture, aviation, construction and boating. In 2013 gasoline consumption in the U.S. totaled 135.6 billion gallons. Gasoline consumption in Connecticut totaled 1.44 billion gallons, accounting for 1.06% of the nation's consumption. In 2010, Connecticut had approximately 1,500 gasoline stations, accounting for some 1.0% of the U.S. total. The table below shows gasoline consumption for the U.S. and Connecticut since 1990.

In 2013, Connecticut residents consumed 400.0 gallons of gasoline per capita, versus 428.5 gallons per capita for the nation. Per capita consumption is attributable to several factors, including gas prices, income levels, traffic conditions, average weight of vehicles, distance residents drive to work or shop, and percentage of workers telecommuting or ride sharing. As one of the smallest and most densely populated states in the nation, Connecticut residents generally commute shorter distances to work and shop. However, since per capita consumption reached a peak in 2005, it has fallen faster in Connecticut than in the U.S. This has reduced Connecticut's per capita consumption to 93.3% of the U.S. amount in 2013. During the decade between 2001 and 2010, per capita gasoline consumption in Connecticut averaged 96.0% of nation's level, increasing from 91.5% for the decade between 1991 and 2000. Since 2005, per capita consumption has decreased 13% in Connecticut.

As the highest per capita personal income state in the nation, Connecticut residents tend to own more automobiles. Connecticut residents owned 0.48 private and commercial automobiles per capita in 2012, versus 0.35 for the nation. Also, Connecticut had 692 driver licenses per 1,000 residents in 2012, compared to 675 licenses for the nation. A survey conducted by Sterling shows that Connecticut residents trail the nation in the use of carpooling. In June of 2010, the average

one-way commute in Connecticut took 26.4 minutes with 80.1% of commuters driving their own car alone and 9.4% carpooling with others, compared to 27.8 minutes, 76.3%, and 12.3%, respectively, for the nation.

TABLE 36
GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT

Calendar Year	U.S.* Total Gallons (000's)	Annual** % Change	CT Total Gallons (000's)	Annual** % Change	Gallons Per Capita U.S.*	Gallons Per Capita CT	CT/U.S.* (%)
1990	110,184,150		1,301,715		440.6	395.2	89.7%
1995	120,875,789	1.9%	1,302,750	0.0%	453.3	391.7	86.4%
2000	132,279,950	1.8%	1,476,340	2.5%	468.2	432.4	92.3%
2005	140,338,710	1.2%	1,614,697	1.8%	474.3	460.3	97.0%
2006	140,320,089	0.0%	1,566,875	(3.0)%	469.7	445.3	94.8%
2007	140,436,133	0.1%	1,567,360	0.0%	465.7	444.0	95.3%
2008	136,499,418	(2.8)%	1,494,164	(4.7)%	448.4	421.2	93.9%
2009	136,877,949	0.3%	1,512,081	1.2%	445.7	424.3	95.2%
2010	137,592,937	0.5%	1,514,622	0.2%	444.4	423.1	95.2%
2011	135,204,475	(1.7)%	1,467,953	(3.1)%	433.5	409.0	94.3%
2012	134,998,800	(0.2)%	1,449,384	(1.3)%	429.7	403.5	93.9%
2013	135,595,239	0.4%	1,438,625	(0.7)%	428.5	400.0	93.3%
Average 2009-13					436.4	412.0	94.4%

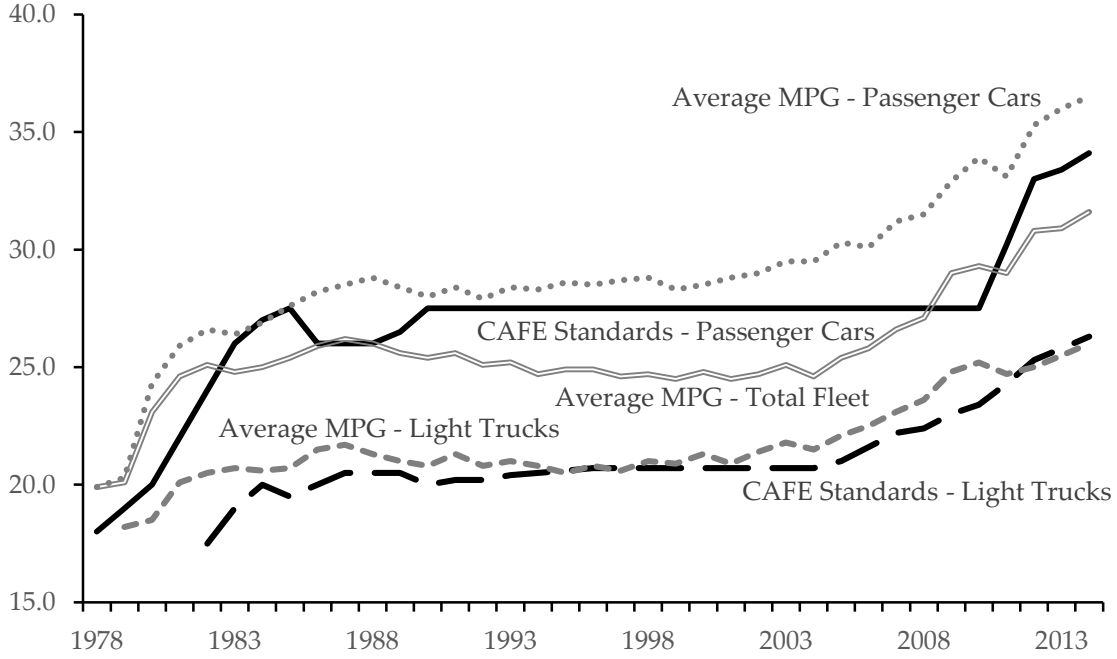
* Fifty states plus Washington, D.C.
** Annualized using compound annual growth rate formula
Source: U. S. Dept. of Transp., Office of Highway Information Management, *Highway Statistics*

Corporate Average Fuel Economy (CAFE)

Emissions of carbon dioxide from motor vehicles represent over 30% of the total greenhouse gas emissions in the U.S. In 1973, requirements for Corporate Average Fuel Economy (CAFE) in motor vehicles were first proposed in the wake of Arab oil embargo. In 1975, the Energy Policy and Conservation Act established the CAFE system and authorized the Department of Transportation to set automobile fuel efficiency standards, starting in model year (MY) 1978 for passenger cars and MY 1979 for light trucks. The measurement of CAFE is performed by manufacturers and reported to the U.S. Environmental Protection Agency. The chart below illustrates the automotive fuel economy history for the CAFE standards for passenger cars and light trucks and their average miles per gallon (MPG) that had been produced. While CAFE standards for light trucks continued to increase from 17.5 MPG in MY 1982 to 23.5 MPG in MY 2010, standards for passenger cars remained the same at 27.5 MPG from 1990 to 2010.

Increases in fuel efficiency varied over the past three and a half decades, accelerating during the 1970s and 1980s while remaining relatively constant during the 1990s. Fuel efficiency accelerated again during the 2000s and 2010s. Light trucks gained market share in the 1990s and continued into the early 2000s while sales for high-powered, four-wheel drive cars, and larger, heavier, less fuel-efficient models increased, reducing the average MPG rating for new vehicles. In 1987, the total fleet fuel economy hit a peak at 26.2 MPG when new light trucks made up 31.6% of new light vehicle purchases. Total fleet fuel economy finally returned to 1987 levels in 2007. Light truck sales have remained relatively constant over the past decade. In 2004 new light trucks sales peaked at 55.6% and then began trending downward to a low of 48.1% in 2009. By 2010 light trucks rebounded and have hovered around 50% of new light vehicle sales.

Miles per Gallon (MPG) for CAFE Standards and Produced Vehicles



Source: U.S. Dept. of Transportation, National Highway Traffic Safety Administration

Federal law imposes a civil penalty of $5.50 for each tenth of a MPG by which a manufacturer's CAFE level falls short of the standard, multiplied by the total number of passenger automobiles or light trucks produced by the manufacturer in that model year. To further improve air quality and fuel efficiency, the U.S. Congress in 2007 passed the Energy Independence and Security Act that required the fuel efficiency standard to increase to 35 MPG by MY 2020. In the spring of 2009, the federal government accelerated those requirements and moved up the deadline to MY 2016. The National Highway Traffic Safety Administration (NHSTA) issued two new rules to increase CAFE standards under legal authority granted by the 2007 Act. The first ruling, adopted in April of 2010, raised the average MPG for MY 2016 to 34.1 MPG. The second rule, adopted in August of 2012, raised it to 54.5 MPG by MY 2025. As a result, the average MPG for passenger cars was 36.5 MPG in MY 2014, while the average for light trucks was 26.0 MPG. The average MPG for the

total fleet hit a new high of 31.6 in model year 2014. Increases in fuel economy put downward pressure on demand for, and by extension the price of, motor fuels.

Fluctuations in Gasoline Prices

The price of gasoline is one of the most closely watched items by consumers. As of December 2013, The U.S. Bureau of Labor Statistics assigned a relative weight of 4.979% to this single component to calculate the CPI-U index, the consumer price index for all urban consumers.

Short-term gasoline prices have long been known for their drastic volatility, often rising and dropping markedly during short periods of time. The average retail gasoline price for all grades in the U.S. in November of 2014 was $3.00 per gallon, compared to $3.32 in November of 2013 and $3.52 in November of 2012. The average retail price for all grades hit an all-time high of $4.11 in July of 2008, before plummeting to $1.75 in December that same year. During the first eleven months of 2014, average monthly prices rose to a year high of $3.77 per gallon before dropping 20.4% as of November. Because the global oil market is oversupplied and OPEC has signaled it will not cut down on production, prices are projected to continue to decrease through the second quarter of 2015. Changes in gasoline price are determined by the cost of crude oil, supply and demand of fuel, any disruption of refinery operations, inventory levels, seasonality and weather conditions, the regulation of environmental standards, and geopolitical conditions.

TABLE 37
RETAIL MOTOR GASOLINE PRICES
(Dollars per Gallon, Regular Gasoline)

Calendar Year	Nominal Price	Real Price*	Calendar Year	Nominal Price	Real Price*
1950	$0.27	$1.96	2007	$2.80	$2.87
1960	0.31	1.77	2008	3.25	3.27
1970	0.36	1.58	2009	2.35	2.35
1980	1.25	2.82	2010	2.78	2.75
1990	1.16	1.74	2011	3.52	3.41
2000	1.52	1.86	2012	3.62	3.44
2005	2.27	2.47	2013	3.51	3.28
2006	2.57	2.71	2014**	3.60	3.33

Note: Prices for 1950 to 1970 are leaded regular; 1980 and after are unleaded regular.
* Adjusted by GDP Price Deflator (2009=100)
** First three quarters of 2014

Source: U.S. Dept. of Energy, Energy Information Administration; Bureau of Economic Analysis

The long run nominal price shows a relatively stable upward trend except for sharp upticks in the early 1980s and the most recent years. The table above shows the history of retail motor gasoline prices in the U.S. Prices averaged approximately 30 cents per gallon during the 1950s

through the early 1970s. Prices began increasing after the Arab oil embargo in 1973. They rose to an average of to $3.25 per gallon in 2008 before declining to an average of $2.78 per gallon in 2010. In the intervening years, the annual average price has hovered around $3.50. However, gas prices began to decline during the second half of 2014. In November 2014, the latest data available, the average U.S. price of regular unleaded dipped below $3.00 per gallon for the first time since December 2010.

The real prices listed are adjusted for inflation in 2009 dollars. In 2012, the average real price reached a high of $3.44 per gallon in 2009 dollars. In both real and nominal terms, the annual average price was below 2012's high through 2013 and the first three quarters of 2014.

Gasoline Prices in Developed Countries

Gasoline prices in the U.S. may rank among the lowest in the world for oil-importing countries, and even lower than some oil-exporting countries. Average gasoline prices in the European countries are more than double that of the U.S.

According to the International Energy Agency, the average after-tax retail fuel price in the U.S. was $3.17 per gallon In October 2014, compared to an average of $7.35 in France, Germany, Italy, Spain, and the United Kingdom.

TABLE 38
END-USER GASOLINE PRICES AMONG DEVELOPED COUNTRIES
Dollars per Gallon, October 2014

Country	Before Tax ($)	Tax ($)	End-User Price ($)	Tax As a % of Price	U.S. End-User Price as a % of Other Country
France	2.93	4.11	7.04	58.4%	45.0%
Germany	2.98	4.30	7.28	59.1%	43.5%
Italy	3.20	4.98	8.18	60.9%	38.8%
Spain	3.20	3.37	6.57	51.3%	48.2%
United Kingdom	2.86	4.80	7.66	62.7%	41.4%
Average of Above	**3.03**	**4.31**	**7.35**	**58.5%**	**43.2%**
Japan	3.36	2.40	5.76	41.7%	55.0%
Canada	2.82	1.33	4.15	32.0%	76.4%
USA	2.75	0.42	3.17	13.2%	

Note: Unleaded premium for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States

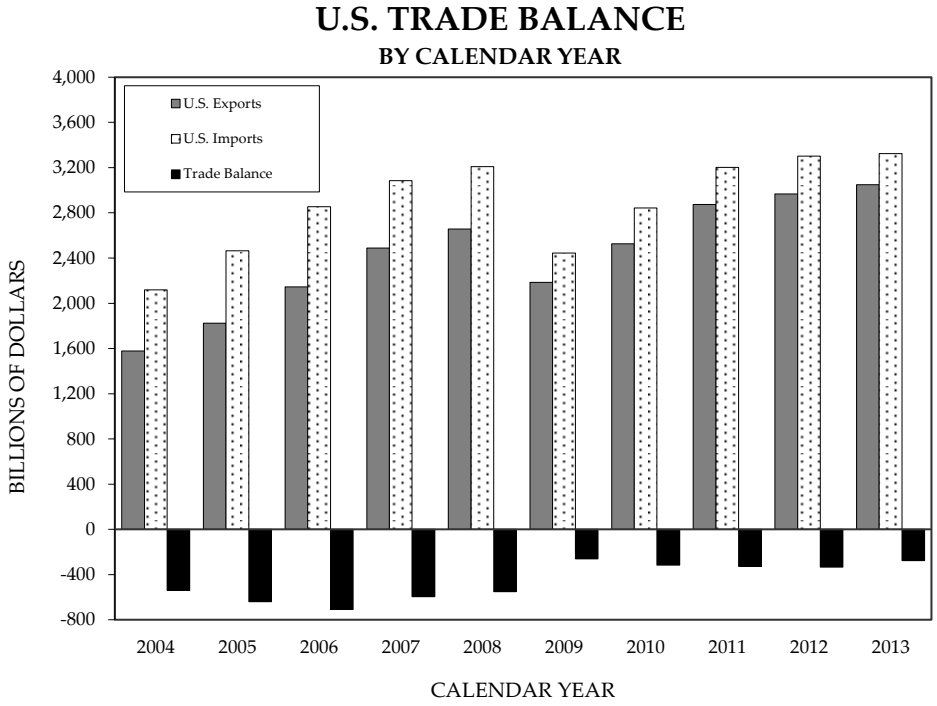
Source: International Energy Agency, *End-use oil product prices and average crude oil import costs*, October 2014

Due to heavy subsidies, fuel prices in most Middle Eastern countries are below the price for crude oil on the world market. Taxes on transportation fuels, in addition to steep taxes on car purchases and ownership, have been used as a way to reduce traffic and prevent environmental damage, as well as to conserve energy. Many European countries such as the United Kingdom, France, and Germany have used a high tax policy on fuel to discourage car use and hence gasoline consumption. The above table shows the retail price of gasoline among selected countries in October of 2014. The tax portion of the price of gasoline in the U.S. accounted for only 13.2% of the retail price on average, compared to 62.7% in the U.K. and 59.1% in Germany. Of the average $0.42 per gallon in taxes in the U.S., 18.4 cents per gallon was the federal excise tax with the remainder attributable to state taxes. While fuel taxes in most European OECD countries continued to increase, the U.S. federal fuels tax has remained at 18.4 cents per gallon since August of 1993.

Export Sector

Trade has played an important role in the U.S. economy. U.S. real exports and imports of goods and services accounted for 30.0% of Gross Domestic Product (GDP) in 2013, up from the previous peak of 28.2% in 2012. The increase over the past decade is attributable to the growth in the U.S. and international economies which accelerated export and import activities. Exports and a favorable balance of payments have traditionally been important to the growth of the U.S., affecting employment, production, and income. Real exports of goods and services have been significantly boosting economic growth over the past decades. Total trade exports have grown 93.0% from 2004 through 2013, while total trade imports have grown 56.9% over the same time period.

The following graph illustrates the United States' trade balance for the past ten years. In 2013, the deficit declined to $276.7 billion, down from $334.6 billion in 2012. The current improvement in the trade deficit is primarily attributable to the depth of the domestic recession in the U.S. that caused a decline in demand for imported goods as well as increased surpluses in the investment and service transaction categories along with reduced dependence on imported energy.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Consistent with recent history, the United States trade balances in the past decade generally improved during recession years and deteriorated during recovery and expansionary periods. Trade deficits narrowed in 1991, 2001 and 2009 when the U.S. experienced an economic slowdown, whereas deficits widened during the boom years that were experienced during most of the 1990s and 2000s until 2007 when the last recession began. The U.S. price elasticity of demand for foreign goods and services is greater than our major trade partners' elasticity of demand for U.S. goods and services resulting in unfavorable trade balances during U.S. economic recoveries.

TABLE 39
U.S. TRADE DEFICIT BY CATEGORY
(In Billions of Dollars)

	2012			2013		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**2,967.1**	**3,301.7**	**(334.6)**	**3,048.1**	**3,324.9**	**(276.7)**
Merchandise	**1,561.1**	**2,303.8**	**(742.7)**	**1,592.2**	**2,294.5**	**(702.3)**
Foods/Beverages	132.9	111.1	21.8	136.2	116.0	20.2
Industrial Supplies & Materials	519.0	752.7	(233.6)	526.0	702.5	(176.5)
Capital Goods, Excluding Autos	527.5	551.8	(24.3)	534.6	557.8	(23.3)
Autos	146.2	298.5	(152.4)	152.6	309.6	(157.0)
Consumer Goods	181.7	520.2	(338.6)	189.1	535.7	(346.7)
Others	53.9	69.5	(15.6)	53.7	72.7	(19.0)
Services	**649.9**	**444.8**	**205.1**	**682.2**	**456.4**	**225.9**
Travel & Transportation	210.2	176.8	33.4	222.8	186.3	36.5
Royalties, License fees, etc.	418.8	240.1	178.7	438.4	244.7	193.7
Other Services	20.9	27.9	(7.0)	21.0	25.3	(4.3)
Investment Income	**756.1**	**553.1**	**203.0**	**773.7**	**574.0**	**199.7**
Direct Investment	453.6	172.0	281.6	460.3	169.4	290.9
Other Private Investment	294.3	234.9	59.4	305.3	251.8	53.5
U.S. Gov't Receipts/Payments	1.9	131.5	(129.6)	1.4	137.2	(135.8)
Compensation of Employees	6.4	14.8	(8.5)	6.7	15.6	(8.9)
	Percent Change From Previous Year					
Total Trade	**3.2**	**3.1**	**2.1**	**2.7**	**0.7**	**(17.3)**
Merchandise	**4.2**	**2.9**	**0.2**	**2.0**	**(0.4)**	**(5.4)**
Foods/Beverages	5.3	2.7	21.0	2.5	4.4	(7.4)
Industrial Supplies & Materials	(0.1)	(3.7)	(11.0)	1.4	(6.7)	(24.5)
Capital Goods, Excluding Autos	6.7	7.5	26.2	1.3	1.1	(4.0)
Autos	9.9	16.9	24.6	4.4	3.7	3.1
Consumer Goods	3.6	0.5	(1.0)	4.1	3.0	2.4
Others	6.6	9.4	20.3	(0.2)	4.6	21.4
Services	**4.4**	**3.4**	**6.5**	**5.0**	**2.6**	**10.2**
Travel & Transportation	5.9	8.4	(5.9)	6.0	5.4	9.5
Royalties, License fees, etc.	3.9	1.8	6.9	4.7	1.9	8.4
Other Services	(1.4)	(11.0)	(31.1)	0.8	(9.0)	(38.3)
Investment Income	**0.4**	**4.0**	**(8.1)**	**2.3**	**3.8**	**(1.6)**
Direct Investment	(3.6)	(0.1)	(5.7)	1.5	(1.5)	3.3
Other Private Investment	7.3	10.1	(2.5)	3.7	7.2	(10.0)
U.S. Gov't Receipts/Payments	0.7	(0.7)	(0.7)	(25.8)	4.4	4.8
Compensation of Employees	4.1	4.4	4.6	5.4	5.2	5.0

Note: Percent changes were derived before rounding to billions.
Source: U.S. Bureau of Economic Analysis

Merchandise Trade

According to the U.S. Department of Commerce, international trade is classified into three categories: merchandise trade, service transactions, and investment income. There are six subcategories within merchandise trade including: foods and beverages; industrial supplies and materials; capital goods excluding autos; autos; consumer goods and others. The deficit in merchandise trade declined significantly by 5.4% and registered $702.3 billion in 2013, down from $742.7 billion in 2012. This decline was largely the result of reductions in the importation of industrial supplies and materials due to increases in domestic energy production.

United States merchandise imports have been concentrated among four categories: industrial supplies and materials, capital goods excluding autos, autos, and consumer goods. These four categories accounted for 91.8% of total merchandise imports in 2013. In contrast, U.S. exports have been concentrated in two categories: capital goods and industrial supplies and materials. These two categories accounted for approximately 66.7% of the country's merchandise exports in 2013. Capital goods excluding autos were the largest export for the United States at $534.6 billion in 2013. Within this category machinery and equipment, except consumer-type, was the largest contributor at $505.5 billion.

Of the total trade deficit of $276.7 billion, consumer goods and industrial supplies and materials accounted for the largest portions of the deficit, reaching $346.7 billion and $176.5 billion, respectively in 2013. Consumer goods consist of durables and nondurables. Durable goods include household and kitchen appliances such as radio and stereo equipment, televisions and video receivers, bicycles, watches, toys and sporting goods. Nondurables include footwear, apparel, medical, dental and pharmaceutical preparations. The trade deficit in the consumer goods category increased in 2013 by 2.4%.

The second largest portion of the deficit occurred in industrial supplies and materials. This category includes energy products, iron and steel, metal products, lumber and paper and chemicals excluding medicinals. In 2013, the U.S. imported $702.5 billion worth of these goods compared to the $526.0 billion that the U.S. exported. The industrial supplies and materials trade deficit at $176.5 billion represents a 24.5% decline from 2012's deficit of $233.6 billion.

The third largest portion of the merchandise trade deficit occurred in the auto category at $157.0 billion, an increase of 3.1% from 2012's deficit of $152.4 billion.

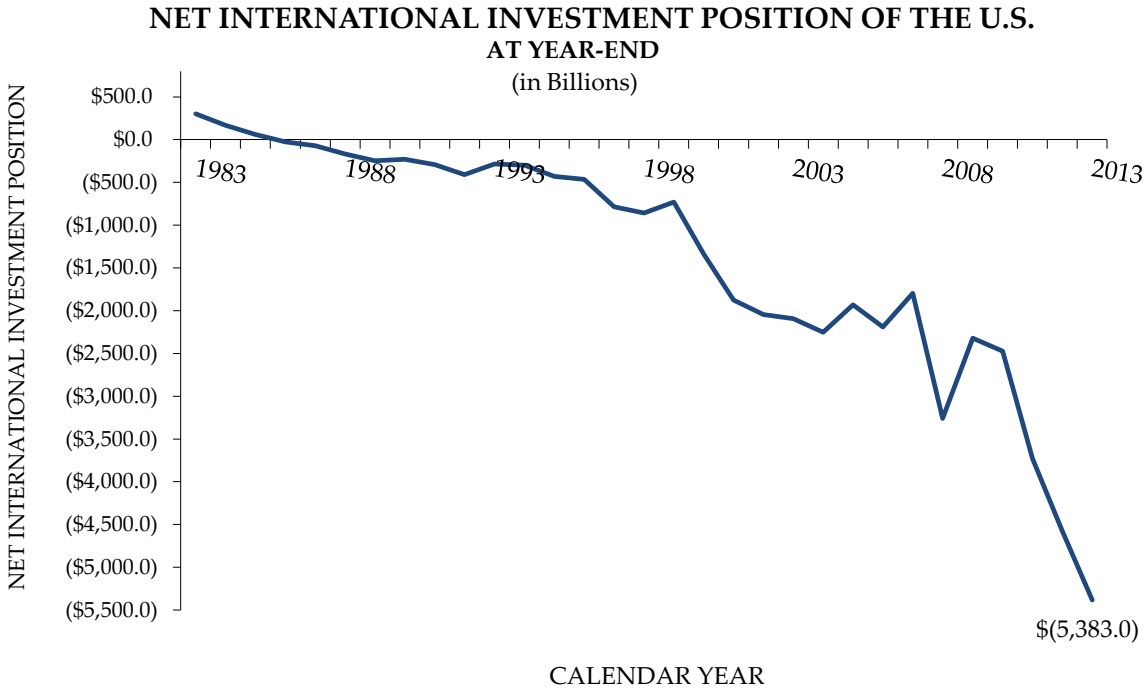
Service Transactions

The United States is highly competitive in the delivery of services. The surplus in service transactions increased to $225.9 billion in 2013, from a surplus of $205.1 billion in 2012. Imports increased 2.6% to $456.4 billion while exports of services increased 5.0% to $682.2 billion. Of the $225.9 billion total surplus in 2013, $193.7 billion was attributable to royalty and license fees, which more than offset the deficit in other services.

Investment Income

The balance in investment income registered a surplus of $199.7 billion, a 1.6% decline from 2012. Investment income contains two components: 1) receipts generated from U.S.-owned assets abroad including direct investments, other private securities such as U.S. government-owned securities, corporate bonds and stocks, and 2) compensation receipts of workers employed abroad in international organizations and foreign embassies stationed in the U.S., including wages, salaries, and benefits. Payments are the counterpart of U.S. receipts; they are paid on foreign-owned assets invested in the U.S. There are six major types of foreign assets in the United States, including U.S. government securities held by foreign governments and the private sector, direct investments, and liabilities captured by private bonds, corporate stocks and U.S. banks.

According to the U.S. Bureau of Economic Analysis, in calendar 2013 foreign assets in the U.S., measured at current cost, increased by $1,994.2 billion, or 7.4%, to $29,092.8 billion, compared to an increase of $1,189.5 billion to $23,709.8 billion for U.S. assets abroad. This placed U.S. international investment at a net negative $5,383.0 billion. U.S. direct investment in assets abroad continues to exceed foreign direct investment in the U.S. In 2013, the U.S.'s direct investment abroad was $7,080.1 billion and foreign direct investment in the U.S. was $4,462.0 billion, registering $2,618.1 billion in net investment. Foreign assets in the United States are mostly in securities such as bonds and stocks issued by the U.S. Treasury and corporations.



Source: U.S. Bureau of Economic Analysis

TABLE 40
U.S. INTERNATIONAL TRANSACTIONS
(By Area, In Billions of Dollars)

	2012			2013		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	2,967.1	3,301.7	(334.6)	3,048.1	3,324.9	(276.7)
Europe	908.4	919.3	(11.0)	929.3	936.0	(6.7)
Canada	414.9	388.4	26.6	423.1	402.4	20.6
Latin America (1)	669.8	625.0	44.7	690.8	618.5	72.3
Asia and Pacific (2)	742.4	1,128.6	(386.3)	762.2	1,151.9	(389.7)
Africa	57.1	77.2	(20.1)	59.9	60.7	(0.8)
Middle East	110.5	144.4	(33.9)	116.5	136.4	(20.0)
Others (3)	64.0	18.7	45.3	66.5	18.9	47.5
European Union (4)	750.6	772.2	(21.6)	767.0	791.2	(24.2)
Australia	74.8	24.6	50.2	69.1	22.9	46.2
Japan	142.7	237.3	(94.5)	136.6	233.4	(96.8)
China	152.8	478.7	(325.9)	172.7	497.1	(324.5)
	Percent Change From Previous Year					
Total Trade	3.2	3.1	2.1	2.7	0.7	(17.3)
Europe	1.0	1.5	92.5	2.3	1.8	(39.2)
Canada	3.3	2.9	9.3	2.0	3.6	(22.3)
Latin America (1)	5.1	3.9	25.3	3.1	(1.1)	61.6
Asia and Pacific (2)	3.8	6.1	10.9	2.7	2.1	0.9
Africa	(1.8)	(25.7)	(56.1)	4.8	(21.4)	(95.8)
Middle East	10.5	8.4	2.2	5.4	(5.5)	(41.1)
Others (3)	3.7	13.8	0.0	3.8	1.0	5.0
European Union (4)	0.0	2.1	265.2	2.2	2.5	12.0
Australia	9.4	0.4	14.5	(7.7)	(6.9)	(8.0)
Japan	5.6	11.9	23.1	(4.3)	(1.6)	2.4
China	5.3	5.0	4.8	13.0	3.9	(0.4)

(1) Includes Argentina, Brazil, Mexico, Venezuela, and other western hemisphere countries
(2) Includes Australia, China, Hong Kong, India, Japan, Republic of Korea, Singapore, Taiwan, and other Asia and Pacific countries
(3) Includes figures for International Organizations and unallocated areas
(4) Includes 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Netherlands, & United Kingdom

Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis

Table 40 shows U.S. trade transactions by area for 2013. The goods, services and income payments trade deficit in 2013 was $276.7 billion, a decline of $57.9 billion. In 2013 the United States imported more from the Asia and Pacific area, Africa, Europe and the Middle East than it exported to those regions but exported more than imported in the same year to Canada and Latin America. Exports to Canada outpaced imports and continued at record levels in 2013.

In 2013, the United States imported $497.1 billion worth of goods, services and income payments from China while exporting only $172.7 billion to that country. The resulting trade deficit with China was $324.5 billion in 2013, 0.4% smaller than the 2012 deficit of $325.9 billion. The top five U.S. imports from China in 2013 were electrical machinery and equipment at $117.5 billion, power generation equipment at $100.5 billion, furniture at $24.1 billion, toys and games at $21.7 billion, and footwear at $17.0 billion. To further illustrate the disparity in trade between the two countries: while the amount of electrical machinery and equipment imported into the U.S. from China was $117.5 billion in 2013, the top U.S. export to China was only $13.7 billion.

Connecticut Exports

In Connecticut, the export sector has assumed an important role in the state's overall economic growth. State exports of goods for the past five years averaged 6.6% of Gross State Product (GSP).

According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the World Institute for Social and Economic Research to capture a greater percent of indirect exports, Connecticut exports of commodities totaled $16,423.6 million in 2013. The state's economy benefits from goods produced not only for direct shipment abroad but also from those that are ultimately exported from other states. These indirect exports are important in industries whose products require further processing such as primary metals, fabricated metal products and chemicals. In addition, indirect exports are important in industries whose products constitute components and parts for assembly into machinery, electrical equipment and transportation equipment.

Connecticut industries that rely most heavily on exports are Transportation Equipment (NAICS 336), Nonelectrical Machinery (NAICS 333) and Computer & Electronic Equipment (NAICS 334). NAICS refers to the North American Industry Classification System, which replaced the Standard Industrial Classification (SIC) system and was implemented in 1997. The top three industries accounted for 68.0% of Connecticut's foreign sales in 2013. The following table shows the breakdown of major products by NAICS code for the past five years. In 2013, transportation equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters and spacecraft accounted for 48.9% of total exports up from 45.4% of exports in 2012. In terms of average annual growth from 2009 to 2013, Primary Metal posted the strongest growth at 19.6%, followed by Electrical Equipment at 11.7%.

Overall growth in exports of commodities for the past five years averaged 4.1%. Exports of $16.4 billion are estimated to account for 6.6% of Connecticut Gross State Product (GSP) in 2013, which is slightly higher than the 6.5% level in 2012.

TABLE 41
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT
(In Millions)

NAICS	Industry	2009	2010	2011	2012	2013	Percent of 2013 Total	Average Growth 09-13
322	Paper	169.3	181.7	176.9	148.4	143.5	0.9%	-4.1%
325	Chemicals	833.4	922.1	914.7	1,026.2	994.8	6.1%	4.5%
326	Plastics and Rubber	228.7	254.7	311.3	265.7	233.7	1.4%	0.5%
331	Primary Metal	316.6	534.6	569.1	703.5	647.1	3.9%	19.6%
332	Fabricated Metal	547.3	615.5	674.8	680.6	710.5	4.3%	6.7%
333	Machinery, exc. Elec.	1,439.0	1,545.0	1,858.9	1,846.0	1,855.6	11.3%	6.6%
334	Comp. & Electronic	1,037.6	1,307.6	1,444.4	1,409.2	1,287.7	7.8%	5.5%
335	Electrical Equipment	489.8	604.2	742.5	752.6	762.6	4.6%	11.7%
336	Transportation	6,428.2	6,989.3	6,878.6	7,199.0	8,030.9	48.9%	5.7%
339	Misc. MFG	291.3	252.7	240.6	271.0	306.2	1.9%	1.3%
	Other	2,197.6	2,821.2	2,421.0	1,569.6	1,451.1	8.8%	-9.9%
Total Commodity Exports		13,978.9	16,028.8	16,232.8	15,871.7	16,423.6		4.1%
	% Growth	-9.1%	14.7%	1.3%	-2.2%	3.5%		
Gross State Product ($M)		230,005	233,782	235,124	242,930	249,249		
	% Growth	-2.6%	1.6%	0.6%	3.3%	2.6%		1.1%
Exports as a % of GSP		6.1%	6.9%	6.9%	6.5%	6.6%		6.6%

Source: World Institute for Strategic Economic Research (WISERTrade.org)

The bulk of Connecticut's exports are shipped by air from Bradley International Airport and by sea from the port of New Haven. In 2013, exports originating from Connecticut totaled $16.4 billion, with 65.8% of the total being shipped by air, 14.7% being delivered by sea, and the remaining 19.6% being transported inland by railroad or truck to Canada, Mexico or other states for further shipment to other countries. This compares with 55.4% by air, 17.6% by sea, and 27.5% by land for exports totaling $4.5 billion in 1990. This reflects the demand for meeting just-in-time inventory requirements, with the majority of goods transported by air as that mode of transportation provides more frequent departures and faster transit times.

The following table shows the ten major foreign countries to which state firms export their products. France once again returned to the top as the largest destination country in 2013 at 14.8%, followed by Canada, Germany, Mexico, and United Arab Emirates. These five countries accounted for 49.7% of total state exports in 2013. Exports to the United Arab Emirates (U.A.E) have grown the fastest in the past five years at an average growth rate of 84.4% due to an increase in transportation related purchases over the last decade. Exports to the Netherlands have grown from 2009-2013 at a rate of 20.1%, followed by Mexico with 12.5% growth over the same period.

TABLE 42
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY COUNTRY
(In Millions of Dollars)

Destination	2013 Rank	2009	2010	2011	2012	2013	Percent of 2013 Total	2009-2013 Average Growth Rate
France	1	2,216.5	2,225.7	1,961.0	1,906.5	2,425.3	14.8%	2.3%
Canada	2	1,444.9	1,611.6	1,713.6	1,914.8	1,909.6	11.6%	7.2%
Germany	3	1,306.3	1,268.0	1,385.5	1,485.7	1,397.2	8.5%	1.7%
Mexico	4	757.0	982.3	1,101.8	1,142.2	1,213.3	7.4%	12.5%
U.A.E.	5	104.8	103.0	542.2	1,088.9	1,212.1	7.4%	84.4%
China	6	752.8	1,024.1	983.0	1,010.9	912.6	5.6%	4.9%
United Kingdom	7	648.4	652.9	689.5	625.3	693.2	4.2%	1.7%
South Korea	8	518.4	475.2	488.3	551.1	569.5	3.5%	2.4%
Japan	9	484.3	477.2	582.2	573.5	529.0	3.2%	2.2%
Netherlands	10	233.7	567.7	555.4	508.8	486.7	3.0%	20.1%
Other Areas		5,511.8	6,641.2	6,230.2	5,064.1	5,075.1	30.9%	-2.0%
Total		13,978.9	16,028.8	16,232.8	15,871.7	16,423.6	100.0%	4.1%

Source: World Institute for Strategic Economic Research (WISERTrade.org)

In an effort to create jobs and investment, the Connecticut Department of Economic and Community Development has continued to work with a number of foreign companies to establish branches in Connecticut. As a result of this work, foreign countries continually invest and own firms in the state. This foreign investment is an important stimulus for Connecticut's economic growth and future productivity as 7.3% of the state's total private industry employment in 2011 was a result of foreign investment. In 2011, 102,600 Connecticut workers were employed by foreign-controlled companies. Major sources of foreign investment in Connecticut in 2011 included the Netherlands, the United Kingdom, Germany, and France.

The Connecticut Department of Economic and Community Development continues to promote international trade to increase Connecticut's global competitiveness. The methods employed to promote international trade include providing export assistance to Connecticut companies as well as providing assistance to foreign companies interested in expanding or relocating in Connecticut. Further information regarding assistance, services, or publications is available through:

State of Connecticut
Department of Economic and Community Development
505 Hudson Street
Hartford, Connecticut 06106
(860) 270-8166, 270-8067, or 270-8068
http://www.state.ct.us/ecd

Connecticut's Defense Industry

The defense industry is an integral part of Connecticut's manufacturing sector, and has been since the inception of the United States as a nation. The state's economy is still affected by the volume of defense contracts awarded or subcontracted to Connecticut firms.

In federal fiscal year (FFY) 2013, contractors in the state were awarded $10.0 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. This was down 21.4% from the $12.7 billion received in awards in FFY 2012. Of the total awarded, the following five companies were the top contractors in the state, primarily for the described areas of work:

1.	United Technologies Corp.	Aircraft, Engines & Turbines
2.	General Dynamics Corp.	Submarines
3.	Goodrich Corp.	Aircraft
4.	Colt Defense Holding LLC.	Firearms
5.	Finmeccanica SpA	Electrical Generators, Power Transmission Equipment

The following table shows the distribution of prime defense contracts in the state by program or type of work, with a heavy reliance on submarines and rotary wing aircraft, which is very different from the national distribution of all contracts awarded. It is this concentration in large weapon programs which plays a role in the volatility of state awards.

TABLE 43
VALUE OF PRIME CONTRACT AWARDS BY PROGRAM IN FFY 2013
(In Millions)

Connecticut Program	Value	Percent	United States Program	Value	Percent
Submarines	$ 2,854	28.5%	Aircraft Fixed Wing	$ 26,508	9.9%
Aircraft, Rotary Wing	1,834	18.3%	Engineering & Tech Services	12,349	4.6%
Gas Turbines and Jet Engines	1,642	16.4%	General Healthcare Services	10,739	4.0%
Combat Ships and Landing Vessels	1,267	12.6%	Guided Missiles	6,787	2.5%
Defense Aircraft Operational	744	7.4%	Combat Ships and Landing Vessels	6,649	2.5%
Other	1,684	16.8%	Other	205,200	76.5%
Total	$10,026	100.0%	Total	$268,232	100.0%

Source: Federal Procurement Data System (FPDS.gov)

The following table displays the geographic distribution of prime defense contracts within the state, with the majority of the work in Fairfield, New London and Hartford Counties.

TABLE 44
GEOGRAPHIC DISTRIBUTION OF CONNECTICUT PRIME AWARDS
(And Total Awards in Thousands of Dollars)

	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Fairfield	36.1%	35.4%	42.0%	29.5%
Hartford	29.3%	25.9%	23.1%	26.4%
Litchfield	0.3%	0.4%	0.3%	0.3%
Middlesex	1.0%	0.4%	0.4%	0.1%
New Haven	0.7%	0.8%	0.7%	0.6%
New London	32.3%	36.9%	33.4%	42.8%
Tolland	0.1%	0.1%	0.1%	0.2%
Windham	0.1%	0.1%	0.0%	0.0%
State Total	100.0%	100.0%	100.0%	100.0%
State Total	$11,231,274	$12,491,319	$12,748,648	$10,025,796

Source: Federal Procurement Data System

Prime defense contracts have tended to be "leading" indicators of the state's economic activity. This means that changes in defense contract awards precede changes in employment. However, new defense contract awards cannot be directly converted into anticipated employment gains or losses because: a) contracts have different terms and different completion dates; b) subcontracting on prime awards may be done by firms in different states; c) research and development contracts are usually capital intensive rather than labor intensive; d) there often exists a time lag between contract award and funding availability; and e) as productivity improvements are achieved over time by manufacturers, the same (or greater) amount of work can be done by fewer employees. Although employment is affected by the defense budget, the state's economic activity is not immediately impacted by fluctuations in defense contracts.

To compare the relative volatility of contract awards with employment, the coefficient of variation is used: the larger the number, the greater the volatility. It is derived by dividing the standard deviation of a variable by its mean. The coefficient of variation for the state's defense contract awards over the past decade was 0.178 compared with 0.019 for transportation equipment employment. This implies that the fluctuations in transportation employment are milder than the fluctuations in defense contract awards. Because most defense contract awards are long-term projects, there is usually a backlog of unfinished orders in the pipeline, allowing continued employment even if new contracts are not received.

From $9.4 billion in FFY 2004, real defense contract awards—the value of contracts after accounting for inflation—decreased to $8.6 billion in FFY 2013. This represents an annual percentage growth rate of -0.9% per year from FFY 2004 to FFY 2013, with the decline in defense spending attributable to the drawdown of military operations in Iraq and Afghanistan.

TABLE 45
CONNECTICUT DEFENSE CONTRACT AWARDS AND RELATED EMPLOYMENT

Federal Fiscal Year	Defense Contract Awards ($ 000's)	% Growth	Connecticut Transportation Equipment Employment ($ 000's)	% Growth	Defense Contract Awards in 2006 Dollars ($ 000's)	% Growth
2004	8,834,618	9.5	43.09	(1.40)	9,398,530	6.0
2005	8,981,848	1.7	43.37	0.65	9,259,637	(1.5)
2006	7,664,577	(14.7)	43.67	0.70	7,664,577	(17.2)
2007	8,616,669	12.4	43.50	(0.38)	8,365,698	9.1
2008	12,226,104	41.9	44.14	1.46	11,426,265	36.6
2009	11,851,938	(3.1)	43.49	(1.48)	11,181,074	(2.1)
2010	11,231,274	(5.2)	42.29	(2.75)	10,399,328	(7.0)
2011	12,491,319	11.2	42.15	(0.34)	11,152,964	7.2
2012	12,748,648	2.1	42.19	0.11	11,183,025	0.3
2013	10,025,796	(21.4)	41.58	(1.45)	8,642,928	(22.7)
Coefficient of Variation	0.178		0.019		0.139	

Sources: U.S. Department of Defense, Bureau of Labor Statistics; Federal Procurement Data System

TABLE 46
COMPARISON OF U.S. AND CONNECTICUT DEFENSE CONTRACT AWARDS

Federal Fiscal Year	Connecticut Defense Contract Awards ($ Millions)	% Growth	3-Year Moving Average ($ Millions)	% Growth	U.S. Defense Contract Awards ($ Millions)	% Growth	3-Year Moving Average ($ Millions)	% Growth
2004	8,835	9.5	7,505	25.43	205,847	5.1	187,722	13.76
2005	8,982	1.7	8,627	14.96	239,309	16.3	213,688	13.83
2006	7,665	(14.7)	8,494	(1.55)	262,110	9.5	235,756	10.33
2007	8,617	12.4	8,421	(0.86)	298,875	14.0	266,765	13.15
2008	12,226	41.9	9,502	12.84	354,823	18.7	305,269	14.43
2009	11,852	(3.1)	10,898	14.69	330,920	(6.7)	328,206	7.51
2010	11,231	(5.2)	11,770	8.00	286,008	(13.6)	323,917	(1.31)
2011	12,491	11.2	11,858	0.75	329,257	15.1	315,395	(2.63)
2012	12,749	2.1	12,157	2.52	317,558	(3.6)	310,941	(1.41)
2013	10,026	(21.4)	11,755	(3.31)	268,232	(15.5)	305,015	(1.91)
Coefficient of Variation	0.186				0.185			

Source: U.S. Department of Defense, Federal Procurement Data System

The coefficient of variation for Connecticut's defense contract awards over the past decade was 0.186, compared to 0.185 for the U.S., reflecting a pattern of fluctuations in the state's annual levels of defense contract awards which is not inconsistent with that of awards nationally.

As defense contract awards normally take several years to complete, the 3-year moving average is a better reflection of actual production activities. Overall defense changes in Connecticut have historically been more severe and more volatile than the national average. Both of these factors have negative implications for the state's economy. Volatility imposes difficulties for the industry in terms of long term planning, making future capital investment less likely and decreasing the dollars devoted to research and development.

Connecticut's total defense awards, based on a three year moving average, increased at an annual percentage growth rate of 5.1% during the nine-year period from 2004 to 2013, compared to a percentage growth rate of 5.5% for the nation.

The relative share of defense related production activity, measured by the size of the moving average of defense contract awards compared to Gross State Product (GSP), was at or below 2.0% in the late 1990s and has generally hovered around 4.0% to 5.0% since then. In comparison, this share was 9.8% in 1982. The following table provides a ten year history of U.S. and Connecticut defense awards and the proportion of state GSP such awards represent.

In FFY 2013, while Connecticut ranked eighth in total defense contracts awarded, it ranked second in per capita defense dollars awarded with a figure of $2,788. This figure was 3.3 times the national average of $850. In 2012, Connecticut ranked seventh in total defense contracts awarded and second in per capita defense dollars awarded with a figure of $3,532. This was 3.5 times the national average of $1,016 for that year.

The wars in Afghanistan and Iraq and the war on terrorism created a need for replacements for lost equipment and systems, spare parts, and new features on existing systems as new needs were identified in the ever-changing environment. The winding down of those wars, combined with defense spending reductions, has recently led to negative growth for this sector and is likely to continue into the future.

TABLE 47
CONNECTICUT DEFENSE CONTRACT AWARDS AND GSP

Federal Fiscal Year	Connecticut Defense Contract Awards ($ Millions)	U.S. Defense Contract Awards ($ Millions)	CT as % of U.S.	Cal. Year CT GSP Current Dollars ($ Millions)	3-year Average CT Awards ($ Millions)	CT Awards as % of CT GSP
2004	8,835	205,847	4.3%	197,281	7,505	3.8%
2005	8,982	239,309	3.8%	206,879	8,627	4.2%
2006	7,665	262,110	2.9%	220,435	8,494	3.9%
2007	8,617	298,875	2.9%	232,684	8,421	3.6%
2008	12,226	354,823	3.4%	238,433	9,502	4.0%
2009	11,852	330,920	3.6%	229,582	10,898	4.7%
2010	11,231	286,008	3.9%	232,670	11,770	5.1%
2011	12,491	329,257	3.8%	235,483	11,858	5.0%
2012	12,749	317,558	4.0%	240,337	12,157	5.1%
2013	10,026	268,232	3.7%	247,043	11,755	4.8%

Source: Bureau of Economic Analysis, IHS Economics

Some of the primary defense systems of interest to Connecticut include:

1. CH-53K Heavy Lift Helicopter
2. UH-60 Utility Helicopter (Blackhawk)
3. S-70i Black Hawk Helicopter
4. MH-60R Helicopter (Seahawk)
5. MH-60S Helicopter (Seahawk)
6. C-17 Globemaster Aircraft
7. F-15 Aircraft
8. F-16 Aircraft
9. F-22 RaptorAircraft
10. F-35 Joint Strike Fighter (JSF) Aircraft
11. H-92 Superhawk
12. S-70B Seahawk
13. SA-38B Surveillance Aircraft
14. SA2-37B Reconnaissance Aircraft
15. Virginia Class Submarine

TABLE 48
COMPARISON OF STATE PRIME CONTRACT AWARDS
Federal Fiscal Year 2013

State	Prime Contract Awards ($ 000's)	Rank	$ Per Capita Prime Contract Awards	Rank	State	Prime Contract Awards ($ 000's)	Rank	$ Per Capita Prime Contract Awards	Rank
Virginia	33,478,347	2	4,053	1	Utah	1,416,197	32	488	26
Connecticut	**10,025,815**	**8**	**2,788**	**2**	Kansas	1,274,266	35	440	27
Maryland	11,629,703	4	1,962	3	Louisiana	1,899,282	29	411	28
Alaska	1,279,484	34	1,740	4	Wisconsin	2,348,007	24	409	29
Arizona	11,248,884	5	1,698	5	South Dakota	341,574	44	404	30
Alabama	7,815,202	11	1,617	6	Ohio	4,384,177	18	379	31
Massachusetts	10,628,693	6	1,588	7	New York	7,259,536	13	369	32
Maine	1,960,086	27	1,476	8	Minnesota	1,976,932	26	365	33
Mississippi	4,164,453	19	1,392	9	Oklahoma	1,383,585	33	359	34
Missouri	8,101,370	10	1,340	10	Vermont	222,621	45	355	35
Kentucky	5,809,627	14	1,322	11	Iowa	1,061,806	38	344	36
Texas	32,345,544	3	1,223	12	Nebraska	611,858	40	327	37
Hawaii	1,656,961	30	1,180	13	Indiana	2,137,517	25	325	38
New Hampshire	1,481,063	31	1,119	14	Michigan	2,861,213	21	289	39
Washington	7,709,212	12	1,106	15	North Carolina	2,738,256	22	278	40
California	33,993,824	1	887	16	North Dakota	190,904	47	264	41
Colorado	4,405,237	17	836	17	Illinois	3,228,466	20	251	42
Pennsylvania	9,963,704	9	780	18	Idaho	353,562	43	219	43
Nevada	1,919,840	28	688	19	Delaware	174,824	48	189	44
Rhode Island	679,387	39	646	20	Tennessee	1,161,612	37	179	45
New Jersey	5,106,010	16	574	21	Wyoming	94,027	50	161	46
New Mexico	1,170,166	36	561	22	Montana	155,403	49	153	47
South Carolina	2,608,872	23	546	23	Arkansas	451,954	42	153	48
Georgia	5,451,695	15	546	24	Oregon	508,472	41	129	49
Florida	10,498,657	7	537	25	West Virginia	206,974	46	112	50
U.S. Total	$268,231,856		850						

Source: Federal Procurement Data System, Bureau of the Census

Retail Trade in Connecticut

Consumer spending on goods and services, ranging from pencils to refrigerators to haircuts to electricity, accounted for approximately 70% of the gross domestic product (GDP) in fiscal 2014. During the last decade, variations in retail trade closely matched variations in GDP growth, making retail trade an important barometer of economic health.

The North American Industry Classification includes establishments that engage in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods in the retail trade industry. The North American Industry Classification System (NAICS) codes for retail trade are from NAICS 44 to NAICS 45. In general, retail establishments are classified in these codes according to the principal lines of commodities sold (apparel, groceries, etc.) or the usual trade designation (liquor store, drug store, etc.).

The following table shows the major group in each NAICS code as well as the state's retail trade history for the past two fiscal years. Retail sales reflect the pulse of economic conditions: they perform strongly as the economy expands and perform poorly during a recession. Connecticut retail trade in fiscal 2014 totaled $54.2 billion, a 1.6% increase over fiscal year 2013 and the fourth straight year of increased total trade.

TABLE 49
RETAIL TRADE IN CONNECTICUT
(In Millions)

NAICS	Industry	FY 2013	% of Total	FY 2014	% of Total	% Change
441	Motor Vehicle and Parts Dealers	$8,393	15.7%	$9,099	16.8%	8.4
442	Furniture and Home Furnishings Stores	1,205	2.3	1,253	2.3	4.0
443	Electronics and Appliance Stores	1,620	3.0	1,641	3.0	1.3
444	Building Material and Garden	3,028	5.7	3,161	5.8	4.4
445	Food and Beverage Stores	11,102	20.8	11,184	20.6	0.7
446	Health and Personal Care Stores	4,413	8.3	4,715	8.7	6.8
447	Gasoline Stations	3,790	7.1	3,774	7.0	(0.4)
448	Clothing and Clothing Accessories Stores	2,920	5.5	2,946	5.4	0.9
451	Sporting Goods, Hobby, Book and Music Stores	1,071	2.0	1,055	1.9	(1.5)
452	General Merchandise Stores	5,439	10.2	5,381	9.9	(1.1)
453	Miscellaneous Store Retailers	5,163	9.7	5,053	9.3	(2.1)
454	Nonstore Retailers	5,213	9.8	4,956	9.1	(4.9)
	Total	$53,355	100.0%	$54,217	100.0%	1.6%
	Durables (NAICS 441,442, 443, 444)	$14,246	26.7%	$15,154	28.0%	6.4%
	Nondurables (All Other NAICS)	$39,111	73.3%	$39,063	72.0%	(0.1)%

Source: Connecticut Department of Revenue Services

Retail trade can be broken down into two major categories; durable and nondurable goods. Durable goods are items that presumably last three years or more and include items such as automobiles, furniture, and appliances. Nondurable goods have a shorter life span and include items such as food, gas, apparel, and other miscellaneous products. Durable goods are normally big-ticket items that are sensitive to interest rates and the overall economic climate. Purchases of durable goods increase when interest rates decrease or consumers' income grows and consumer confidence increases. This was the case in fiscal 2014 when durable goods sales grew by 6.4%.

Sales of durable goods experience greater fluctuations during changing economic conditions. Growth in sales at retail stores that concentrate on durable goods tends to increase faster than the growth in gross state product during expansionary years and experience greater declines during recessionary years. Sales of nondurable goods are typically less volatile as most items are deemed "necessities" and relatively inelastic regardless of price variations. Necessities include such items as food, footwear, clothing, gasoline, and drugs. The previous table shows that Connecticut sales of nondurable goods fell by 0.1% in fiscal 2014.

In addition to the traditional transactions occurring in Connecticut-based "bricks and mortar" establishments, a significant amount of retail activity is also taking place within and beyond the state's borders through mail and on-line order sales.

U.S. Supreme Court rulings forbid states from forcing retailers to collect sales tax unless the seller has a physical presence in the state where the purchase is made (nexus). As retail sales via the internet grew rapidly, the U.S. Department of Commerce started estimating e-commerce quarterly transactions in late 1999. In fiscal 2014, national retail e-commerce sales are estimated at $283.0 billion, accounting for 6.1% of total retail sales of $4,604.2 billion. Retail transactions through the internet in general have increased much faster than traditional brick and mortar sales. Estimated e-commerce retail sales rose by 16.1% in fiscal 2014 compared to a 3.8% increase for traditional retail sales. The estimate of e-commerce sales does not include travel agencies, financial services, manufacturers, and wholesalers.

Connecticut has seen an erosion of its tax base due to the internet sales trend. In a study conducted by the University of Tennessee's Center for Business and Economic Research in April 2009, it was estimated that in 2012, Connecticut would lose approximately $63.8 million in state revenue due to e-commerce. Although the Office of Policy and Management believes that the revenue loss is significant, the exact amount is difficult to determine as more traditional "bricks and mortar" retailers with nexus in Connecticut establish internet sales channels and collect the state sales tax. The issue is compounded by the fact that in those instances where an internet retailer does not collect the tax, voluntary compliance by most residents to pay the use tax on such transactions has been low.

Currently, state and local governments as well as the private sector have undertaken a joint effort referred to as the Streamlined Sales Tax Project (SSTP). The project's aim is to fundamentally restructure the national sales tax system by creating a uniform taxable base, thereby simplifying

tax administration among the states. The Streamlined Sales and Use Tax Agreement went into effect in October of 2005. As of December 2014, 24 of the 44 states who have authorized participation in SSTP have enacted legislation to fully comply with the agreement to become full-member states, including New Jersey, Rhode Island, and Vermont.
Connecticut is currently one of the 44 states referred to as a participant state, as it has not enacted legislation to modify its sales tax.

For years, the world's largest internet retailer, Amazon, has resisted state efforts to require the collection of sales taxes on its sales. As more and more states pass legislation that indirectly circumvents current restrictions, Amazon has now joined the effort to work toward a national standard on taxing online sales. In addition, Amazon's desire to shorten delivery time has necessitated additional warehouse facilities in closer proximity to customers, thereby creating nexus in more jurisdictions. On November 1, 2013, Amazon began collecting sales tax in Connecticut, after it reached an agreement with the state that involved constructing a fifty million dollar distribution center in Windsor.

Retail trade as a percentage of disposable income in Connecticut increased to 29.3% in fiscal 2014, from 29.1% in FY 2013. The state's per capita disposable income of $51,384 in FY 2014 was 28.3% above the national average of $40,054. In FY 2014, Connecticut per capita retail trade was estimated at $15,070. With the highest per capita disposable income in the nation, continued long-term growth in retail sales is expected. In general, wealthier people tend to purchase more expensive cars and replace them more frequently. The same may be applicable for other durable goods such as computer equipment, appliances and furniture. Additional factors that affect the level of expenditures include tax burden, consumer confidence, economic climate as well as the condition of a household's balance sheet.

According to the 2007 economic census on retail sales, a survey that is done once every five years by the U.S. Department of Commerce, Connecticut had $52.2 billion of retail sales, up from $42.0 billion in 2002. Retail sales varied among the state's eight counties with most sales concentrated in Fairfield, Hartford, and New Haven. These three counties accounted for 79.2% of total sales, with the remaining 20.8% spread among the other five counties. The following two tables provide detail on retail sales activity by county. Growth in sales also varied among counties. Between 2002 and 2007, Hartford increased the fastest at 35.2%, followed by Tolland at 34.9%, compared to a less than 20% growth for Fairfield and Litchfield.

Although the retail trade sector is one of the major sources of jobs in the Connecticut economy, the number of establishments has declined. In 2007, the sector had 13,807 establishments down from 13,861 in 2002.

TABLE 50
RETAIL SALES IN CONNECTICUT BY COUNTY

	Sales ($M)	% Of Total	Number of Employees	Per Employee Sales ($ 000's)	Employees Per Establish.	Number of Establish.	Annual Payroll ($M)	% of Total
A. 2002 Economic Census								
Fairfield	13,931.1	33.2%	54,834	254.1	14.1	3,876	1,524.3	33.6%
Hartford	10,220.4	24.4%	50,872	200.9	15.2	3,347	1,101.7	24.3%
Litchfield	2,090.3	5.0%	8,830	236.7	11.3	784	212.8	4.7%
Middlesex	1,607.9	3.8%	8,346	192.7	11.2	743	187.2	4.1%
New Haven	9,268.4	22.1%	44,627	207.7	13.9	3,218	985.8	21.8%
New London	3,011.9	7.2%	14,752	204.2	13.2	1,119	319.4	7.0%
Tolland	894.3	2.1%	4,522	197.8	11.7	387	98.1	2.2%
Windham	928.4	2.2%	5,024	184.8	13.0	387	101.8	2.2%
Total	41,952.7	100.0%	191,807	218.7	13.8	13,861	4,531.1	100.0%
B. 2007 Economic Census								
Fairfield	15,702.2	30.1%	53,738	292.2	14.3	3,770	1,648.8	32.0%
Hartford	13,820.7	26.5%	53,241	259.6	15.6	3,423	1,310.7	25.4%
Litchfield	2,458.2	4.7%	9,059	271.4	11.5	788	239.8	4.6%
Middlesex	2,129.2	4.1%	8,300	256.5	11.1	749	209.9	4.1%
New Haven	11,785.3	22.6%	46,058	255.9	14.5	3,172	1,112.5	21.6%
New London	3,883.0	7.4%	15,660	248.0	13.9	1,123	390.4	7.6%
Tolland	1,206.3	2.3%	5,207	231.7	12.8	406	126.3	2.4%
Windham	1,180.6	2.3%	4,870	242.4	13.0	376	122.0	2.3%
Total	52,165.5	100.0%	196,133	266.0	14.2	13,807	5,160.4	100.0%
C. Growth (%) from 2002 to 2007								
Fairfield	12.7		(2.0)	15.0	1.4	(2.7)	8.2	
Hartford	35.2		4.7	29.2	2.6	2.3	19.0	
Litchfield	17.6		2.6	14.7	1.8	0.5	12.7	
Middlesex	32.4		(0.6)	33.1	(0.9)	0.8	12.1	
New Haven	27.2		3.2	23.2	4.3	(1.4)	12.9	
New London	28.9		6.2	21.4	5.3	0.4	22.2	
Tolland	34.9		15.1	17.1	9.4	4.9	28.7	
Windham	27.2		(3.1)	31.2	0.0	(2.8)	19.8	
Total	24.3		2.3	21.6	2.9	(0.4)	13.9	

Source: U.S. Department of Commerce, 2007 Economic Census

The following table compares retail sales with personal income growth and changes in population. Slower sales growth in Fairfield reflected negative growth in population and number of establishments while the healthy sales growth in Tolland reflected the 4.9% increase in the number of establishments as well as an above average increase in personal income and population.

TABLE 51
RETAIL SALES, INCOME AND POPULATION BY COUNTY

	Retail Sales	Personal Income ($B)			Population (000's)		
	% Change			% Change			% Change
	'02 to '07	2002	2007	'02 to '07	2002	2007	'02 to '07
Fairfield	12.7%	53.43	70.75	32.4%	890.6	889.1	(0.2%)
Hartford	35.2%	34.15	44.25	29.6%	864.5	874.1	1.1%
Litchfield	17.6%	7.29	9.41	29.1%	185.7	188.5	1.5%
Middlesex	32.4%	6.32	8.43	33.3%	159.2	164.0	3.0%
New Haven	27.2%	30.56	38.55	26.2%	832.4	843.6	1.4%
New London	28.9%	9.52	12.06	26.7%	263.1	264.5	0.5%
Tolland	34.9%	4.93	6.52	32.3%	142.0	148.2	4.4%
Windham	27.2%	3.27	4.10	25.2%	111.0	116.7	5.1%
Connecticut	24.3%	149.47	194.07	29.8%	3,448.4	3,488.6	1.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Small Business in Connecticut

Small businesses in the nation, as well as in Connecticut, play an important role in overall economic activity. Small businesses are often cited as major labor generators, important job providers, and the primary technological innovators. Studies have shown that small businesses contributed the majority of the scientific and technological advances and developments in the twentieth century. They tend to be externally efficient which leads to the creation of new products, new jobs, and new processes. On the other hand, large business firms tend to be internally efficient, which leads to substituting capital for labor and focusing on cutting operational costs. In addition, small businesses help develop the free enterprise system, deterring monopoly formation by providing competition. With greater innovation and product differentiation occurring within small businesses, large firms are forced to improve productivity in order to respond to marketplace competition, thereby increasing society's economic well-being and standard of living.

Structurally, small businesses tend mostly to be sole proprietorships and partnerships, and, to a lesser extent, corporations. These organizations range from "mom and pop" stores to high-tech instrument laboratories. The definition of a small business, however, varies, and may even change over time.

Theoretically, a small business firm is one that does not benefit from an economy of scale available to large firms. The U.S. Small Business Administration (SBA), in determining eligibility for loans and assistance, takes into account whether the entity concerned is dominant in its market. Other criteria include the amount of annual receipts and number of employees, which may vary by industry. The definition of small business varies from state to state based on comparative size in the regional economy, industrial structure, and policy emphasis.

According to Connecticut General Statutes, Chapter 588r, a small business is a firm with 500 or fewer employees including employees in any subsidiary or affiliate of a corporation, partnership, or sole proprietorship, operating for profit. For entities focused on special innovative research programs, the size of a small business is based upon federal guidelines.

According to a classification established by the U.S. Department of Commerce, businesses can be broken down into several groups by employment size. Since the definition for small business is not generally agreed upon, the Department of Commerce simply lists all employment classes for comparison rather than identifying them by specific size.

In 2011, the latest year data is available, among the total 88,040 establishments employing 1,442,650 persons in Connecticut, small businesses with fewer than 500 employees accounted for 84.1% of total establishments and 49.2% of the total labor force.

The table on the following page shows the breakdown of employment for manufacturing and non-manufacturing sectors and the distribution statistics for establishments and employment by business size in Connecticut. The table demonstrates that small business firms play an important role in both the manufacturing sector and the nonmanufacturing sector. In 2011, manufacturing businesses with fewer than 500 employees accounted for 51.0% of manufacturing employment, compared to 50.3% in 2010 and 45.9% in 2000. In the nonmanufacturing sector, small business firms accounted for 49.0% of all employment in 2011, down from 49.6% in 2010 and 50.8% in 2000. Cumulatively, small businesses accounted for 49.2% of total employment in 2011, though 84.1% of business establishments were firms with fewer than 500 employees.

Between 2000 and 2010, the two recessions that occurred during the decade had a very noticeable impact on both small businesses and total employment in Connecticut. In 2010, total employment in the state was down 7.1% from 2000, but small businesses were hit especially hard, particularly in the manufacturing sector. From 2000-2010, the number of firms with fewer than 500 employees in the manufacturing sector decreased by 28.3%, compared to a decrease of 4.8% in the nonmanufacturing sector. Overall, small business employment decreased 8% from 2000 to 2010.

TABLE 52
SMALL BUSINESS EMPLOYMENT IN CONNECTICUT
(Size of Employment in Thousands)

Calendar Year	1 to 4	5 to 9	10 to 19	20 to 99	100 to 499	500&up	Total
A. Employment			Manufacturing Employment				
2000	3.5	6.1	12.1	44.3	40.8	125.9	232.8
2010	3.1	5.1	8.8	31.5	28.2	75.9	152.6
2011	3.0	5.0	8.3	31.5	29.0	73.7	150.6
(# Change, 00-10)	(0.4)	(1.0)	(3.3)	(12.8)	(12.6)	(50.0)	(80.2)
(# Change, 10-11)	(0.1)	(0.1)	(0.5)	0.0	0.8	(2.2)	(2.0)
(% Growth, 00-10)	-11.4%	-16.4%	-27.3%	-28.9%	-30.9%	-39.7%	-34.5%
(% Growth, 10-11)	-2.7%	-1.5%	-5.4%	0.1%	2.8%	-2.8%	-1.3%
			Nonmanufacturing Employment				
2000	72.9	85.5	101.0	227.2	181.2	644.8	1,313.5
2010	68.7	78.1	97.9	210.8	181.4	647.5	1,284.4
2011	67.2	78.2	95.3	210.5	181.9	658.8	1,292.0
(# Change, 00-10)	(4.2)	(7.4)	(3.1)	(16.4)	0.2	2.7	(29.1)
(# Change, 10-11)	(1.5)	0.1	(2.6)	(0.3)	0.5	11.3	7.6
(% Growth, 00-10)	-5.8%	-8.7%	-3.1%	-7.2%	0.1%	0.4%	-2.2%
(% Growth, 10-11)	-2.2%	0.2%	-2.6%	-0.2%	0.3%	1.8%	0.6%
			Total Employment				
2000	76.4	91.6	114.1	271.4	222.0	770.6	1,546.3
2010	71.9	83.2	106.8	242.3	209.5	723.4	1,437.0
2011	70.2	83.3	103.6	242.0	210.9	732.6	1,442.6
(# Change, 00-10)	(4.5)	(8.4)	(7.3)	(29.1)	(12.5)	(47.2)	(109.3)
(# Change, 10-11)	(1.7)	0.1	(3.2)	(0.3)	1.4	9.2	5.6
(% Growth, 00-10)	-5.9%	-9.2%	-6.4%	-10.7%	-5.6%	-6.1%	-7.1%
(% Growth, 10-11)	-2.3%	0.1%	-3.0%	-0.1%	0.7%	1.3%	0.4%
B. Total Establishments							
2011	40.7	12.8	8.1	8.0	4.4	14.0	88.0
C. Distribution of Establishments & Employment, 2011							
Establishments	46.2%	14.6%	9.2%	9.1%	5.0%	15.9%	100.0%
Cumulative	46.2%	60.8%	70.0%	79.1%	84.1%	100.0%	
Total Employment	4.9%	5.8%	7.2%	16.8%	14.6%	50.8%	100.0%
Cumulative	4.9%	10.6%	17.8%	34.6%	49.2%	100.0%	
Nonmfg Employ.	5.2%	6.1%	7.4%	16.3%	14.1%	51.0%	100.0%
Cumulative	5.2%	11.3%	18.6%	34.9%	49.0%	100.0%	

Note: Totals may not add due to rounding.
Source: U.S. Bureau of the Census

Small businesses are constantly facing operational difficulties and at the same time confronting competition from larger firms. To ensure constant growth for the economy, it is imperative that policy makers pay special attention to small businesses. Recognizing that small business is an important engine of economic growth, the state has aggressively created and provided a wide range of programs and services aimed to help expand or set-up new businesses. The Connecticut Department of Economic and Community Development (DECD) has partnered with the Connecticut Economic Resource Center, Inc., to provide programs such as counseling, training, financing, technical assistance, and trade information to assist this important sector.

For more information, please write or contact the following:

Connecticut Economic Resource Center, Inc.
805 Brook Street, Building 4
Rocky Hill, CT 06067
http://cerc.com/
1-860-571-7136
1-800-392-2122
Fax: 1-860-571-7150

Connecticut Department of Economic and Community Development
Research Division
505 Hudson Street
Hartford, CT 06106
http://www.ct.gov/ecd/
1-860-270-8000

Nonfinancial Debt

For many years, national attention has been centered on the issue of the federal budget and trade deficits, as well as the level of indebtedness of domestic nonfinancial entities. Domestic Nonfinancial Debt (DNFD) is the aggregate net indebtedness of all nonfinancial borrowers in the United States. It includes the borrowings of all levels of government, business and households. It excludes the debt of foreigners and the liabilities of financial intermediaries such as commercial banks, thrift institutions and finance companies. As required by the Full Employment and Balanced Growth Act of 1978, DNFD is compiled quarterly by the Federal Reserve System.

The following table shows the 24-year history from 1990 to 2013 for total DNFD and each of its four components – households, businesses, federal government, and state and local governments. In 2013, the year-end total domestic nonfinancial debt outstanding was $39,771.1 billion, approximately 2.4 times GDP. Total non-financial debt between 2000 and 2013 has grown 119.6%, outpacing the growth in GDP of 63.0%. Hovering at a 9% growth rate from 2003 through 2007, total non-financial debt slowed to an average annual growth of 3.3% between 2009 and 2013 due to the financial crisis that hit the U.S. economy in late 2007.

TABLE 53
DOMESTIC NON-FINANCIAL DEBT (DNFD) OUTSTANDING BY SECTOR IN THE U.S
In Billions of Dollars at Yearend

	1990	2000	2013	2013 % of Total	Growth (1990 to 2000)	Growth (2000 to 2013)
Private Sector						
Households						
Home Mortgages	$2,489.3	$4,813.9	$9,415.9	23.7%	93.4%	95.6%
Consumer Credit	824.4	1,741.3	3,097.9	7.8%	111.2%	77.9%
Other	254.1	404.3	665.4	1.7%	59.1%	64.6%
Total - Households	$3,567.8	$6,959.5	$13,179.2	33.1%	95.1%	89.4%
Business						
Mortgages	$1,210.8	$1,738.6	$3,474.0	8.7%	43.6%	99.8%
Corporate Bonds	1,008.2	2,267.4	4,134.5	10.4%	124.9%	82.3%
Other	1,554.8	2,565.6	3,689.5	9.3%	65.0%	43.8%
Total - Business	$3,773.8	$6,571.6	$11,298.0	28.4%	74.1%	71.9%
Total - Private Sector	$7,341.6	$13,531.1	$24,477.2	61.5%	84.3%	80.9%
Public Sector						
Federal Government	$2,498.1	$3,385.1	$12,352.8	31.1%	35.5%	264.9%
State & Local Gov't	987.4	1,197.9	2,941.1	7.4%	21.3%	145.5%
Total - Public Sector	$3,485.5	$4,583.0	$15,293.9	38.5%	31.5%	233.7%
Total DNFD	$10,827.1	$18,114.1	$39,771.1	100.0%	67.3%	119.6%
GDP, 4th Quarter	$5,979.6	$10,284.8	$16,768.0		72.0%	63.0%
DNFD as a % of GDP	181.1%	176.1%	237.2%			

Source: Board of Governors of the Federal Reserve System
U.S. Department of Commerce

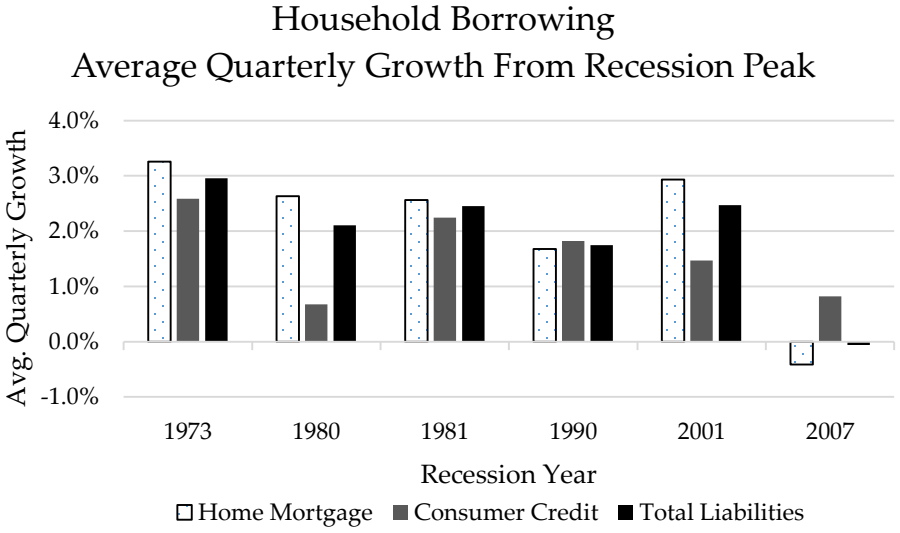
Prior to 1990, household borrowing trailed that of businesses; however, faster growth since 1991 in home mortgages and consumer credit coupled with a steady increase in income helped catapult household borrowing to the top. In 2013, of the total $39.8 trillion nonfinancial debt outstanding, households accounted for 33.1%, followed by the federal government at 31.1%, the nonfinancial business at 28.4%, and state and local governments at 7.4%. However, debt outstanding in the private sector accounted for 61.5% of the total in 2013, down from 74.8% in 2000. In the aftermath of the Great Recession, a number of large federal fiscal stimulus programs starting in 2008 including tax rebate checks, the American Recovery & Reinvestment Act (ARRA), and job creation resulted in three consecutive years of more than $1.2 trillion a year of

federal borrowing. This represented more than 20% of the annual growth, yielding a public sector increase of 233.7% over the past thirteen years versus 80.9% for the private sector.

The DNFD-to-GDP ratio stood at 237.2% in 2013, up from 221.1% in 2007 and 176.1% in 2000, implying a faster growth in nonfinancial debt than GDP in the past decade. The DNFD-to-GDP ratio gained speed in the late 1980s as a result of a combination of nearly double-digit increases in federal borrowings and the deregulation of the financial markets. During the 1980s, non-bank financial institutions funneled funds more freely between the suppliers of capital and consumers, creating a more competitive and efficient market. The ratio declined in the 1990s as federal debt fell and the growth in borrowings by state and local governments slowed, which was also accompanied by more robust GDP growth. However, during the 2000s the ratio rebounded rapidly, resulting from an accommodative fiscal and monetary policy, less stringent financing standards on mortgages, and an economic recovery that stimulated borrowing and higher spending levels in both the household and business sectors. Growth in the DNFD-to-GDP ratio has stabilized recently, declining slightly from 237.5% in 2010 to 237.2% in 2013.

Household Borrowing

Household borrowing, which includes home mortgages, consumer credit, and other miscellaneous items, totaled $13.2 trillion by the end of 2013. Of the $13.2 trillion, home mortgage loans accounted for $9.4 trillion, or 71.4% of household borrowing, followed by consumer credit at $3.1 trillion, or 23.5%, and the remainder in other miscellaneous items. The graph below shows the trends in household borrowing since the 1973 recession; the bars show average quarterly growth in the major components of household borrowing from the start of each recession to the next peak.

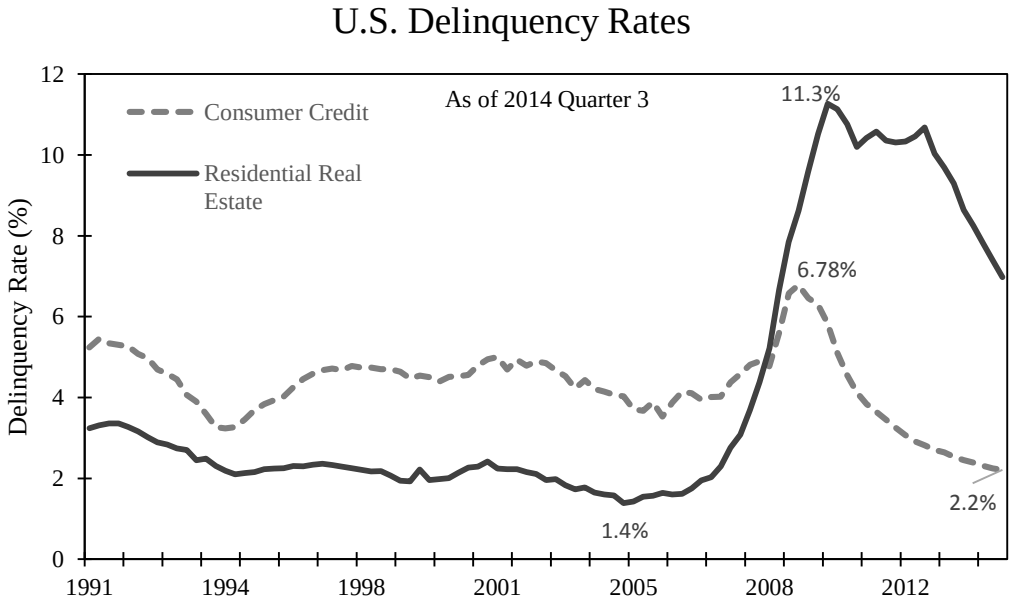


Source: Federal Reserve Bank of St. Louis

Quarterly growth in total liabilities averaged 1.7% during the 1990's. In the first half of the 1990s, growth in household borrowings averaged only 6.2% per year as sluggish income growth, the depressed value of real estate, and increased health insurance and educational costs made consumers more cautious. In the second half of the 1990s, average household borrowings climbed to 7.4% per year as a result of the continued healthy growth in income from wages, capital gains, and an appreciation in home values.

During the last economic recovery out of the 2001 recession, quarterly growth in borrowing averaged 2.5%, driven primarily by the 2.9% growth in home mortgages as a buildup of wealth generated by increases in income, an appreciation in real estate, favorably low interest rates, and loosened credit standards fueled a borrowing and spending surge.

With the onset of the Great Recession in 2007 and the subsequent slow economic recovery, quarterly growth in total household borrowing actually declined by an average of -0.1%, when housing, as well as the consumer credit market, experienced one of the worst financial environments since the end of WWII. This was atypical of past recoveries where credit expansion typically enhanced economic growth. The decline is primarily driven by the -0.4% growth in home mortgages, as consumers refrained from spending, paid off debt and increased savings to strengthen their balance sheets.



Source: Federal Reserve Bank of St. Louis

As shown in the chart above, delinquency rates on all residential real estate loans increased after the onset of the Great Recession as a correction related to sub-prime and Alt-A mortgages engulfed consumers. From an average rate of 2.3% from 1991 to mid-2008, delinquency rates

reached a high of 11.3% in the first quarter of 2010. By the second quarter of 2014, this figure fell to 7.0%. The increase was due to plunging housing prices coupled with reset provisions on certain mortgages and a slowdown in the economy. Although the volume of resets on exotic mortgages peaked between mid-2007 and mid-2008, a backlog of unsold units and rising foreclosures continued to build up the inventory pipeline.

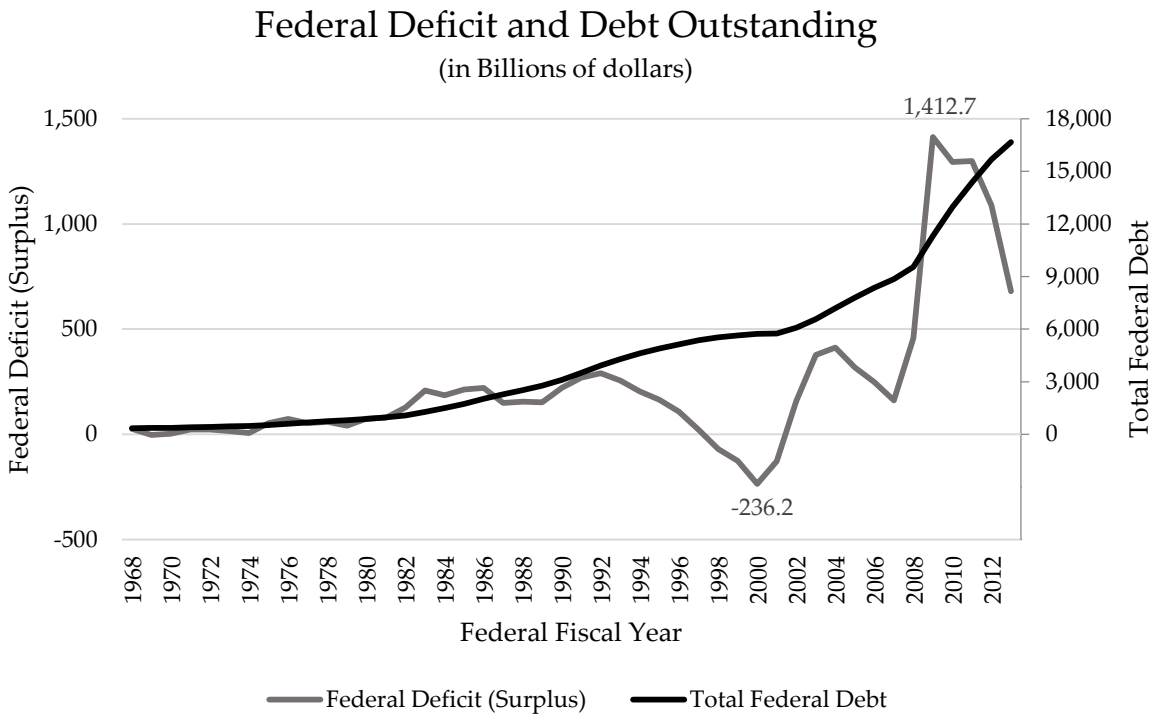
Consumer credit, not secured by real estate, is comprised of non-revolving credit (such as automobile and personal loans) and revolving credit (which includes credit card debt and store charges). It totaled $3.1 trillion in late 2013, with non-revolving credit accounting for approximately 72.3% of the total consumer credit. Over the years, consumer credit has helped finance a large expansion in spending for consumer non-durables as more consumers rely on credit cards for making purchases online. Total consumer credit outstanding in 2013 increased by 6.0%, with revolving credit increasing by 1.2%. After averaging 4.4% from 1991 to mid-2007, delinquency rates on credit card loans have improved to 2.2% in mid-2014 from 6.8% in mid-2009.

Business Borrowing

Business borrowings include debts owed by corporations, nonfarm corporations and farms. Total borrowings were $11.3 trillion at the end of 2013. Borrowing instruments include corporate bonds, commercial paper, municipal securities, bank loans, and mortgages. Mortgages, corporate bonds, and others were divided almost evenly among the total. Business borrowings rose in 2013, with corporate bonds increasing by 7.3%, mortgages 2.4%, and other categories 5.1% compared to 2012. The Federal Reserve's near-zero interest rates and quantitative easing policy pushed the cost of debt to a favorably low level. Taking advantage of this opportunity of low interest rates, businesses replaced short term debt by extending debt maturities, bought back equity, and hoarded cash.

Government Borrowing

The U.S. federal budget has long been operating under deficits. The federal deficit started surging in the early 1980s from expansionary fiscal policy and tax cuts, intending to sacrifice a short-term loss in revenue for a long-term gain through more rapid economic growth. This expectation, however, was not fully realized and deficits persisted into the late 1990s.



Source: Federal Reserve Board of St. Louis
Note: For the purposes of the above graph, federal deficits are expressed as positive numbers.

As shown in the graph above, after registering deficits in most of the 1990s, the federal budget on unified basis, which includes all operating and trust funds such as Social Security and Medicare programs, turned to a surplus in 1998 and reached a high of $236.2 billion in federal fiscal year (FFY) 2000. Federal operations turned red again in FFY 2002 reaching a high of $412.7 trillion in FFY 2004 before slightly recovering. The onset of the Great Recession boosted federal spending for FFY 2009, FFY 2010 and FFY 2011. Contributing factors included the $700 billion financial bailout known as the Troubled Asset Relief Program (TARP), and the $787 billion economic stimulus program, per the American Recovery and Reinvestment Act (ARRA), along with increases in Medicare, Medicaid, unemployment insurance, Social Security, and defense. At the same time, tax receipts declined due to the effects of the recession and tax cuts from the ARRA program. The federal deficit reached a high of $1,412.7 billion in FFY 2009 before dropping dramatically in FFY 13 to $679.5 billion. The federal government in FFY 2013 spent an estimated $1.23 for every dollar it took in, a decrease from $1.44 in FFY 2012. The FFY 2014 deficit is estimated to continue to decrease to $560 billion.

As the federal operating budget continued to post a deficit, the national debt also increased. Interest payments were the fourth largest single budgeted disbursement category, after defense, Social Security, and Medicare. By the end of FFY 2013, gross debt outstanding registered $16.7 trillion, up 6.3% from FFY 2012, following increases of 9.3% and 10.8% in the previous two years. The U.S.'s deficit of 9.8% of GDP in FFY 2009 was a record high since WWII, but has since declined to 4.1% in FFY 2013. Research shows that a continued deficit of 4% of GDP and higher

may hinder economic growth as it may create a risk of inflation, higher interest rates, dissaving, a crowding out of private investments and a devaluation of the dollar.

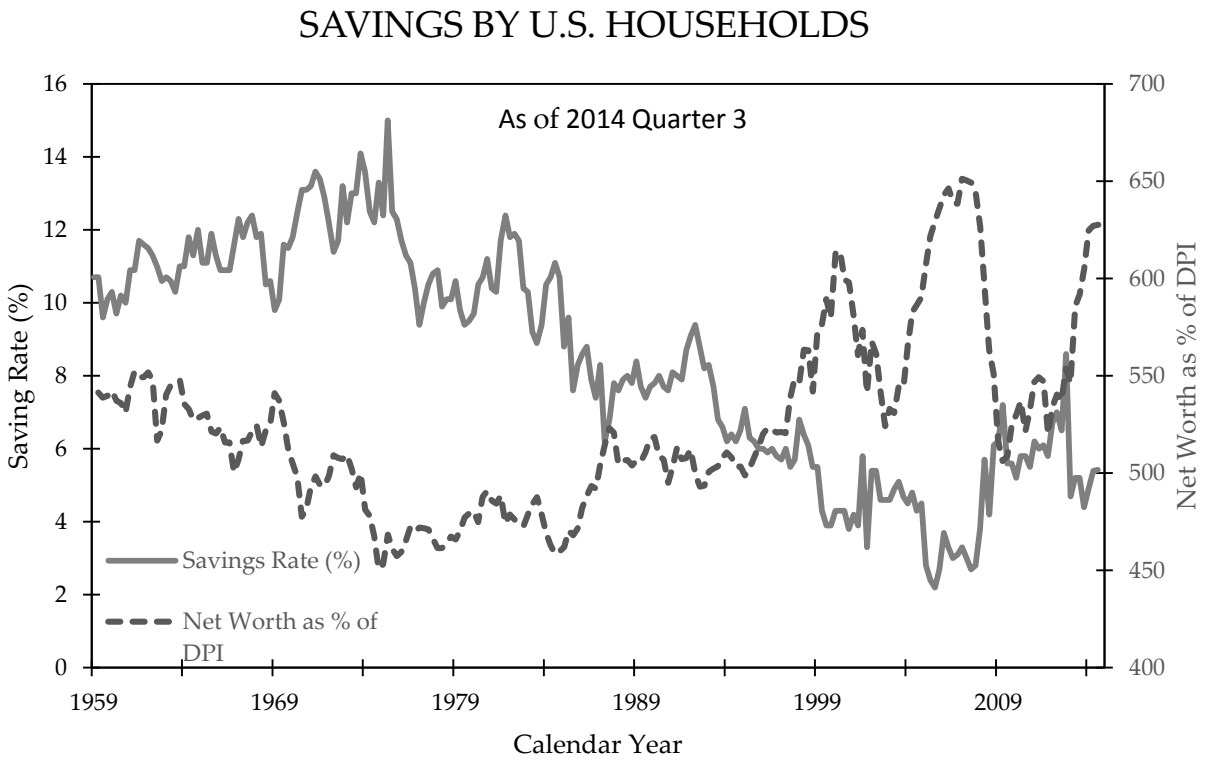
Of the 2013 total federal gross debt of $16.7 trillion, $11.9 trillion, or 71.1%, was held by the public and $4.8 trillion, or 28.9%, by intra-governmental agencies. Public holders include individuals, corporations, state or local governments, foreign governments, and other entities outside of the United States while intra-governmental agencies hold federal securities in trust funds, revolving funds, and other special funds. The federal statutes authorize federal agencies such as the Federal Reserve Bank and various trust funds to invest in U.S. Treasury securities. The national debt of $16.7 trillion in FFY 2013 stood at 100.5% of GDP.

According to the U.S. Census Bureau's "State Government Finances," state government debt outstanding in Connecticut at the end of fiscal 2012, the latest available year, was $32.0 billion, compared to $30.5 billion in 2011 and $30.2 billion in 2010. Connecticut per capita state government debt has increased over the past three years, from $8,482 in fiscal 2010 to $8,898 in fiscal 2012. The fifty state average registered at $3,661 in fiscal 2012, compared to $3,662 and $3,609 in 2011 and 2010, respectively.

Connecticut's overall credit rating is determined by four major rating agencies: Moody's Investors Service, Standard & Poor's Corporation, Fitch Investors Service, Inc., and Kroll Bond Ratings. As of the end of November 2014, Connecticut's General Obligation bonds are rated Aa3 by Moody's with a "stable" credit outlook and AA by Standard & Poor's Corporation and Kroll Bond Ratings with a "stable" credit outlook. Connecticut is rated AA by Fitch Investors Service with a negative outlook. The rating process provides information for investors about risk. High ratings will generally result in lower borrowing costs.

Savings by U.S. Households

The solid line on the below chart shows the national savings rate for U.S. consumers from 1959 through the third quarter of 2014. After remaining at an average of 11.4% between 1959 and 1980, the U.S. savings rate began trending down from a high of 12.4% in late 1981 to a low of 2.2% in mid-2005. The savings rate then climbed back up to 8.6% by the fourth quarter of 2012 before falling to the current level of 5.4% in the third quarter of 2014. The average savings rate for the past 5 years is 5.8%.



Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), Board of Governors of the Federal Reserve System

A low personal savings rate has been a concern for some time as it will negatively impact our economy and society. Consumers' imprudent financing of consumption has created an unsustainable level of consumer debt, and the lower national savings rate has not generated sufficient funds domestically to support the investment necessary to sustain long-run economic growth. This has created a situation requiring excessive reliance on foreign capital and an unfavorable current account balance.

In the aftermath of the Great Recession, households concerned about job losses and beaten-down home equity are saving more while paying down debt, boosting the savings rate. These measures have led to slow growth in personal consumption and economic growth. A 1% increase in the savings rate is equivalent to a spending decrease of approximately $142 billion for the nation's economy, which equates to 0.9% of GDP. In Connecticut, a 1% increase in the savings rate would decrease spending by $2.2 billion.

The chart also shows how the savings rate is affected by economic conditions by depicting the net worth of consumers as a percentage of disposable personal income. Before the mid-1970's, the savings rate was trending upward, with the relative net worth generally decreasing. During this period, before various innovative and creative financing mechanisms were available to the middle class, people generally lived on cash. During hard times, they may have saved less, left existing savings untouched to grow as long as possible, and eventually lived on what they had

saved. After the mid-1970s, when credit cards and home equity loans became available to more households, the "wealth effect" took hold and people began to spend more because they had more assets to leverage and finance their consumption. From this period onward, the relative net worth generally moved inversely with the savings rate due to the acceleration in capital gains.

The savings rate is defined as personal savings divided by disposable personal income. Disposable personal income is defined as total personal income less "personal current taxes," which includes personal tax and certain nontax payments to governments, but excludes sales tax and property tax payments. Personal savings is defined as disposable personal income less consumption expenditures (including consumer durables), interest payments, and net transfer payments to the rest of the world.

The savings rate is often criticized because, by definition, personal income does not include the sale of existing assets. Realization of capital gains or losses from the appreciation or depreciation of assets such as stocks, bonds and antique collections, etc. are excluded in personal income, leading to under-/overvaluation of the income level. The definition of personal consumption outlay includes expenditures that might arguably be considered investments. For example, the purchase of a computer, a consumer durable, for education or training is treated as consumption. Mortgage interest payments also could be considered part of an investment. These expenditures are essentially "hidden savings". In today's economy, education and training, rather than physical capital, are the major inputs for economic growth. Education expenditures at all levels in the U.S. in 2008 accounted for approximately 5.5% of GDP, compared to 7.7% in Denmark, the highest among major industrialized nations, and 3.4% in Japan, according to data compiled by The World Bank. Critics therefore conclude that our lower national savings rate may be due to an understated personal income with overstated consumption.

Household Balance Sheet

The Federal Reserve Bank's "Flow of Funds Accounts" contains statistics on the assets, liabilities, and net worth for the household sector. The table below shows these three components that comprise a balance sheet for 1970, 2007, and 2014, to evaluate the financial position of the nation's households.

TABLE 54
BALANCE SHEET OF HOUSEHOLDS AND NON-PROFIT ORGANIZATIONS
In Billions of Dollars

	1970 In Real $*	% of Total	2007 In Real $*	% of Total	2014 Q2	% of Total	Average Growth**
Assets							
Real Estate	6,251.2	23.7%	26,664.4	28.8%	22,938.4	24.0%	3.0%
Stock related	8,135.3	30.8%	33,985.5	36.7%	41,401.0	43.4%	3.8%
Other	12,000.2	45.5%	32,040.7	34.6%	31,101.8	32.6%	2.2%
Time & Saving Deposits	3,305.4	12.5%	8,630.8	9.3%	9,861.0	10.3%	2.5%
Corporate Bonds	181.3	0.7%	1,043.6	1.1%	920.2	1.0%	3.8%
Gov't Securities***	891.0	3.4%	3,139.7	3.4%	2,443.5	2.6%	2.3%
Total	26,386.7	100.0%	92,690.6	100.0%	95,441.2	100.0%	3.0%
Liabilities							
Home Mortgages	1,744.0	59.7%	12,113.8	73.7%	9,374.6	67.2%	3.9%
Consumer Credit	815.0	27.9%	2,986.0	18.2%	3,169.0	22.7%	3.1%
Other	360.2	12.3%	1,332.0	8.1%	1,404.8	10.1%	3.1%
Total	2,919.2	100.0%	16,431.8	100.0%	13,948.4	100.0%	3.6%
Net Worth	23,467.6		76,258.8		81,492.8		2.9%
Net Home Equity	4,507.3		14,550.6		13,563.8		2.5%
As a % of Net Worth	19.2%		19.1%		16.6%		
Per Capita Net Worth ($)	114,446.8		252,829.7		255,145.8		1.8%
As a % of Total Assets							
Home Mortgages	6.6%		13.1%		9.8%		
Liabilities	11.1%		17.7%		14.6%		
Net worth	88.9%		82.3%		85.4%		

Note:
* Real dollar is calculated by using the CPI-U in second quarter of 2014
** Compound annual growth rate
*** Includes Treasury and Municipal securities

Source: Board of Governors of the Federal Reserve System

Assets

Total assets can be categorized into three components: real estate assets, stock related assets, and other assets (including bank deposits, bonds, money market fund shares, and consumer durable goods). In the second quarter of 2014, household assets totaled $95,441.2 trillion with real estate comprising 24.0% of total assets, stocks 43.4%, and the remaining 32.6% in other assets. In 1970,

real estate comprised 23.7% of total assets, stocks 30.8%, and all other assets 45.5%. This reflects that stock related assets rose in importance over the past 4 decades relative to real estate and other assets.

From 1955 to 1970, total assets grew at an annual average of 6.6%. Total asset growth then picked up steam in 1970, averaging 8.4% through 2006, as financial vehicles such as home equity loans, credit cards, and before-tax retirement programs became popular. Total real assets reached a peak of $93.7 trillion in the third quarter of 2007 before declining sharply during the great recession; total real assets finally surpassed its pre-recession peak in the fourth quarter of 2013.

Liabilities

Household liabilities totaled $13.9 trillion in the second quarter of 2014. Home mortgages accounted for 67.2% of the total with consumer credit at 22.7% and other liabilities at 10.1%. This compared to 59.7%, 27.9%, and 12.3%, respectively, in 1970, reflecting a much faster growth in home mortgage borrowings. Between the first quarter of 2002 and the second quarter of 2007, quarterly growth in home mortgages, supported by extraordinarily favorable mortgage rates and an aggressive mortgage lending strategy, averaged 3.1%, outpacing growth in consumer credit (1.2%) and total liabilities (2.6%). Consumer credit primarily includes auto loans, personal loans, and credit card balances.

Net Worth

Net worth (assets less liabilities) measures the resulting financial condition of consumers, which affects the overall economy through its wealth impact on consumers' spending and business activities. Net worth totaled $81.5 trillion in the second quarter of 2014. When measured in 2014 dollars, real net worth grew from $23.5 trillion in 1970 to a pre-recession peak of $76.3 trillion in 2007 before declining to $64.3 trillion in 2009. Per capita real net worth increased from $114,447 in 1970 to $255,146 in 2014, with an annual growth rate of 1.8%.

Along with the increase in net worth has come the additional burden of greater liabilities. In 1970 liabilities accounted for 11.1% of total assets, yet by 2014 they had risen to 14.6% of assets. The primary driver of this change was an increase in home mortgage liability. Indeed, the ratio of home mortgages to total assets grew from 6.6% in 1970, to 13.1% in 2007, before falling to 9.8% in 2014. The increasing use of debt to finance American lifestyles has also increased the proportion of income that must be devoted to repaying that debt. Debt service, which consists of the required payments on outstanding mortgage and consumer debt, as a percentage of disposable personal income has gradually risen from 10.6% in 1980, the earliest available data, to 13.0% in 2008. Debt service has since declined to 9.9% in 2014, a result of lower interest rates due to the onset of the Great Recession and the expansionary monetary policy implemented by the Federal Reserve.

PERFORMANCE INDICATORS

This section is devoted to performance trends of various economic indicators for three entities: the United States, the New England region and Connecticut. Statistics are provided indicating the relative economic performance of these entities and showing their strengths and weaknesses.

Gross Product

Gross National Product (GNP) is defined as the aggregate current market value of final goods and services produced by a nation's citizens and capital, regardless of location, in a given period of time. GNP was generally used as a measure of a nation's economic performance to track the cyclical ups and downs of the economy, but GNP reflects more than domestic activity; products produced by citizens outside territorial borders are included, while products produced by foreign workers and capital located in the nation are excluded. As a result, Gross Domestic Product (GDP), which measures all economic activity within a territory and is consistent with other economic indicators such as employment and shipments of manufactured goods, has been adopted as a better measure of economic activity within a territory.

Because prices of goods and services change over time, both GNP and GDP may also change, even if there has been no change in physical output. Therefore, to measure changes in real output, they are adjusted by an index of the general price level and expressed in constant dollars. Other things being equal, when real gross product rises, the economy is experiencing an expansion; when real gross product falls, the economy is experiencing a decline. In the past, a fixed-weighted inflation index, the GDP deflator, had been used to measure real output, but with the rapid change in technology, price movements for certain commodities actually grew less than the price for all goods on average. As such, the traditional measurement of real product misstated the growth in output as it moved away from the base year, creating what is known as substitution bias. To correct for this bias, the U.S. Department of Commerce, Bureau of Economic Analysis, uses a chained-type inflation index, currently based on calendar year 2009.

One measure of a state's economic performance is Gross State Product (GSP). Like GDP, GSP is the current market value of all final goods and services produced by labor and property located in a state. In 2013, the State of Connecticut produced $249.3 billion worth of goods and services — $234.0 billion in 2009 chained type dollars. This was an increase of 2.6% in current dollars and 0.9% in real dollars over 2012.

Between 2009 and 2013, the contribution to Connecticut’s GSP from the information and professional and business service sectors increased, while manufacturing and FIRE (Finance, Insurance, and Real Estate) fell. Broadly defined services in the private sector, which includes information, professional and technical services, health care and education, FIRE, and other services, increased to 61.4% of total GSP in 2013 from 60.3% in 2009. During this period, the contribution to GDP from services for the nation actually declined slightly, decreasing to 50.7% of GDP in 2013 from 51.0% in 2009. During this same time period, a resurgent manufacturing sector increased its contribution to the nation’s GDP, from 12.0% in 2009 to 12.5% in in 2013.

Theoretically, Connecticut and the nation's service-based economies should help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. 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. Connecticut began moving toward services sooner than the nation as a whole.

TABLE 55
GROSS PRODUCT

A. Millions of Current Dollars

Calendar	United States		New England *		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2007	14,401,421	4.5	797,294	4.6	236,036	5.9
2008	14,636,247	1.6	803,914	0.8	236,060	0.0
2009	14,328,006	-2.1	796,697	-0.9	230,005	-2.6
2010	14,862,637	3.7	823,311	3.3	233,781	1.6
2011	15,431,583	3.8	842,182	2.3	235,121	0.6
2012	16,141,152	4.6	874,201	3.8	242,930	3.3
2013	16,701,415	3.5	900,870	3.1	249,251	2.6
% Increase ('09 to '13)		16.6		13.1		8.4

B. Constant Dollars**

Calendar	United States		New England *		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2007	14,824,616	1.5	828,345	1.9	246,719	3.2
2008	14,728,947	-0.6	820,680	-0.9	241,691	-2.0
2009	14,328,006	-2.7	796,697	-2.9	230,005	-4.8
2010	14,639,748	2.2	815,964	2.4	231,643	0.7
2011	14,868,836	1.6	823,281	0.9	229,513	-0.9
2012	15,245,906	2.5	836,644	1.6	231,809	1.0
2013	15,526,715	1.8	847,683	1.3	233,996	0.9
% Increase ('09 to '13)		8.4		6.4		1.7

* Sum of States' Gross State Products.

** 2009 chained dollar series are calculated as the product of the chain-type quantity index and the 2009 current-dollar value of the corresponding series, divided by 100. The system for these calculations was converted from SIC Codes to the NAICS system starting in 1998.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's production has historically been concentrated in two areas: finance, insurance and real estate (FIRE) and manufacturing (ignoring the broad category of services). In 2013, production in these two industries accounted for 40.4% of total production in Connecticut,

compared to 32.1% for the nation and down slightly from 42.0% in 2009. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and this concentration has changed little in recent years. Connecticut's portion of U.S. total GSP has decreased from 1.61% in 2009 to 1.49% in 2013.

TABLE 56
GROSS PRODUCT BY SOURCE
(In Billions of Current Dollars)

	------ Calendar 2009 ------				------- Calendar 2013 -------			
Industry	U.S.	%	CT	%	U.S.	%	CT	%
Agriculture, Forest & Fisheries	137.7	1.0	0.314	0.1	269.1	1.6	0.491	0.2
Construction & Mining	868.7	6.1	7.102	3.1	1,060.7	6.4	7.714	3.1
Manufacturing	1,718.6	12.0	27.665	12.0	2,079.5	12.5	27.834	11.2
Wholesale Trade	823.5	5.7	12.795	5.6	998.7	6.0	14.284	5.7
Retail Trade	843.8	5.9	11.314	4.9	956.3	5.7	12.562	5.0
Transportation & Utilities	653.8	4.6	8.121	3.5	777.3	4.7	8.389	3.4
Information	701.5	4.9	12.134	5.3	802.4	4.8	14.909	6.0
Finance, Insurance, Real Estate	2,875.2	20.1	69.118	30.1	3,293.2	19.7	72.859	29.2
Professional, Business Services	1,660.9	11.6	25.348	11.0	2,005.3	12.0	29.519	11.8
Health Care & Education	1,215.9	8.5	21.758	9.5	1,388.0	8.3	24.248	9.7
Other Services	852.7	6.0	10.254	4.5	983.2	5.9	11.470	4.6
Government	1,975.8	13.8	24.083	10.5	2,087.6	12.5	24.974	10.0
Total	14,328.0	100.0	230.005	100.0	16,701.4	100.0	249.251	100.0
Broadly Defined Services*		51.0		60.3		50.7		61.4
CT as a % of U.S. Total GSP			1.61				1.49	

*Note: Broadly Defined Services includes Information, FIRE, Professional/Tech Services, Health Care/Education and Other Services

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Gross Product

Growth in gross product may not sufficiently reflect the overall improvement in the well-being of an economy. Gross product may rise significantly, but population may increase even more rapidly, signifying no real improvement in the well-being of the economy. Therefore, real per capita gross product, which takes into account increases in population and inflation, provides a better measure of the standard of living among differing economies.

Growth in Connecticut slowed during and following the recession of 2001, reflecting a struggle to recover from a deeper recession compared with the impact on the United States. The ratio of Connecticut's real per-capita output relative to the United States was generally increasing between 2004 and 2008, suggesting that Connecticut did eventually pull out of that recession with strength. The latest data shows that the most recent recession hit Connecticut hard in 2009, with real per-capita output dropping 5.3%. While nominal per-capita gross product in Connecticut has

grown in Connecticut, real per-capita output declined slightly in 2011. Both per-capita output and real per-capita output for the state relative to the nation dipped slightly between 2009 and 2013 from 138% of the U.S. level to 131%.

TABLE 57
PER CAPITA GROSS PRODUCT

A. Millions of Current Dollars

Calendar	United States		New England*		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
2007	47,809	3.5	55,836	4.3	66,917	5.6	140
2008	48,131	0.7	56,060	0.4	66,579	(0.5)	138
2009	46,706	(3.0)	55,312	(1.3)	64,575	(3.0)	138
2010	48,048	2.9	56,918	2.9	65,316	1.1	136
2011	49,526	3.1	58,010	1.9	65,513	0.3	132
2012	51,426	3.8	60,027	3.5	67,635	3.2	132
2013	52,831	2.7	61,624	2.7	69,312	2.5	131
% Increase ('09 to '13)		13.1		11.4		7.3	

B. In Constant Dollars**

Calendar	United States		New England*		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
2007	49,213	0.5	58,011	1.7	69,946	2.9	142
2008	48,436	(1.6)	57,230	(1.3)	68,167	(2.5)	141
2009	46,706	(3.6)	55,312	(3.4)	64,575	(5.3)	138
2010	47,328	1.3	56,410	2.0	64,719	0.2	137
2011	47,720	0.8	56,708	0.5	63,950	(1.2)	134
2012	48,573	1.8	57,448	1.3	64,539	0.9	133
2013	49,115	1.1	57,986	0.9	65,070	0.8	132
% Increase ('09 to '13)		5.2		4.8		0.8	

Source: U.S. Department of Commerce, Bureau of Economic Analysis & Bureau of the Census

* Sum of States' Gross State Products.

** 2009 chained dollar series are calculated as the product of the chain-type quantity index and the 2009 current-dollar value of the corresponding series, divided by 100. The system for these calculations was converted from SIC Codes to the NAICS system starting in 1998.

Productivity and Unit Labor Cost

Gross State Product provides the information to gauge Connecticut's efficiency in the use of labor, i.e., labor productivity. Rising productivity leads to an improved standard of living and curbs inflationary pressures. In the table below, the column entitled Hourly Production shows labor productivity as the ratio of total output to total workhours in Connecticut's manufacturing sector. On an hourly basis, nominal output in the manufacturing sector increased from $84.1 in 2001 to $117.9 in 2011, the latest data available, a 40.1% increase in output per hour over the period compared to only a 25.1% increase in the Consumer Price Index over the same period.

Another approach allows for the assessment of the labor cost for each $1 of product produced: the unit labor cost. Labor cost is one of the major input costs and is often cited as a critical indicator of competitiveness. The column labeled Unit Labor Cost shows the monetary cost which is equal to the average hourly wages of each worker divided by productivity. Connecticut continues to experience a downward trend in labor costs when the productivity factor is included. For each dollar of output costs, the unit labor cost has declined from 21.4 cents in 2002 to 20.7 cents in 2011, the latest data available, a 3.5% reduction over the period, even while production workers have seen a 35.2% increase in average hourly wages.

Overall, productivity depends upon a broad range of factors. Other than wages, the quality of management as well as the size and quantity of capital stock invested in the form of plant, machinery and equipment, and the employment of new technologies impact productivity. Any increase in labor productivity is the combined result of all these factors.

TABLE 58
CONNECTICUT'S MANUFACTURING LABOR PRODUCTIVITY

Cal. Year	Manufact. GSP (Million)	Production Workhours (Million)	Hourly Production (Output Per Hour)	Total Wages (Million)	Average Hourly Wages	Unit Labor Cost (¢ Per $1 Output)
2002	$21,109	$250.9	$84.1	$4,525.6	$18.0	21.4¢
2003	$21,144	$243.7	$86.8	$4,478.2	$18.4	21.2¢
2004	$24,216	$231.2	$104.8	$4,509.9	$19.5	18.6¢
2005	$23,729	$223.5	$106.2	$4,500.0	$20.1	19.0¢
2006	$26,836	$219.6	$122.2	$4,549.1	$20.7	17.0¢
2007	$27,035	$235.8	$114.6	$5,019.7	$21.3	18.6¢
2008	$24,952	$218.0	$114.5	$4,841.6	$22.2	19.4¢
2009	$20,507	$194.6	$105.4	$4,529.5	$23.3	22.1¢
2010	$20,727	$187.0	$110.9	$4,496.8	$24.0	21.7¢
2011	$21,798	$184.9	$117.9	$4,510.2	$24.4	20.7¢
% Increase ('02-'11)			40.1		35.2	(3.5)

Source: U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Commerce, Bureau of the Census, "Annual Survey of Manufactures"
U.S. Department of Labor, Bureau of Labor Statistics

Value Added

In order to more accurately assess the performance of the manufacturing sector, one must look beyond employment figures. Employment figures provide only a one dimensional view of what is actually occurring in the manufacturing sector of the Connecticut economy. Although Connecticut lost 212,000 manufacturing jobs (58.0%) between calendar year 1977 and 2011, the latest data available, this is partially mitigated by a long-term increase in productivity per worker.

Value added is the market value of a firm's output less the value of inputs which it purchased from other firms. Changes in productivity over time can be measured by dividing the value that

is added to a product by the total number of production workers involved in producing that good.

The following table lists value added per production worker for Connecticut and the U.S.

TABLE 59
VALUE ADDED PER PRODUCTION WORKER
(In Current Dollars)

Cal. Year	Conn.	United States	% Change From Prior Conn.	% Change From Prior U.S.	Cumulative % Change From 1972 Conn.	Cumulative % Change From 1972 U.S.	Ratio of Conn. Value Added to U.S.
1982	$66,830	$66,458	56.0	55.5	152.7	154.0	1.006
1987	103,228	94,927	54.5	42.8	290.3	262.7	1.087
1992	143,074	122,387	38.6	28.9	441.0	367.7	1.169
1997	179,595	151,317	25.5	23.6	579.1	478.2	1.187
2002	219,805	182,512	22.4	20.6	731.1	597.4	1.204
2007	299,483	253,867	36.2	39.1	1,032.4	870.1	1.180
2008	313,512	255,682	4.7	0.7	1,085.5	877.0	1.226
2009	276,511	263,426	(11.8)	3.0	945.6	906.6	1.050
2010	313,652	296,423	13.4	12.5	1,086.0	1,032.7	1.058
2011	315,483	308,140	0.6	4.0	1,092.9	1,077.5	1.024

Note: Value Added Per Production Worker = $\frac{\text{Total Value Added by Manufacture}}{\text{Number of Production Workers}}$

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Value added per production worker can vary greatly among manufacturing sectors. Factors which may contribute to this variance include the mix between labor and capital, the overall cost structure of an industry, the volume of production, and the prevailing markup or profit on a product. Table 60 segments value added per production worker by industry in Connecticut for calendar year 2010 and 2011, the latest data available.

TABLE 60
VALUE ADDED PER PRODUCTION WORKER IN CONNECTICUT BY INDUSTRY
(In Current Dollars)

Industry	2010	2011	% Change
Manufacturing	$313,652	$314,483	0.3
Food	365,074	387,994	6.3
Paper	221,096	309,570	40.0
Printing	167,239	167,377	0.1
Chemical	487,815	369,554	(24.2)
Plastics & Rubber	171,195	170,645	(0.3)
Primary Metals	293,680	297,707	1.4
Fabricated Metals	184,279	194,734	5.7
Machinery	220,825	220,617	(0.1)
Computer & Electronic	352,672	361,862	2.6
Electrical Equipment	281,885	309,978	10.0
Transportation Equipment	552,725	528,469	(4.4)

Note: Value Added Per Production Worker = $\frac{\text{Total Value Added by Manufacture}}{\text{Number of Production Workers}}$

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Capital Expenditures

Connecticut's manufacturers have also been making substantial investments in capital equipment. Total capital expenditures are defined as outlays for permanent additions and major alterations to manufacturing establishments and investments in new machinery and equipment used for replacement and additions to plant capacity. Organizations undertake capital projects for various reasons including to reduce costs, improve efficiencies, upgrade product quality, develop new products, and implement environmental and safety technology. According to the Annual Survey of Manufactures, during the time period from 2002 to 2011, the latest data available, the level of capital expenditures within Connecticut has remained above one billion dollars. The following table details capital expenditures in Connecticut.

TABLE 61
TOTAL CAPITAL EXPENDITURES IN CONNECTICUT
(In Millions of Dollars)

Calendar Year	Connecticut Capital Expenditures	Percent Change
2002	$1,448.50	(18.8)
2003	1,242.70	(14.2)
2004	1,236.20	(0.5)
2005	1,201.60	(2.8)
2006	1,260.50	4.9
2007	1,638.30	30.0
2008	1,166.10	(28.8)
2009	1,036.70	(11.1)
2010	1,106.32	6.7
2011	1,265.24	14.4

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Total Personal Income

Total personal income, defined as current income received by persons from all sources including public and private transfer payments but excluding transfers among persons, is a reliable measure of economic performance. Total personal income captures the manufacturing sector through manufacturing wages; the nonmanufacturing sector through wages in government, wholesale/retail trade, utilities, transportation, mining, personal services, etc.; the private sector through proprietors' income, etc.; and a part of agricultural activity via farm properties' income. Personal income is approximately 85% of Gross Domestic Product; hence, the two are well correlated.

The U.S. Department of Commerce defines the various sources of personal income as the following:

Wages and Salaries - the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips and bonuses; and receipts in kind that represent income to the recipient. Wages and salaries are measured before deductions such as social security contributions and union dues.

Other Labor Income - consists primarily of employer contributions for employee pension and insurance funds and employer contributions for government social insurance.

Property Income - income from dividends, interest and rents.

Dividends are payments in cash or other assets, excluding stock, by corporations organized for profit to non-corporate stockholders who are U.S. residents.

Interest is the monetary and imputed interest income of persons from all sources. Imputed interest represents the excess of income received by financial intermediaries from funds entrusted to them by persons, over income disbursed by these intermediaries to persons. Part of imputed interest reflects the value of financial services rendered without charge to persons by depository institutions. The remainder is property income held by life insurance companies and private non-insured pension funds on behalf of persons; one example is the additions to policyholder reserves held by life insurance companies.

Rental income is the monetary income of persons (except those primarily engaged in the real estate business) from the rental of real property (including mobile homes); the imputed net rental income of owner-occupants of nonfarm dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.

Proprietors' Income - the income, including income-in-kind, of sole proprietorships and partnerships and of tax-exempt cooperatives. The imputed net rental income of owner occupants of farm dwellings with certain adjustments is included.

Transfer Payments - income payments to persons, generally in monetary form, for which they do not render current services. These include payments by the government and business to individuals and nonprofit institutions.

Personal Contributions to Social Insurance - contributions made by individuals under the various social insurance programs. Payments by employees and the self-employed (farm and nonfarm) are included as well as contributions that are sometimes made by employers on behalf of their employees (i.e., those customarily paid by the employee but, under special arrangement, paid by the employer).

The correlation between Gross Domestic Product and personal income provides another basis of comparison among individual states. A comparison of growth rates in personal income is a good indicator of a state's present and potential future performance.

According to figures provided by the U.S. Bureau of Economic Analysis, personal income of Connecticut residents during fiscal year 2014 was $221.1 billion, a 1.5% increase over fiscal year 2013. Total personal income in Connecticut increased 32.1% from fiscal 2005 to 2014. For the United States, total personal income increased 39.7%, and in the New England region, the increase for the identical period was 36.2%.

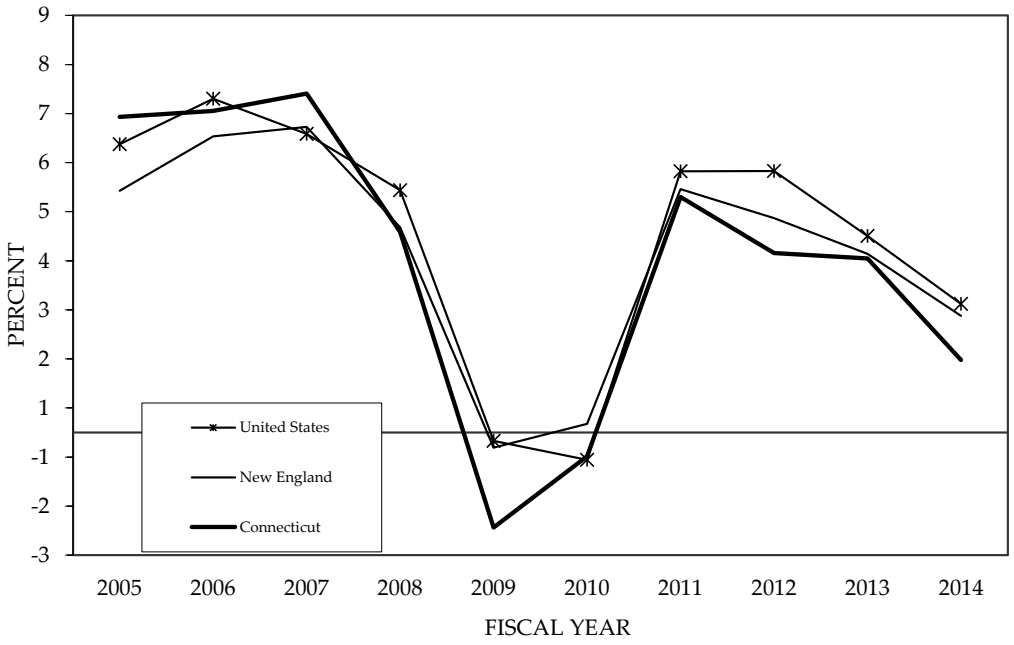
The following table and chart show personal income for the United States, the New England region, and Connecticut.

TABLE 62
PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2005	10,322,875	5.87	598,503	4.92	167,412	6.43
2006	11,024,950	6.80	634,633	6.04	178,384	6.55
2007	11,695,925	6.09	674,153	6.23	190,706	6.91
2008	12,273,500	4.94	702,343	4.18	198,502	4.09
2009	12,252,575	(0.17)	700,159	(0.31)	194,658	(1.94)
2010	12,184,425	(0.56)	701,393	0.18	193,714	(0.49)
2011	12,833,000	5.32	736,196	4.96	203,012	4.80
2012	13,516,850	5.33	768,365	4.37	210,441	3.66
2013	14,058,125	4.00	796,340	3.64	217,907	3.55
2014	14,426,075	2.62	815,255	2.38	221,127	1.48

PERSONAL INCOME GROWTH

FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's sources of personal income vary slightly from those of the United States, with wages and employee salaries accounting for approximately 50.7% of total personal income compared to 50.4% for the nation in fiscal year 2014. The following table shows a comparative study of the sources of personal income for the United States and Connecticut over a ten fiscal year period. The table clearly shows a significant shift from manufacturing wages to other sources of income including property income and transfer payments.

TABLE 63
SOURCES OF PERSONAL INCOME
(In Billions of Dollars)

	Fiscal Year 2005				Fiscal Year 2014			
	U.S.	%	CT	%	U.S.	%	CT	%
Manufacturing Salaries & Wages	705.6	6.8	12.9	7.7	761.1	5.3	13.8	6.2
Nonmanufacturing Salaries & Wages	4,855.0	47.0	79.3	47.3	6,510.2	45.1	98.5	44.5
Proprietors Income	963.3	9.3	16.1	9.6	1,355.2	9.4	22.1	10.0
Property Income	1,842.9	17.9	32.0	19.1	2,739.9	19.0	48.9	22.1
Other Labor Income	1,360.0	13.2	21.8	13.0	1,355.2	9.4	24.5	11.1
Transfer Payments Less Payments to Social Insurance	596.1	5.8	5.3	3.3	1,704.5	11.8	13.4	6.1
Total	10,322.9	100.0	167.4	100.0	14,426.1	100.0	221.1	100.0

Note: Totals may not agree with detail due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's distribution of wages and salaries by industry varies more significantly from those of the United States, with the Finance, Insurance, and Real Estate industry accounting for approximately 17.5% of total wages compared to 9.2% for the nation in fiscal year 2014. The following table shows a comparative study of the wages and salaries distribution for the United States and Connecticut over a ten fiscal year period. The table also clearly shows a significant shift from manufacturing and construction to education and health care.

TABLE 64
WAGES AND SALARIES DISTRIBUTION BY INDUSTRY
(as a % of Total)

	Fiscal Year 2005		Fiscal Year 2014	
	U.S. %	CT %	U.S.%	CT %
Manufacturing	12.7	14.0	10.5	12.3
Finance, Insurance & Real Estate	9.3	18.3	9.2	17.5
Construction & Mining	6.2	4.0	5.8	3.2
Public Utility, Trade & Transp.	16.7	14.5	15.8	13.2
Information	3.5	2.8	3.4	2.7
Education & Health	11.4	12.9	13.3	15.3
Leisure & Hospitality	4.3	3.0	4.6	3.2
Other Professional & Business	14.9	14.2	17.3	16.4
Other Services	3.2	2.6	3.2	2.6
Government	17.2	13.6	16.4	13.5
Fishing, Forestry, & Farming	0.6	0.2	0.6	0.2
Total	100.0	100.0	100.0	100.0

Note: U.S. Total Wages & Salaries in FY 2005: $5,560,600.0 million and $7,271,300.0 million in FY 2014
CT Total Wages & Salaries in FY 2005: $92,130.0 million and $112,270.0 million in FY 2014

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Personal Income

One of the more important single indicators of a state's performance is the growth in per capita personal income. This is total personal income divided by the population. On a per capita basis, personal income growth in Connecticut increased 28.6% from fiscal year 2005 to 2014, compared to a national increase of 29.7% and a New England region increase of 32.0%.

Per capita personal income in Connecticut, for the most recent fiscal year, was 10.6% higher than for the New England region and 35.4% higher than for the United States. Connecticut's per capita personal income continues to be at a higher level than that of the nation and New England due to the concentration of manufacturing in relatively high paying manufacturing industries, major corporate headquarters within the state, and the financial services sector.

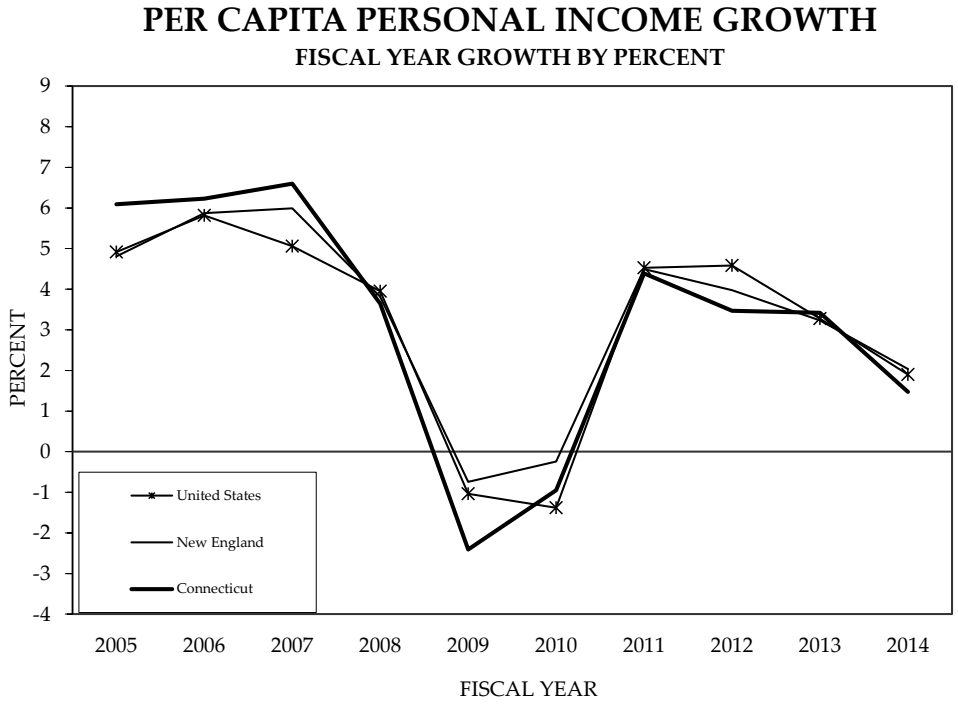
The following table shows the growth in per capita personal income for ten fiscal years for the United States, the New England region and Connecticut. The chart provides a graphic representation of the growth rates in per capita personal income for the three entities over a ten fiscal year period.

TABLE 65
PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2005	34,980	4.91	42,110	4.81	47,793	6.09
2006	37,015	5.82	44,584	5.87	50,771	6.23
2007	38,887	5.06	47,254	5.99	54,123	6.60
2008	40,423	3.95	49,056	3.81	56,094	3.64
2009	40,004	(1.04)	48,691	(0.74)	54,745	(2.41)
2010	39,452	(1.38)	48,572	(0.24)	54,226	(0.95)
2011	41,237	4.53	50,757	4.50	56,607	4.39
2012	43,127	4.58	52,774	3.97	58,571	3.47
2013	44,539	3.27	54,481	3.23	60,572	3.42
2014	45,384	1.90	55,591	2.04	61,464	1.47

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Total Personal Income}}{\text{Population}}$



Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table shows per capita income for each of the fifty states with their corresponding ranking for fiscal year 2014. In 2014, Connecticut ranked number 1 in the nation based on per capita personal income. Connecticut's figure of $61,464 for per capita personal income remained approximately 35.4% higher than the national average.

TABLE 66
PER CAPITA PERSONAL INCOME BY STATE
(Fiscal 2014)

State	Per Capita Income	Rank	State	Per Capita Income	Rank
Connecticut	**$61,464**	**1**	Wisconsin	$43,857	26
Massachusetts	58,009	2	Oklahoma	42,396	27
New Jersey	55,936	3	Florida	41,914	28
New York	55,243	4	Ohio	41,709	29
Maryland	54,203	5	Louisiana	41,654	30
North Dakota	53,778	6	Maine	41,524	31
Wyoming	53,705	7	Missouri	41,101	32
New Hampshire	52,055	8	Oregon	40,548	33
Alaska	51,350	9	Tennessee	40,032	34
Virginia	49,141	10	Montana	39,889	35
California	49,139	11	Michigan	39,719	36
Washington	48,471	12	Nevada	39,480	37
Minnesota	47,985	13	North Carolina	39,010	38
Rhode Island	47,790	14	Indiana	38,809	39
Colorado	47,657	15	Georgia	38,346	40
Illinois	47,539	16	Arizona	37,303	41
Nebraska	46,948	17	Utah	37,164	42
Pennsylvania	46,887	18	Arkansas	37,080	43
Vermont	46,345	19	Alabama	36,894	44
South Dakota	46,015	20	Idaho	36,838	45
Hawaii	45,637	21	Kentucky	36,713	46
Delaware	45,276	22	New Mexico	36,491	47
Kansas	44,947	23	South Carolina	36,287	48
Iowa	44,829	24	West Virginia	35,981	49
Texas	44,441	25	Mississippi	34,196	50
U.S. Average	$45,384				

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Personal Income}}{\text{Population}}$

Per Capita Disposable Personal Income

The following table shows per capita disposable income for each of the fifty states with their corresponding ranking for fiscal year 2014. Per capita disposable income is defined as the income available to an individual for spending or saving. It is per capita personal income less personal tax and nontax payments. Personal taxes are composed of federal, state and local income taxes, as well as, personal property taxes and estate and gift taxes. Nontax payments are made up of fines and fees.

TABLE 67
PER CAPITA DISPOSABLE PERSONAL INCOME BY STATE
(Fiscal 2014)

State	Per Capita Disposable Income	Rank	State	Per Capita Disposable Income	Rank
Connecticut	**$51,384**	**1**	Wisconsin	$38,871	26
Massachusetts	49,427	2	Oklahoma	38,205	27
New Jersey	48,457	3	Louisiana	37,690	28
Maryland	47,223	4	Florida	37,661	29
New Hampshire	46,961	5	Maine	37,336	30
North Dakota	46,882	6	Ohio	37,030	31
New York	46,747	7	Tennessee	36,866	32
Wyoming	46,717	8	Missouri	36,839	33
Alaska	46,664	9	Oregon	35,641	34
Washington	43,557	10	Montana	35,508	35
Virginia	43,071	11	Nevada	35,459	36
Rhode Island	42,582	12	Michigan	35,212	37
California	42,463	13	North Carolina	34,876	38
Nebraska	42,055	14	Indiana	34,735	39
South Dakota	42,002	15	Georgia	34,269	40
Colorado	41,780	16	Arizona	33,672	41
Vermont	41,677	17	Arkansas	33,557	42
Minnesota	41,640	18	Alabama	33,519	43
Pennsylvania	41,512	19	Idaho	33,365	44
Illinois	41,460	20	New Mexico	33,296	45
Hawaii	41,132	21	Utah	33,188	46
Delaware	40,189	22	Kentucky	33,046	47
Iowa	40,134	23	South Carolina	32,862	48
Kansas	40,123	24	West Virginia	32,594	49
Texas	39,999	25	Mississippi	31,426	50
U.S. Average	$40,054				

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Disposable Personal Income}}{\text{Population}}$

Inflation and Its Effect On Personal Income

Inflation is defined as a rise in the general price level (or average level of prices) of all goods and services, or equivalently a decline in the purchasing power of a unit of money. The general price level varies inversely with the purchasing power of a unit of money. Hence, when prices increase purchasing power declines.

To take into account the erosion of income due to increasing prices, income is deflated by a consumer price index. The Consumer Price Index (CPI) is a measure of the average change in prices over time for a fixed market basket of goods and services. The Bureau of Labor Statistics publishes CPI's for two population groups: a CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total population; and a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 32 percent of the total population and is a subset of the CPI-U population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial and technical workers, the self employed, short-term workers, the unemployed, retirees and others not in the labor force.

The following table shows the Consumer Price Index for All Urban Consumers and its growth over a ten fiscal year period.

TABLE 68
THE U.S. CONSUMER PRICE INDEX
(1982-84=100)

Fiscal Year	CPI	% Growth
2005	191.7	3.00
2006	198.9	3.78
2007	204.1	2.60
2008	211.7	3.71
2009	214.7	1.40
2010	216.8	0.98
2011	221.1	1.99
2012	227.6	2.94
2013	231.4	1.67
2014	235.0	1.55

Source: U.S. Bureau of Labor Statistics

The CPI is a weighted index that is based on prices of food (14.9%), apparel (3.4%), housing (41.4%), transportation (16.4%), medical care (7.5%), education (7.1%), and the other goods that people buy for day-to-day living (9.3%). In addition, all taxes directly associated with the purchase and use of items and services are included in the index. In calculating the index, price changes for the various items in 85 urban areas across the country are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data is then combined to obtain a U.S. city average. Movements of the indexes from one month to another are usually expressed as percentage changes rather than changes in index

points, because index point changes are affected by the level of the index in relation to its base period while percentage changes are not.

Real Personal Income

Real personal income is total personal income deflated by the Consumer Price Index, a measure of personal income that usually includes adjustments for changes in prices since the base period of 1982-84. The following table shows real personal income growth for the United States, the New England region and Connecticut. These figures, because they take into account the effects of inflation, provide a better perspective of overall gains in personal income.

TABLE 69
REAL PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2005	5,384,911	2.79	312,208	1.86	87,330	3.33
2006	5,541,800	2.91	319,004	2.18	89,667	2.68
2007	5,730,151	3.40	330,286	3.54	93,432	4.20
2008	5,798,029	1.18	331,788	0.45	93,773	0.36
2009	5,708,202	(1.55)	326,189	(1.69)	90,687	(3.29)
2010	5,621,194	(1.52)	323,582	(0.80)	89,369	(1.45)
2011	5,805,054	3.27	333,021	2.92	91,833	2.76
2012	5,939,743	2.32	337,645	1.39	92,475	0.70
2013	6,076,027	2.29	344,184	1.94	94,181	1.85
2014	6,139,607	1.05	346,965	0.81	94,110	(0.08)

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

All figures derived by: $\frac{\text{Total Personal Income}}{\text{CPI}}$

It is important to note that there are regional differences in prices. Local area CPI indexes are by-products of the national CPI program. Because each local index is a small subset of the national index, it has a smaller sample size and is therefore subject to substantially more sampling and other measurement error than the national index. Therefore, local area indexes show greater volatility than the national index in the short run, although their long-term trends are quite similar. Therefore, the national Consumer Price Index was utilized in the table above to provide the comparison among the United States, the New England region and Connecticut.

The following chart provides a graphic presentation of the growth in real personal income for the three entities over a ten fiscal year period.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Real Per Capita Personal Income

Real per capita personal income is per capita personal income deflated by the Consumer Price Index and shows how individuals comprising a geographical entity have fared after adjusting for the effects of inflation. A comparison of the growth rates measures the relative economic performance of each entity as it adjusts personal income growth by population changes.

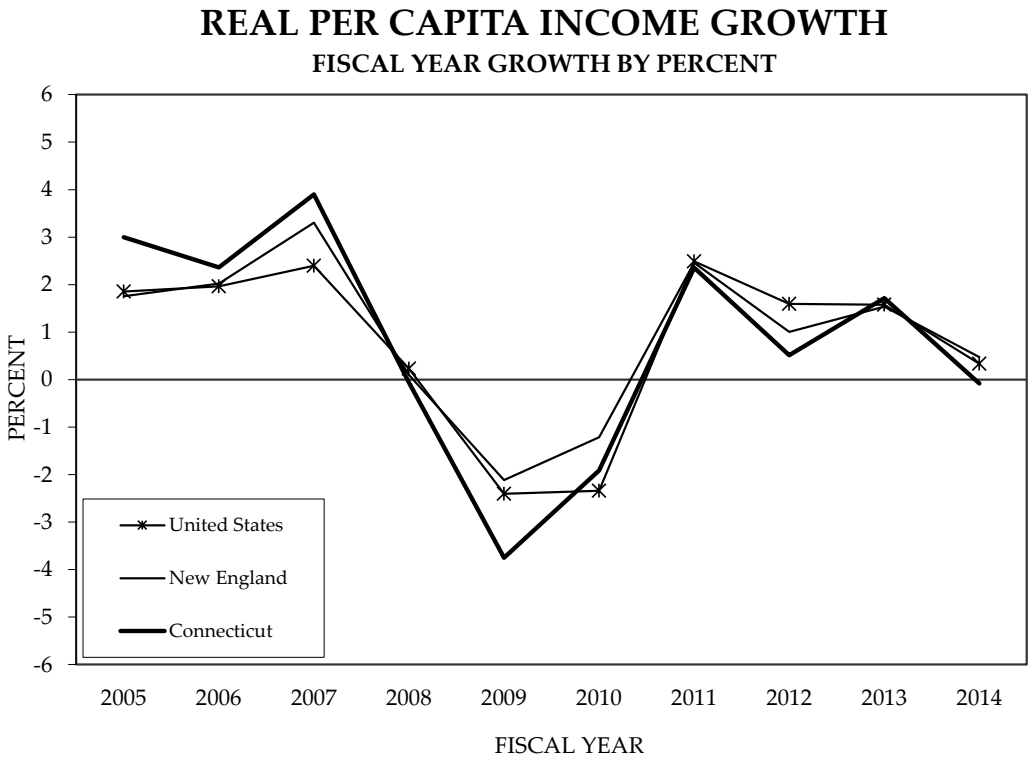
TABLE 70
REAL PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2005	18,248	1.85	21,967	1.75	24,931	3.00
2006	18,606	1.97	22,410	2.02	25,520	2.36
2007	19,052	2.40	23,151	3.31	26,516	3.90
2008	19,096	0.23	23,174	0.10	26,499	(0.06)
2009	18,637	(2.40)	22,684	(2.12)	25,505	(3.75)
2010	18,201	(2.34)	22,409	(1.21)	25,017	(1.91)
2011	18,654	2.49	22,960	2.46	25,606	2.36
2012	18,951	1.59	23,191	1.00	25,738	0.51
2013	19,250	1.58	23,547	1.54	26,180	1.72
2014	19,315	0.34	23,659	0.47	26,158	(0.08)

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Total Personal Income}}{\text{CPI X Population}}$

The previous table shows the growth in real per capita personal income for the United States, the New England regin, and Connecticut. The chart below provides a graphic presentation of the growth in real per capita personal income for the three entities over a ten fiscal year period.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

TABLE 71
GROWTH IN REAL PER CAPITA PERSONAL INCOME
(Base Year: 2014)

Fiscal	% Growth		% Cumulative Growth	
Year	United States	Connecticut	United States	Connecticut
1950-1960	31.0%	30.0%	31.0%	30.0%
1960-1970	38.1%	41.9%	80.9%	84.4%
1970-1980	15.0%	13.8%	107.9%	109.8%
1980-1990	21.1%	34.8%	151.8%	182.8%
1990-2000	15.7%	18.1%	191.3%	233.9%
2000-2010	6.1%	5.0%	209.0%	250.4%
2010-2014	4.4%	2.8%	222.7%	260.1%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The above table highlights the cumulative growth in real per capita personal income over the past sixty-four years. Overall, Connecticut has enjoyed higher cumulative growth in real per capita personal income, exceeding the United States by 37.4 percentage points. In one decade alone, 1980 to 1990, Connecticut's growth in real personal income was 13.7 percentage points higher

than the United States' growth. On the other hand, during the most recent decade, Connecticut's personal income growth has been very weak at only 5.0%, a likely result of two economic bubbles bursting (technology and housing) and the Great Recession of the last two years of the decade. Even though job growth in the state has lagged that of the nation, Connecticut residents' income growth has out-performed that of the nation's over the long-term.

Cost of Living Index

Statistics regarding inflation and the cost of living for Connecticut are frequently requested by the public. The two indicators are not the same. An inflation index such as the CPI-U is used to measure purchasing power relative to its historical performance, while the cost of living index is used to measure purchasing power relative to one's geographical peers. In other words, the cost of living index is produced to measure the price level of consumer goods and services for a specific area relative to other jurisdictions at a given time.

A widely used index to measure cost of living differences among urban areas is *ACCRA Cost of Living Index,* which is produced by The Council for Community and Economic Research (C2ER). This report includes indices for approximately 320 Metropolitan Statistical Areas (MSAs), Metropolitan Statistical Divisions, and Micropolitan Statistical Areas as defined by the U.S. Office of Management and Budget (OMB). In Connecticut, the C2ER survey includes the three urban areas from the following MSAs: Stamford in the Bridgeport-Stamford-Norwalk MSA, Hartford in the Hartford-West Hartford-East Hartford MSA, and New Haven in the New Haven-Milford MSA.

The following table shows the cost of living comparison for three neighboring cities: Boston in the Boston-Quincy MTD, Hartford in the Hartford-West Hartford-East Hartford MTA, and New York (Manhattan) in the New York-White Plains-Wayne NY-NJ MTD for 2013 annual average data.

TABLE 72
COMPARISON OF COST OF LIVING

2013 Annual Data MTA/MTD	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.*
Hartford, CT	124.0	118.9	135.8	116.4	116.4	122.8	122.2
Boston, MA	139.7	125.8	176.5	144.4	104.4	126.3	130.2
New York**, NY	220.4	135.9	451.4	133.8	126.7	106.2	151.6
Index Weights	100%	13.48%	26.05%	9.95%	12.63%	4.89%	33.01%

Note: * denotes miscellaneous goods and services
** Manhattan

Source: The Council for Community and Economic Research (C2ER), "*ACCRA Cost of Living Index*", 2013 Annual Average Data

The Cost of Living Composite Index is weighted by a "market basket" of approximately 60 goods and services for the typical professional and executive household. It is further broken down into six categories including grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services to reflect the different categories of consumer expenditures. The index for the Hartford area, for example, was 124.0 in 2013. Compared to the national index of 100, this shows that the overall living cost in the Hartford area was higher than the national average by 24.0% in 2013. Among the six categories, the cost of housing in the Hartford area was the most expensive item at 35.8% higher than the national average, followed by healthcare at 22.8%, miscellaneous items at 22.2%, grocery items at 18.9%, and transportation and utilities at 16.4% higher than the national average. The index, updated quarterly with an annual report published in January of the succeeding year, does not include differences in state and local government taxes.

In 2013, many cities had a relatively higher cost of living than the Hartford area. These include, for example, New York City (Manhattan) at 220.4; San Francisco, California at 161.6; and Washington, D.C. at 140.1. Living costs in most cities in the southern and mountain west states are relatively low; for example, Jonesboro, Arkansas at 86.7; Pueblo, Colorado at 83.4; and Idaho Falls, Idaho at 85.6. The cost of living in the Hartford area was comparable to other cities in the northeast such as Manchester, New Hampshire; Philadelphia, Pennsylvania; and Providence, Rhode Island, which registered at 120.7, 121.3, and 125.7, respectively. The cost of living index can provide useful information for relocation decisions. Individuals contemplating a job offer in a certain area may use this index as a guide to evaluate the financial merits of the move. For example, Hartford residents considering a move to New York City (Manhattan) would need a 77.7% increase in after-tax income to maintain their current lifestyle. On the other hand, New York City residents contemplating a move to Hartford could have a 43.7% reduction in after-tax income and still maintain their current standard of living.

The cost of living for metropolitan statistical areas within Connecticut also varies. In 2013, the ACCRA cost of living index was 144.1 in the Stamford area, 129.6 in the New Haven area, and 124.0 in the Hartford area. These three statistical areas accounted for nearly 84% of the state's total population. The following table demonstrates the relative index of the components for these three Connecticut regions.

TABLE 73
COMPARISON OF COST OF LIVING IN CONNECTICUT
Hartford, New Haven, and Stamford MTAs

2013 MSA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.
Hartford	124.0	118.9	135.8	116.4	116.4	122.8	122.2
New Haven	129.6	118.6	150.1	118.7	120.5	124.8	125.3
Stamford	144.1	108.0	212.6	126.9	121.1	109.0	123.9

Source: The Council for Community and Economic Research (C2ER), "*ACCRA Cost of Living Index*", 2013 Annual Average Data

THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT

In fiscal year 2013, Connecticut's General Fund derived 77 percent of its revenue from the collection of taxes. To provide an analysis of the overall tax burden on the individuals of each state, the following table was prepared for fiscal 2013. The table shows overall state tax collections as a percentage of personal income. In the table, note that Connecticut ranks 9th, signifying that in eight other states a greater percentage of an individual's income is collected in state taxes than in Connecticut.

TABLE 74
STATE TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2013

State	Percentage	Rank	State	Percentage	Rank
Alaska	13.98%	1	Iowa	6.11%	26
North Dakota	13.45%	2	Utah	6.05%	27
Vermont	10.23%	3	Kansas	6.01%	28
Hawaii	9.70%	4	Rhode Island	6.00%	29
West Virginia	8.20%	5	New Jersey	5.93%	30
Minnesota	8.19%	6	Oregon	5.92%	31
Delaware	8.16%	7	Ohio	5.81%	32
Arkansas	7.91%	8	Pennsylvania	5.78%	33
Connecticut	**7.41%**	**9**	Maryland	5.69%	34
Mississippi	7.36%	10	Washington	5.67%	35
California	7.25%	11	Oklahoma	5.55%	36
Maine	7.24%	12	Arizona	5.55%	37
Wyoming	7.14%	13	Nebraska	5.42%	38
New Mexico	6.96%	14	Alabama	5.30%	39
New York	6.90%	15	South Carolina	5.16%	40
Kentucky	6.83%	16	Louisiana	4.87%	41
Wisconsin	6.71%	17	Tennessee	4.85%	42
Indiana	6.69%	18	Virginia	4.76%	43
Montana	6.64%	19	Georgia	4.75%	44
Michigan	6.52%	20	Colorado	4.60%	45
Illinois	6.46%	21	Missouri	4.57%	46
Nevada	6.44%	22	Texas	4.51%	47
Massachusetts	6.28%	23	Florida	4.30%	48
North Carolina	6.26%	24	South Dakota	3.99%	49
Idaho	6.25%	25	New Hampshire	3.54%	50
U.S. Average	6.52%				

Source: Bureau of Economic Analysis, U.S. Census Bureau, "Annual Survey of State Government Tax Collections, 2013"

Following is a discussion of the major taxes in the State of Connecticut.

Personal Income Tax

For income years commencing on or after January 1, 1991, a personal income tax was imposed upon 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. For tax years commencing on or after January 1, 1991, and prior to January 1, 1992, the tax was imposed at the rate of 1.5% on Connecticut taxable income. For tax years commencing on or after January 1, 1992, the separate tax on capital gains, dividends and interest was repealed, and the tax was imposed at the rate of 4.5% of Connecticut taxable income. Beginning with tax years commencing on or after January 1, 1996, a second, lower tax rate of 3% was introduced for a certain portion of taxable income. Beginning with tax years commencing January 1, 2003 the 4.5% rate was increased to 5.0%. Beginning with tax years commencing January 1, 2009, a third higher bracket of 6.5% was introduced on incomes in excess of $500,000 for single filers and $1,000,000 for joint filers. Beginning with tax years commencing January 1, 2011, five new tax brackets replaced all previous brackets greater than the lowest rate. The lowest bracket remains unchanged while the highest bracket imposes a 6.7% tax on incomes in excess of $250,000 for single filers and $500,000 for joint filers. The amount of taxable income subject to the lower tax rate has been expanded as set forth in the table below. Depending on federal income tax filing status and Connecticut adjusted gross income, personal exemptions ranging from $14,500 to $24,000 are available to taxpayers, with such exemptions phased out at certain higher income levels. Legislation enacted in 1999 increased the exemption amount for single filers over a certain number of years from $12,000 to $15,000. In addition, tax credits ranging from 75% to 1% of a taxpayer's Connecticut tax liability are also available, again dependent upon federal income tax filing status and Connecticut adjusted gross income (See Table 77 for more details). Neither the personal exemption nor the tax credit is available to a trust or an estate. Also commencing in income year 1996, personal income taxpayers were eligible for up to a $100 credit for property taxes paid on their primary residence or on their motor vehicle. This credit has been modified over the years and since income year 2011 has remained at $300.

The personal income tax generated $8,718.7 million in fiscal year 2014, $8,719.2 million in fiscal year 2013, and $8,310.8 million in fiscal year 2012. In fiscal year 2014, this tax accounted for 51.3% of total General Fund revenue.

TABLE 75
TAXABLE INCOME AMOUNTS SUBJECT TO THE LOWER RATE
WITH THE REMAINDER SUBJECT TO THE HIGHER RATE

			Amount At Low Rate By Filing Status		
Income Year	Low Rate	High Rate	Single	Joint	Head of Household
1996	3.0%	4.5%	$ 2,250	$ 4,500	$ 3,500
1997	3.0%	4.5%	$ 6,250	$12,500	$10,000
1998	3.0%	4.5%	$ 7,500	$15,000	$12,000
1999 - 2002	3.0%	4.5%	$10,000	$20,000	$16,000
2003 - 2008	3.0%	5.0%	$10,000	$20,000	$16,000
2009-2010	3.0%	5.0%-6.5%	$10,000	$20,000	$16,000
2011-Present	3.0%	5.0%-6.7%	$10,000	$20,000	$16,000

The following table compares the personal income tax collections as a percentage of personal income for the fifty states for fiscal 2013.

TABLE 76
STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2013

State	Percentage	Rank	State	Percentage	Rank
Oregon	4.05%	1	Kentucky	2.35%	23
New York	3.77%	2	Georgia	2.34%	24
California	3.64%	3	Kansas	2.33%	25
Connecticut	**3.58%**	**4**	Colorado	2.26%	26
Minnesota	3.48%	5	Idaho	2.26%	27
Massachusetts	3.38%	6	Rhode Island	2.22%	28
Wisconsin	2.94%	7	Missouri	2.21%	29
North Carolina	2.92%	8	Michigan	2.14%	30
Maine	2.86%	9	Ohio	2.10%	31
Hawaii	2.76%	10	South Carolina	1.99%	32
Delaware	2.76%	11	Indiana	1.97%	33
Illinois	2.76%	12	Pennsylvania	1.84%	34
West Virginia	2.74%	13	Alabama	1.83%	35
Utah	2.73%	14	Oklahoma	1.82%	36
Virginia	2.71%	15	Mississippi	1.75%	37
Montana	2.62%	16	New Mexico	1.66%	38
Iowa	2.51%	17	North Dakota	1.63%	39
New Jersey	2.47%	18	Louisiana	1.45%	40
Arkansas	2.44%	19	Arizona	1.40%	41
Maryland	2.42%	20	New Hampshire	0.15%	42
Nebraska	2.41%	21	Tennessee	0.10%	43
Vermont	2.36%	22			
U.S. Average	2.37%				

Note: The following states do not levy an income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, "State Government Finances, 2013"

The following table shows Connecticut personal income tax exemptions ranging from $14,500 to $24,000 including the phase out as income levels rise depending on adjusted gross income for each income tax filing status.

TABLE 77
CONNECTICUT PERSONAL INCOME TAX CREDITS & EXEMPTIONS
Income Year 2014

Single			Married Filing Jointly			Head of Household		
Exemption: $14,500			Exemption: $24,000			Exemption: $19,000		
Phase Out: $1K of exemption for each $1K from $29.0K to $43.0K			Phase Out: $1K of exemption for each $1K from $48K to $72K			Phase Out: $1K of exemption for each $1K from $38K to $57K		
AGI From	AGI To	% of Tax	AGI From	AGI To	% of Tax	AGI From	AGI To	% of Tax
$14,500	$18,100	75%	$24,000	$30,000	75%	$19,000	$24,000	75%
$18,100	$18,600	70%	$30,000	$30,500	70%	$24,000	$24,500	70%
$18,600	$19,100	65%	$30,500	$31,000	65%	$24,500	$25,000	65%
$19,100	$19,600	60%	$31,000	$31,500	60%	$25,000	$25,500	60%
$19,600	$20,100	55%	$31,500	$32,000	55%	$25,500	$26,000	55%
$20,100	$20,600	50%	$32,000	$32,500	50%	$26,000	$26,500	50%
$20,600	$21,100	45%	$32,500	$33,000	45%	$26,500	$27,000	45%
$21,100	$21,600	40%	$33,000	$33,500	40%	$27,000	$27,500	40%
$21,600	$24,200	35%	$33,500	$40,000	35%	$27,500	$34,000	35%
$24,200	$24,700	30%	$40,000	$40,500	30%	$34,000	$34,500	30%
$24,700	$25,200	25%	$40,500	$41,000	25%	$34,500	$35,000	25%
$25,200	$25,700	20%	$41,000	$41,500	20%	$35,000	$35,500	20%
$25,700	$30,200	15%	$41,500	$50,000	15%	$35,500	$44,000	15%
$30,200	$30,700	14%	$50,000	$50,500	14%	$44,000	$44,500	14%
$30,700	$31,200	13%	$50,500	$51,000	13%	$44,500	$45,000	13%
$31,200	$31,700	12%	$51,000	$51,500	12%	$45,000	$45,500	12%
$31,700	$32,200	11%	$51,500	$52,000	11%	$45,500	$46,000	11%
$32,200	$58,000	10%	$52,000	$96,000	10%	$46,000	$74,000	10%
$58,000	$58,500	9%	$96,000	$96,500	9%	$74,000	$74,500	9%
$58,500	$59,000	8%	$96,500	$97,000	8%	$74,500	$75,000	8%
$59,000	$59,500	7%	$97,000	$97,500	7%	$75,000	$75,500	7%
$59,500	$60,000	6%	$97,500	$98,000	6%	$75,500	$76,000	6%
$60,000	$60,500	5%	$98,000	$98,500	5%	$76,000	$76,500	5%
$60,500	$61,000	4%	$98,500	$99,000	4%	$76,500	$77,000	4%
$61,000	$61,500	3%	$99,000	$99,500	3%	$77,000	$77,500	3%
$61,500	$62,000	2%	$99,500	$100,000	2%	$77,500	$78,000	2%
$62,000	$62,500	1%	$100,000	$100,500	1%	$78,000	$78,500	1%

Source: General Statutes of the State of Connecticut

The following table shows whether state and local governmental obligations are included in the definition of state income for tax purposes.

TABLE 78
STATE AND LOCAL GOVERNMENT OBLIGATIONS EXEMPTIONS FOR DETERMINING INDIVIDUAL'S STATE INCOME

State	Own Securities	Other State's Securities	State	Own Securities	Other State's Securities
Alabama	E	T	Montana	E	T
Alaska (no tax)			Nebraska	T	T
Arizona	E	T	Nevada (no tax)		
Arkansas	E	T	New Hampshire	E	T
California	E	T	New Jersey	E	T
Colorado	E	T	New Mexico	E	T
Connecticut	E	T	New York	E	T
Delaware	E	T	North Carolina	E	T
Florida (no tax)			North Dakota	E	T
Georgia	E	T	Ohio	E	T
Hawaii	E	T	Oklahoma	T (1)	T
Idaho	E	T	Oregon	E	T
Illinois	T (1)	T	Pennsylvania	E	T
Indiana	E	T (2)	Rhode Island	E	T
Iowa	T (1)	T	South Carolina	E	T
Kansas	E	T	South Dakota (no tax)		
Kentucky	E	T	Tennessee	E	T
Louisiana	E	T	Texas (no tax)		
Maine	E	T	Utah	T (1)	T(3)
Maryland	E	T	Vermont	E	T
Massachusetts	E	T	Virginia	E	T
Michigan	E	T	Washington (no tax)		
Minnesota	E	T	West Virginia	E	T
Mississippi	E	T	Wisconsin	T (1)	T
Missouri	E	T	Wyoming (no tax)		

T = Taxable / E = Exempt

(1) Interest earned from some qualified obligations is exempt from the tax.
(2) Taxable for bonds acquired after 2011, bonds acquired before 2012 are exempt.
(3) Taxable for bonds acquired after 2002 if the other state or locality imposes an income-based tax on Utah bonds.

Source: Commerce Clearing House, Inc.

The following table compares the personal income tax rates and bases for the fifty states and the District of Columbia.

TABLE 79
PERSONAL INCOME TAX BY STATE

	Low Bracket		High Bracket			Low Bracket		High Bracket	
State	% Rate	To Net Income $	% Rate	From Net Income $	State	% Rate	To Net Income $	% Rate	From Net Income $
Alabama (3)	2.00	1,000	5.00	6,001	Missouri (1)	1.5	1,000	6.0	9,001
Arizona (1)	2.5	20,000	4.54	300,001	Montana (1,c)	1.0	2,800	6.9	17,101
Arkansas (3,c)	0.9	4,199	6.90	34,600	Nebraska (1)	2.46	6,000	6.84	58,001
California (1,c)	1.0	15,498	12.30	1,039,374	New Hampshire	(b)			
Colorado (2)	4.6	All			New Jersey (3)	1.4	20,000	8.97	500,001
Connecticut	**3.0**	**20,000**	**6.70**	**500,001**	New Mexico (1)	1.7	8,000	4.9	24,001
Delaware (1)	2.2	5,000	6.75	60,001	New York (1,c)	4.0	16,700	8.82	2,092,80
Georgia (1)	1.0	1,000	6.00	10,001	N. Carolina (1)	6.0	21,250	7.75	100,001
Hawaii (1)	1.4	4,800	11.00	400,001	N. Dakota (2,c)	1.22	61,700	3.22	405,101
Idaho (1,c)	1.6	2,817	7.40	21,136	Ohio (1)	0.528	5,200	5.333	208,501
Illinois (1,d)	5.0	All			Oklahoma (1)	0.5	2,000	5.25	15,001
Indiana (1,d)	3.4	All			Oregon (2,c)	5.0	6,600	9.9	250,001
Iowa (1,c)	0.3	1,539	8.98	69,256	Pennsylvania (3)	3.07	All		
Kansas (1)	2.7	30,000	4.80	30,001	Rhode Island(1,c)	3.75	58,600	5.99	133,251
Kentucky (1)	2.0	3,000	6.00	75,001	S. Carolina (2,c)	0.0	2,880	7.0	14,401
Louisiana (1)	2.0	25,000	6.00	100,001	Tennessee	(b)			
Maine (1,c)	0.0	10,449	7.95	41,850	Utah (1)	5.0	All		
Maryland (1)	2.0	1,000	5.75	300,001	Vermont (2,c)	3.55	61,100	8.95	405,101
Massachusetts	5.2	All	(a)		Virginia (1)	2.0	3,000	5.75	17,001
Michigan (1)	4.2	All			W. Virginia (1)	3.0	10,000	6.5	60,001
Minnesota (2,c)	5.3	35,480	9.85	250,001	Wisconsin (1,c)	4.0	14,540	7.65	320,251
Mississippi (3)	3.0	5,000	5.00	10,001	Dist. of Col. (2)	4.0	10,000	8.95	350,001

The following states do not levy an income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington & Wyoming.

Note: Tax rates are for married filers filing joint returns and do not include income taxes levied at the local level.

Base: (1) – Modified Federal Adjusted Gross Income
(2) – Modified Federal Taxable Income
(3) – State's Individual Definition of Taxable Income

(a) The rate is 12% for short-term capital gains and 5.25% for interests and dividends.
(b) Income taxes are limited to interest and dividends: 5.0% in NH and 6.0% in Tenn.
(c) Brackets are indexed for inflation annually. Oregon brackets $125,000 and over are not indexed for inflation.
(d) Flat rate is scheduled to decrease in income year 2015; Illinois to 3.75%; Indiana to 3.30%.

Source: Commerce Clearing House, Inc.

Sales and Use Tax

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: 1) retail sales of tangible personal property; 2) the sale of certain services; 3) the leasing or rental of tangible personal property; 4) the producing, fabricating, processing, printing, or imprinting of tangible personal property to special order or with material furnished by the consumer; 5) the furnishing, preparing or serving of food, meals or drinks; and 6) the occupancy of hotels or lodging house rooms for a period not exceeding thirty consecutive calendar days.

The use tax is imposed on the consideration paid for certain services, purchases or rentals of tangible personal property used within the state and not subject to the sales tax.

Both the sales and use taxes are levied at a rate of 6.35%. Various exemptions from the tax are provided, based on the nature, use, or price of the property or services involved or the identity of the purchaser. Certain items are taxed at reduced rates. Hotel rooms are taxed at 15%.

The sales and use tax is an important source of revenue for the State of Connecticut. The tax generated $4,100.6 million in fiscal year 2014, $3,897.0 million in fiscal year 2013, and $3,830.1 million in fiscal year 2012. In fiscal year 2014, sales and use taxes accounted for 24.1% of total revenue, compared to 20.1% in fiscal year 2013 and 20.6% in fiscal year 2012. The increase in the fiscal year 2014 sales and use tax share is partially due to Connecticut's shift to net budgeting of Medicaid.

When analyzing sales taxes, a simple comparison of rates is not an effective way to measure the tax burden imposed. An analysis of the tax base must be included to provide a more meaningful comparison.

To provide a relevant comparison of sales tax burden, two studies are presented. The first study shows sales tax collections as a percentage of personal income. The larger the percentage of personal income going to sales tax collections, the heavier the burden of that tax. The table on the following page shows sales tax collections as a percentage of personal income and the corresponding ranking of the states. Note that Connecticut's tax burden is less than 29 other states. The comparison is based on fiscal year 2013 data. From fiscal year 1991 to fiscal year 2013, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% with a rank of ninth to 1.77% with a rank of 30th, and compared to the national average of 2.04%. This change was primarily due to the reduction in Connecticut's sales tax rate from 8% to 6.35% and an expansion of the exemptions on certain services and goods.

The second study provides an analysis of major sales tax exemptions by state. Connecticut excludes from its sales tax such major items as food products for human consumption, drugs and medicines used by humans, machinery, professional services, residential utilities and motor fuels. The second table shows the comparison for major sales tax exemptions.

TABLE 80
SALES TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2013

State	Tax Rate (%)	Percentage	Rank	State	Tax Rate (%)	Percentage	Rank
Hawaii	4.000*	4.69%	1	California	7.500*	1.85%	24
Washington	6.500*	3.38%	2	Iowa	6.000*	1.84%	25
Nevada	6.850*	3.33%	3	Ohio	5.750*	1.83%	26
North Dakota	5.000*	3.22%	4	Utah	4.700*	1.80%	27
Mississippi	7.000*	3.17%	5	Rhode Island	7.000	1.80%	28
Indiana	7.000	2.69%	6	Wisconsin	5.000*	1.79%	29
Arizona	5.600*	2.67%	7	**Connecticut**	**6.350**	**1.77%**	**30**
New Mexico	5.125*	2.63%	8	New Jersey	7.000	1.72%	31
Arkansas	6.500*	2.61%	9	Pennsylvania	6.000*	1.57%	32
Tennessee	7.000*	2.60%	10	Oklahoma	4.500*	1.57%	33
Florida	6.000*	2.58%	11	Louisiana	4.000*	1.49%	34
Idaho	6.000*	2.31%	12	North Carolina	4.750*	1.47%	35
Wyoming	4.000*	2.29%	13	Georgia	4.000*	1.41%	36
Kansas	6.150*	2.29%	14	Massachusetts	6.250	1.36%	37
Texas	6.250*	2.28%	15	Illinois	6.250*	1.36%	38
South Dakota	4.000*	2.22%	16	Alabama	4.000*	1.33%	39
Michigan	6.000	2.19%	17	Missouri	4.225*	1.29%	40
Maine	5.500	2.00%	18	Maryland	6.000	1.29%	41
Minnesota	6.875*	1.95%	19	Vermont	6.000*	1.23%	42
Nebraska	5.500*	1.92%	20	New York	4.000*	1.13%	43
West Virginia	6.000*	1.91%	21	Colorado	2.900*	0.99%	44
Kentucky	6.000	1.91%	22	Virginia	4.300*	0.92%	45
South Carolina	6.000*	1.89%	23				
U.S. Average		2.04%					

Notes:
* Local tax rates are additional
- Tax rates are effective as of January 1, 2014
- Alaska, Delaware, Montana, New Hampshire, and Oregon do not levy a sales tax.

Source: Federation of Tax Administrators

TABLE 81
MAJOR SALES TAX EXEMPTIONS BY STATE

State	Food	Prescription Drugs	Motor Fuels	Clothes	Cigarettes
Alabama	T	E	E	T	T
Arizona	E	E	E	T	T
Arkansas	T (1)	E	E	T	T
California	E	E	T	T	T
Colorado	E	E	E	T	T
Connecticut	E	E	E	T (7)	T
Florida	E	E	E (6)	T	T
Georgia	E	E	T (1)	T	T
Hawaii	T	E	T	T	T
Idaho	T	E	E	T	T
Illinois	T (1)	T (1)	T (5)	T	T
Indiana	E	E	T	T	T
Iowa	E	E	E	T	T
Kansas	T	E	E	T	T
Kentucky	E	E	E	T	T
Louisiana	E	E	E	T	T
Maine	E	E	E	T	T
Maryland	E	E	E	T	T
Massachusetts	E	E	E	E (2)	T
Michigan	E	E	T	T	T
Minnesota	E	E	E	E	T
Mississippi	T	E	E	T	T
Missouri	T (1)	E	E	T	T
Nebraska	E	E	E	T	T
Nevada	E	E	E	T	T
New Jersey	E	E	E	E	T
New Mexico	E	E	E	T	T
New York	E	E	T	E (3)	T
North Carolina	E	E	E	T	T
North Dakota	E	E	E	T	T
Ohio	E	E	E	T	T
Oklahoma	T	E	E	T	T
Pennsylvania	E	E	E	E	T
Rhode Island	E	E	E	E (4)	T
South Carolina	E	E	E	T	T
South Dakota	T	E	E	T	T
Tennessee	T (1)	E	E	T	T
Texas	E	E	E	T	T
Utah	T (1)	E	E	T	T
Vermont	E	E	E	E	T
Virginia	T (1)	E	E	T	T
Washington	E	E	E	T	T
West Virginia	E	E	T	T	T
Wisconsin	E	E	E	T	T
Wyoming	E	E	E	T	T
Total Taxable	13	1	8	38	45

Note: These states do not levy a sales tax: Alaska, Delaware, Montana, New Hampshire & Oregon.
T = Taxable under the sales tax, E = Exempt from the sales tax (1) Taxed at a reduced rate. (2) Up to a sales price of $175 per item. (3) Up to a sales price of $110 per item. (4) Up to a sales price of $250 per item. (5) Sales of majority blended ethanol fuel are exempt. (6) Unless used by railroad locomotives or vessels to transport persons or property in interstate or foreign commerce. (7) On and after June 1, 2015, sales of clothing and footwear that cost less than $50 are exempt.
Source: Commerce Clearing House, Inc., Federation of Tax Administrators

Corporation Business Tax

The Corporation Business Tax is imposed on any corporation, joint stock company or association 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. The Corporation Business Tax consists of three components, and the taxpayer's liability is the greatest amount computed under any of the three components. The first 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 corporation business tax generated $782.2 million in FY 2014 and $742.5 million in fiscal year 2013. In fiscal year 2014, this tax accounted for 4.6% of total General Fund revenue, up slightly from fiscal year 2013, when it accounted for 3.8% of total General Fund revenue.

If a taxpayer is taxable solely within the state, the Income-Base Tax is measured by, and based upon, its entire net income. If a taxpayer is taxable in another state in which it conducts business, the base against which the Income-Base Tax is measured is the portion of the taxpayer's entire net income assigned to the state, pursuant to a statutory formula designed to identify the proportion of the taxpayer's trade or business conducted within the state. Currently, the Income-Base Tax is levied at the rate of 7.5%. Public Act 09-3 of the June Special Session imposed a 10% surcharge for income years 2009, 2010, and 2011. Public Act 11-6 Secs. 76 & 79 impose a 20% surcharge for income years 2012 and 2013. Public Act 13-184 Secs. 73 & 74 maintained the 20% surcharge for income years 2014 and 2015. The surcharge does not apply to companies with less than $100 million in annual gross revenue or whose tax liability does not exceed the minimum tax of $250. The surcharge is calculated prior to the application of any credits.

The second part of the Corporation Business Tax is an additional tax on capital (the "Additional Tax"). The additional tax base is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or part to its capital stock and balance sheet surplus, profit and deficit. If a taxpayer is also taxable in another state in which it conducts business, the defined base is apportioned most often to the value of certain assets having tax status within the state. The third component of the Corporation Business Tax is the Minimum Tax, which is $250. Corporations must compute their tax under all three bases and then pay the tax under the highest computation.

Numerous tax credits are also available to corporations including, but not limited to, research and development credits of 1% to 6%, credits for property taxes paid on electronic and data processing equipment, and a 5% credit for investments in fixed and human capital.

The table on the following page provides a comparison of the assessed rates for the corporation business tax for the fifty states and the District of Columbia.

TABLE 82
CORPORATION TAX BY STATE
FOR TAX YEAR 2014

	Low Bracket		High Bracket			Low Bracket		High Bracket	
State	% Rate	To Net Income $	% Rate	From Net Income $	State	% Rate	To Net Income	% Rate	From Net Income $
Alabama	6.5	All			Missouri	6.25	All		
Alaska	0.0	25,000	9.4	222,000	Montana	6.75	All		
Arizona	6.5	All			Nebraska	5.58	100,000	7.81	100,001
Arkansas	1.0	3,000	6.5	100,001	New Hampshire	8.5	All		
California (1)	8.84	All			New Jersey	9.0	All		
Colorado	4.63	All			New Mexico	4.8	500,000	7.3	1.0M+
Connecticut (2)	**7.5**	**All**			New York	7.1	All		
Delaware	8.7	All			N. Carolina	6.0	All		
Florida (3)	5.5	All			N. Dakota	1.48	25,000	4.53	50,001
Georgia	6.0	All			Ohio (6)				
Hawaii	4.4	25,000	6.4	100,001	Oklahoma	6.0	All		
Idaho	7.4	All			Oregon	6.6	1.0M	7.6	1.0M+
Illinois (4)	9.5	All			Pennsylvania	9.99	All		
Indiana	7.5	All			Rhode Island	9.0	All		
Iowa	6.0	25,000	12.0	250,001	S. Carolina	5.0	All		
Kansas (5)	4.0	All			Tennessee	6.5	All		
Kentucky	4.0	50,000	6.0	100,001	Texas (7)				
Louisiana	4.0	25,000	8.0	200,001	Utah	5.0	All		
Maine	3.5	25,000	8.93	250,000	Vermont	6.0	10,000	8.5	25,000
Maryland	8.25	All			Virginia	6.0	All		
Massachusetts	8.0	All			West Virginia	7.0	All		
Michigan	6.0	All			Wisconsin	7.9	All		
Minnesota	9.8	All			District of Col.	9.975	All		
Mississippi	3.0	5,000	5.0	10,001					

Note: The table does not include corporate income taxes levied at the local level. These states do not levy a corporate income tax: Nevada, South Dakota, Washington & Wyoming. The following states require a minimum tax: AZ $50; CA $800; CT $250; ID $20; MA $456; MT $50; NJ $500; NY $25; OR $150; RI $500; UT $100; VT $250; District of Columbia $100

(1) Banks and financial corporations (except financial S-corporations) are subject to a 10.84% tax.
(2) A 20% surcharge is imposed for tax years 2012 - 2015 on companies with more than $100 million in annual gross revenue.
(3) An alternative minimum tax imposed 3.3%, an exemption of $50,000 is allowed.
(4) Sum of corporation income tax rate of 7.0% and a replacement tax of 2.5%.
(5) A surtax of 3.0% is imposed on income over $50,000.
(6) Commercial Activity Tax-based on gross receipts of $150 plus $1 million of 0.26% on gross receipts over $1 million
(7) A franchise tax of 1.0% is imposed on entities with more than $1,030,000 of total revenues.

Source: Federation of Tax Administrators. Rates as of January 1, 2014.

Motor Fuels Tax

The state imposes a tax, subject to certain limitations, (1) on gasoline and certain other liquids which are prepared, advertised, offered for sale, sold for use as, or commonly and commercially used as, a fuel in internal combustion engines ("gasoline" or "gasohol"), and (2) on all combustible gases and liquids which are suitable and used for generation of power to propel motor vehicles ("special fuels"). The distributors liable for these taxes are those entities which distribute fuel within the state, import fuel into the state for distribution within the state, or produce or refine fuels within the state.

The Gasoline Tax is imposed on each gallon of gasoline or gasohol sold (other than to another distributor) or used within the state by a distributor. The tax on special fuels (the "Special Fuel Tax") is assessed on each gallon of special fuels used within the state in a motor vehicle licensed, or required to be licensed, to operate upon the public highways of the state.

The Special Fuels Tax is paid by vehicle users, and is generally collected by retail dealers of special fuels (primarily diesel fuel). Various exemptions from both taxes are provided, among which are sales to, or use by the United States, the state or its municipalities.

The Motor Carrier Road Tax is imposed upon gallons of fuel (again, primarily diesel fuel) used by business entities ("motor carriers") which operate any of the following vehicles in the state: (1) passenger vehicles seating more than nine persons; (2) road tractors or tractor trucks; or (3) trucks having a registered gross weight in excess of eighteen thousand pounds. Such motor carriers pay the tax on the gallons of fuel which they use while operating such vehicles in the state. The number of gallons subject to the tax is determined by multiplying the total number of gallons of fuel used by the motor carrier during each year by a fraction, the numerator of which is the total number of miles traveled by the motor carrier's vehicles within the state during the year, and the denominator of which is the total number of miles traveled by the motor carrier's vehicles both within and outside the state during the year.

The Gasoline Tax is 25 cents per gallon. Effective July 1, 2014, the Special Fuels and Motor Carrier Taxes were reduced by 0.4 cents per gallon, from 54.9 cents per gallon to 54.5 cents per gallon. The 1983 session of the General Assembly enacted a Special Transportation Fund for highway construction and maintenance and 1 cent per gallon of the motor fuels tax, or a total of $14.2 million, was dedicated to this fund. Beginning July 1, 1984, the Special Transportation Fund was expanded to include all collections from the motor fuels tax.

The table on the following page shows the comparative rates for Motor Fuel Taxes for the 50 states.

TABLE 83
MOTOR FUEL TAXES BY STATE

State	Excise Tax	Sales Tax Rate %	Total Tax*	State	Excise Tax	Sales Tax Rate %	Total Tax*
Alabama	16.0¢	-	16.0¢	Montana	27.0¢	-	27.0¢
Alaska	8.0	-	8.0	Nebraska	25.6	-	25.6
Arizona	18.0	-	18.0	Nevada	24.0	-	24.0
Arkansas	21.5	-	21.5	New Hampshire	22.2	-	22.2
California	36.0	2.25	43.0	New Jersey	10.5	-	10.5
Colorado	22.0	-	22.0	New Mexico	17.0	-	17.0
Connecticut (a)	**25.0**	**-**	**25.0**	New York	8.0	4	20.0
Delaware	23.0	-	23.0	North Carolina (f)	37.5	-	37.5
Florida	17.3	-	17.3	North Dakota	23.0	-	23.0
Georgia (b)	7.5	-	19.3	Ohio	28.0	-	28.0
Hawaii (c)	17.0	4	41.7	Oklahoma	16.0	-	16.0
Idaho	25.0	-	25.0	Oregon	30.0	-	30.0
Illinois	19.0	6.3	37.9	Pennsylvania	50.5	-	50.5
Indiana (d)	18.0	7	50.0	Rhode Island	32.0	-	32.0
Iowa	21.0	-	21.0	South Carolina	16.0	-	16.0
Kansas	24.0	-	24.0	South Dakota	22.0	-	22.0
Kentucky (e)	26.2	-	26.2	Tennessee	20.0	-	20.0
Louisiana	20.0	-	20.0	Texas	20.0	-	20.0
Maine	30.0	-	30.0	Utah	24.5	-	24.5
Maryland	30.3	-	30.3	Vermont	12.1	-	12.1
Massachusetts	24.0	-	24.0	Virginia	11.1	-	11.1
Michigan	19.0	6	37.0	Washington	37.5	-	37.5
Minnesota	28.5	-	28.5	West Virginia (g)	20.5	-	35.7
Mississippi	18.0	-	18.0	Wisconsin	30.9	-	30.9
Missouri	17.0	-	17.0	Wyoming	24.0	-	24.0

* The total column in the above table is the sum of per gallon state tax and sales taxes or additional taxes where applicable. The price used to estimate the effect of the sales tax, which excludes state taxes, was $3.00 per gallon.

(a) Plus a petroleum gross receipts tax of 8.1%
(b) Includes a pre-paid sales tax converted to a cents per gallon rate of 11.8¢
(c) County taxes between 8.8¢ and 16.5¢ per gallon are levied in addition to the state tax of 17¢ per gallon. An average of 12.7¢ was used in calculating the total tax.
(d) Plus an 11¢ surcharge tax effective January 1, 2014.
(e) KY: Rate is variable, adjusted quarterly. MA: Rate is variable, adjusted annually
(f) Includes an additional tax based on the average wholesale price of motor fuel.
(g) Plus additional variable wholesale tax rate of 14.1¢ per gallon effective January 1, 2015.

Source: Commerce Clearing House, Inc.

Other Sources

The following tables show the most recent comparative rates or exemptions for some of the other taxes and fees collected by the states.

TABLE 84
CIGARETTE TAXES BY STATE

State	Rate	State	Rate
Alabama	$0.425	Montana	$1.70
Alaska	$2.00	Nebraska	$0.64
Arizona	$2.00	Nevada	$0.80
Arkansas	$1.15	New Hampshire	$1.78
California	$0.87	New Jersey	$2.70
Colorado	$0.84	New Mexico	$1.66
Connecticut	**$3.40**	New York	$4.35
Delaware	$1.60	North Carolina	$0.45
Florida	$1.339	North Dakota	$0.44
Georgia	$0.37	Ohio	$1.25
Hawaii	$3.20	Oklahoma	$1.03
Idaho	$0.57	Oregon	$1.31
Illinois	$1.98	Pennsylvania	$1.60
Indiana	$0.995	Rhode Island	$3.50
Iowa	$1.36	South Carolina	$0.57
Kansas	$0.79	South Dakota	$1.53
Kentucky	$0.60	Tennessee	$0.62
Louisiana	$0.36	Texas	$1.41
Maine	$2.00	Utah	$1.70
Maryland	$2.00	Vermont	$2.62
Massachusetts	$3.51	Virginia	$0.30
Michigan	$2.00	Washington	$3.025
Minnesota	$2.83	West Virginia	$0.55
Mississippi	$0.68	Wisconsin	$2.52
Missouri	$0.17	Wyoming	$0.60

Note: The tax is based on a pack of 20 cigarettes.

Source: Commerce Clearing House, Inc., Federation of Tax Administrators. Rates as of January 1, 2014.

TABLE 85
INSURANCE COMPANIES TAX BY STATE

State	Domestic Tax Rate % (1)	Foreign Tax Rate % (1)	State	Domestic Tax Rate % (1)	Foreign Tax Rate % (1)
Alabama	0.50-4.00	0.50-4.00	Montana	2.75	2.75
Alaska	0.75-6.00	0.75-6.00	Nebraska (4)	0.375-3.00	0.50-3.00
Arizona (3)	0.66-3.00	2.00-3.00	Nevada	2.00-3.50	2.00-3.50
Arkansas	0.75-3.00	0.75-3.00	New Hampshire (5)	1.25-4.00	3.00
California	0.50-5.00	0.50-5.00	New Jersey	1.05-5.00	1.05-5.00
Colorado (2)	1.00-2.25	0.50-2.25	New Mexico	3.003-4.003	3.003-4.003
Connecticut	**1.75-4.00**	**1.75-4.00**	New York	1.75-7.10	1.75-7.10
Delaware (3)	1.75-5.00	1.75-5.00	North Carolina	1.90-2.50	1.90-2.50
Florida (4)	0.75-1.75	0.75-1.75	North Dakota	1.75-2.00	1.75-2.00
Georgia (2,4)	0.50-4.00	0.50-4.00	Ohio (4)	1.00-5.00	1.00-5.00
Hawaii	0.88-4.27	0.88-4.27	Oklahoma (4)	2.25-6.00	2.25-6.00
Idaho (2)	1.40	1.50	Oregon	(6)	(6)
Illinois (4)	0.40-0.50	0.40-0.50	Pennsylvania	1.25-5.00	1.25-5.00
Indiana (4)	1.30	1.30	Rhode Island	2.00	2.00
Iowa	1.00	1.00	South Carolina	0.75-2.35	0.75-2.35
Kansas (4)	2.00-6.00	2.00-6.00	South Dakota (4)	1.25-2.50	1.25-2.50
Kentucky (4)	1.50-2.00	1.50-2.00	Tennessee (2,4,5)	1.75-5.50	1.75-5.50
Louisiana (4)	(6)	(6)	Texas	0.88-4.85	0.88-4.85
Maine	1.00-2.55	1.00-2.55	Utah (3)	0.45-4.25	0.45-4.25
Maryland	2.00-3.00	2.00-3.00	Vermont	2.00	2.00
Massachusetts (3)	2.00-2.28	2.00-2.28	Virginia	1.00-2.50	1.00-2.50
Michigan	1.25-2.00	1.25-2.00	Washington	0.95-2.00	0.95-2.00
Minnesota (4)	1.00-2.00	1.00-2.00	W. Virginia (1,4,5)	2.00	2.00
Mississippi (4)	3.00	3.00	Wisconsin	2.00-3.50	0.50-2.375
Missouri (1)	1.00-2.00	1.00-2.00	Wyoming	0.75-1.00	0.75-1.00

Note: The tax is based on the net premiums of authorized insurers, excludes surplus line rates.

(1) Depending upon the type of insurance issued or the type of organization formed.
(2) Rate is reduced depending upon the percentage of premiums or assets invested in the State or the State's securities.
(3) Plus a surtax of 0.4312% on vehicles in Arizona, 0.25% in Delaware, and 14% of the tax imposed in Massachusetts.
(4) Plus a fire marshal's tax not to exceed 1%; 0.3125% in Oklahoma; 0.5% in Indiana and South Dakota; 0.55% in West Virginia; 0.65% in Minnesota; 0.75% in Kentucky, Nebraska, Ohio, Tennessee and Kansas; 1.25% in Louisiana; 1.4% in Maine.
(5) With minimum tax of $200 in New Hampshire, North Dakota, & West Virginia, $150 in Tennessee and $250 in New York and Ohio.
(6) After 2001, foreign and alien insurers are no longer subject to gross premium tax, but are subject to the corporate excise tax.

Source: Commerce Clearing House, Inc.

TABLE 86
ALCOHOLIC BEVERAGE EXCISE TAXES BY STATE
(Dollars per Gallon)

State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer	State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer
Alabama (2)	(1)	1.70	9.16	.53	Montana	(1)	1.06	1.06	.14
Alaska	12.80	2.50	2.50	1.07	Nebraska	3.75	.95	1.35	.31
Arizona	3.00	.84	.84	.16	Nevada	3.60	.70	1.30	.16
Arkansas	2.50	.75	.75	.23	New Hampshire	(1)	(1)	(1)	.30
California	3.30	.20	.20	.20	New Jersey	5.50	.88	.88	.12
Colorado	2.28	.28	.28	.08	New Mexico	6.06	1.70	1.70	.41
Connecticut	**5.40**	**.72**	**.72**	**.24**	New York	6.44	.30	.30	.14
Delaware	3.75	.97	.97	.16	N. Carolina	(1)	1.00	1.11	.62
Florida	6.50	2.25	3.00	.48	N. Dakota	2.50	.50	.60	.16
Georgia (2)	3.79	1.51	2.54	.32	Ohio	(1)	.30	.98	.18
Hawaii	5.98	1.38	1.38	.93	Oklahoma	5.56	.72	.72	.40
Idaho	(1)	.45	.45	.15	Oregon	(1)	.67	.77	.08
Illinois (2)	8.55	1.39	1.39	.23	Pennsylvania	(1)	(1)	(1)	.08
Indiana	2.68	.47	.47	.12	Rhode Island	5.40	1.40	1.40	.11
Iowa	(1)	1.75	1.75	.19	S. Carolina (3)	2.72	.90	.90	.77
Kansas	2.50	.30	.75	.18	S. Dakota	3.93	.93	1.45	.27
Kentucky	1.92	.50	.50	.08	Tennessee (4)	4.40	1.21	1.21	1.15
Louisiana	2.50	.11	.23	.32	Texas	2.40	.20	.41	.20
Maine	(1)	.60	1.25	.35	Utah	(1)	(1)	(1)	.41
Maryland (2)	1.50	.40	.40	.09	Vermont	(1)	.55	.55	.27
Massachusetts	4.05	.55	.55	.11	Virginia	(1)	1.51	(1)	.26
Michigan	(1)	.51	.76	.20	Washington	14.27	.87	1.72	.26
Minnesota	5.03	.30	.95	.15	W. Virginia	(1)	1.00	1.00	.18
Mississippi	(1)	.35	.35	.43	Wisconsin (5)	3.25	.25	.45	.06
Missouri	2.00	.42	.42	.06	Wyoming	(1)	(1)	(1)	.02

(1) Government directly controls sale, revenue generated through markup, store profits, and additional taxes and fees.
(2) Additional excise taxes on beer at the local level.
(3) Additional surtaxes of 9% on alcoholic beverages and 18¢ per gallon for wine are applied.
(4) Tennessee levies a 17% surcharge on the wholesale price of malt beverages.
(5) An administration fee of 11¢ per gallon is imposed on intoxicating liquors.

Source: Commerce Clearing House, Inc., Federation of Tax Administrators. Rates as of January 1, 2014.

The tables on the next two pages list individual General Fund Revenue sources and Special Transportation Fund sources as a percentage of total collections for a five fiscal year period.

TABLE 87
GENERAL FUND REVENUES

TAXES ($K)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (1)
Personal Income	$6,586,099	$7,246,431	$8,310,820	$8,719,245	$8,718,659
Sales and Use	3,203,988	3,353,230	3,830,117	3,896,998	4,100,564
Corporation	667,132	794,473	716,522	742,515	782,239
Public Service Corporation	267,945	269,806	250,397	266,647	293,303
Insurance Companies	226,550	220,626	237,609	260,858	240,666
Inheritance & Estate	177,601	237,573	191,699	439,519	168,075
Cigarettes	387,435	404,111	421,005	399,822	376,835
Oil Companies	123,018	169,163	146,067	175,526	35,580
Electric Generation	-	-	69,532	66,823	15,315
Real Estate Conveyance	100,267	94,822	107,531	113,830	180,511
Alcoholic Beverages	48,196	48,923	60,595	60,406	60,644
Admissions, Dues, Cabaret	34,379	34,456	34,398	36,544	39,935
Miscellaneous	141,892	140,506	536,810	523,028	498,260
Total - Taxes	$11,964,502	$13,014,119	$14,913,103	$15,701,763	$15,510,588
Less Refunds of Taxes	(1,061,433)	(956,054)	(1,105,171)	(1,144,993)	(1,182,397)
Less Refunds of R&D Credit	(8,937)	(8,599)	(3,563)	(4,086)	(5,055)
Total - Taxes Less Refunds	$10,894,132	$12,049,467	$13,804,369	$14,552,684	$14,323,136
OTHER REVENUE					
Transfer-Special Revenue	$289,314	$293,108	$313,757	$315,452	$323,219
Indian Gaming Payments	384,248	359,582	344,645	296,396	279,873
Licenses, Permits & Fees	257,569	250,442	283,414	262,068	314,722
Sales of Commodities & Services	33,678	35,506	35,007	36,298	40,523
Investment Income	4,062	29	964	(792)	(336)
Rents, Fines & Escheats	252,792	157,771	123,424	144,141	130,875
Miscellaneous	142,910	178,728	191,965	163,818	206,782
Less Refunds of Payments	(1,189)	(1,875)	(85,377)	(74,016)	(66,625)
Total - Other Revenue	$1,363,384	$1,273,291	$1,207,780	$1,143,366	$1,229,032
OTHER SOURCES					
Federal Grants	$4,066,314	$4,235,178	$3,607,163	$3,733,910	$1,243,861
Transfer from Tobacco Fund	102,898	95,304	96,100	103,100	107,000
Transfer From/(To) Other Funds	1,261,800	54,215	(153,799)	(128,028)	106,528
Total - Other Sources	$5,431,012	$4,384,697	$3,549,464	$3,708,982	$1,457,389
GRAND TOTAL	$17,688,529	$17,707,454	$18,561,633	$19,405,031	$17,009,556
TAXES	% of Total	% of Total	% of Total	% of Total	% of Total
Personal Income	37.23	40.92	44.77	44.93	51.26
Sales and Use	18.11	18.94	20.63	20.08	24.11
Corporation	3.77	4.49	3.86	3.83	4.60
Public Service Corporation	1.51	1.52	1.35	1.37	1.72
Insurance Companies	1.28	1.25	1.28	1.34	1.41
Inheritance & Estate	0.96	1.34	1.03	2.26	0.99
Cigarettes	2.19	2.28	2.27	2.06	2.22
Oil Companies	0.70	0.96	0.79	0.90	0.21
Electric Generation	-	-	0.37	0.34	0.09
Real Estate Conveyance	0.57	0.54	0.58	0.59	1.06
Alcoholic Beverages	0.27	0.28	0.33	0.31	0.36
Admissions, Dues, Cabaret	0.19	0.19	0.19	0.19	0.23
Miscellaneous	0.80	0.79	2.89	2.70	2.93
Total - Taxes	67.64	73.50	80.34	80.92	91.19
Less Refunds of Taxes	(6.00)	(5.40)	(5.95)	(5.90)	(6.95)
Less Refunds of R&D Credit	(0.05)	(0.05)	(0.02)	(0.02)	(0.03)
Total – Taxes Less Refunds	61.59	68.05	74.37	74.99	84.21
OTHER REVENUE					
Transfer-Special Revenue	1.64	1.66	1.69	1.63	1.90
Indian Gaming Payments	2.17	2.03	1.86	1.53	1.65
Licenses, Permits & Fees	1.46	1.41	1.53	1.35	1.85
Sales of Commodities & Services	0.19	0.20	0.19	0.19	0.24
Investment Income	0.02	-	0.01	(0.00)	(0.00)
Rents, Fines & Escheats	1.43	0.89	0.67	0.74	0.77
Miscellaneous	0.81	1.01	1.01	0.84	1.22
Less Refunds of Payments	(0.01)	(0.01)	(0.01)	(0.38)	(0.39)
Total - Other Revenue	7.71	7.19	6.51	5.89	7.23
OTHER SOURCES					
Federal Grants	22.99	23.92	19.43	19.24	7.31
Transfer from Tobacco Fund	0.58	0.54	0.52	0.53	0.63
Transfer From/(To) Other Funds	7.13	0.31	(0.82)	(0.66)	0.63
Total - Other Sources	30.70	24.76	19.12	19.11	8.57
GRAND TOTAL	100.00	100.00	100.00	100.00	100.00

TABLE 88
SPECIAL TRANSPORTATION FUND REVENUES

TAXES ($K)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Motor Fuels	$503,635	$438,526	$492,795	$501,269	$508,058
Oil Companies	141,900	165,300	226,900	199,400	380,700
DMV Sales	67,784	71,943	76,618	79,000	82,216
Less Refunds of Taxes	(7,315)	(6,769)	(7,006)	(6,094)	(6,993)
Total - Taxes Less Refunds	$706,004	$713,999	$789,306	$773,576	$963,981
OTHER REVENUE					
Motor Vehicle Receipts	$220,703	$220,144	$235,446	$234,484	$236,063
Licenses, Permits & Fees	135,004	135,453	135,974	137,284	138,390
Interest Income	6,681	5,506	2,208	4,138	6,771
Federal Grants	3,002	9,360	12,915	12,416	12,100
Transfer from Other Funds	71,200	107,550	81,550	95,245	(76,500)
Transfer to Other Funds	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)
Transfer to TSB	(15,300)	(15,300)	(15,000)	(15,000)	(15,000)
Less Refunds of Payments	(2,906)	(3,005)	(2,979)	(3,154)	(3,614)
Total – Other Revenue	$411,884	$453,208	$443,614	$458,912	$291,710
GRAND TOTAL	$1,117,888	$1,167,208	$1,232,921	$1,232,487	$1,255,690

TAXES	% of Total	% of Total	% of Total	% of Total	% of Total
Motor Fuels	45.05	37.57	39.97	40.67	40.46
Oil Companies	12.69	14.16	18.40	16.18	30.32
DMV Sales	6.06	6.16	6.21	6.41	6.55
Less Refunds of Taxes	(0.65)	(0.58)	(0.57)	(0.49)	(0.56)
Total – Taxes Less Refunds	63.15	61.17	64.02	62.77	76.77
OTHER REVENUE					
Motor Vehicle Receipts	19.74	18.86	19.10	19.03	18.80
Licenses, Permits & Fees	12.08	11.60	11.03	11.14	11.02
Interest Income	0.60	0.47	0.18	0.34	0.54
Federal Grants	0.27	0.80	1.05	1.01	0.96
Transfer from Other Funds	6.37	9.21	6.61	7.73	(6.09)
Transfer to Other Funds	(0.58)	(0.56)	(0.53)	(0.53)	(0.52)
Transfer to TSB	(1.37)	(1.31)	(1.22)	(1.22)	(1.19)
Less Refunds of Payments	(0.26)	(0.26)	(0.24)	(0.26)	(0.29)
Total - Other Revenue	36.85	38.83	35.98	37.23	23.23
GRAND TOTAL	100.00	100.00	100.00	100.00	100.00

(1) Beginning in FY 2014, Federal Grants within the General Fund reflect the conversion to net budgeting of the Medicaid account. In addition, in reporting FY 2014 results the Comptroller included $598.5 million from the proceeds of GAAP Conversion Bonds within the revenue schedule. Since these proceeds were reserved for use in mitigating the cumulative GAAP deficit, the Office of Policy and Management has not included the $598.5 million within the General Fund revenue schedule.

ECONOMIC ASSUMPTIONS OF THE GOVERNOR'S BUDGET

The National Outlook

2014 marked the year the labor market in the United States (U.S.) finally emerged from The Great Recession of 2007-2009 and entered a period of expansion. Job growth has been over 200,000 jobs per month since February 2014, and has averaged 255,300 for the past 11 months. Further, the quality of jobs has improved. Manufacturing grew by 1.2% in FY 2014 compared to 0.1% in FY 2013, and Professional and Business Services grew an average of 3.3% in FY's 2013 and 2014. However, there continues to be variability in the recovery, with only 31 states and the District of Columbia having recovered all the jobs lost during the recession.

Nationally, the unemployment rate declined to an average of 6.8% in FY 2014, and reached a low of 5.6% as of December 2014. The U.S. is within reach of the natural rate of unemployment, which is pegged to 5.2% on the lower bound. However, the labor force participation rate has fallen from an average of 66.2% in FY 2007 to 63.0% in FY 2014. Similarly, the employment-to-population ratio has fallen from 63.2 in FY 2007 to 58.7 in FY 2014, a slight increase from 58.6 in FY 2013. Both are signs the economy is weaker than suggested by the official unemployment rate, and indicate uncertainty about the economy's long-term growth prospects.

Furthermore, though the nation has now entered an expansionary period, wage stagnation has continued to be an issue since the start of the recovery. Historically, wage growth has moved opposite to the unemployment rate; as the labor market tightens, employers raise wages to hold on to or attract workers. This relationship has slipped during the past three recessions and recoveries, and was especially pronounced after The Great Recession. The Federal Open Market Committee has signaled its intent to raise interest rates by the middle of 2015 from the "extraordinarily accommodative" zero lower bound it has been since December of 2008. The Federal Reserve continues to keep a close eye on wage growth as a measure of labor market slack, among numerous other factors, in its decision.

Oil prices, relatively stable since 2011, began a downward spiral in June of 2014. Brent crude oil fell 60.8% from a high of $115.19 to a low of $45.13 on January 13, 2015, where it has been hovering in recent weeks. West Texas Intermediate crude fell 59.2% from $107.95 to $44.08 on January 28, 2015, before slightly recovering. Falling oil prices benefit households by boosting disposable income. Moreover, lower prices at the pump translate into greater consumer confidence, which is at its highest level since August of 2007. However, lower oil prices will negatively impact certain U.S. industries and will have a deflationary effect on the economy.

Lower oil prices similarly are also having a mixed effect in the Eurozone, as Europe's economies are fighting deflation and attempting to prevent the onset of a third recession since The Great Recession. On January 22, 2015, the European Central Bank announced a bond buying program of EUR60 billion per month from March 2015 to September 2016, with an open-ended commitment to the program until inflation improves. China is also dangerously

close to deflation, and is dealing with a slowdown in their economy, which recorded its weakest Gross Domestic Product growth in 24 years at 7.4% in 2014.

Nationally, housing indicators were generally steady between FY 2013 and FY 2014; a sizeable gap remains, however, in the return to the (albeit heated) pre-recession housing market. In FY 2014, housing starts were almost 50% below their pre-recession average from FY's 2002 to 2007. The slowdown in housing starts is driven by single-family homes; multi-family housing starts have reached their pre-recession average. Sales of existing single-family homes are about 20% below their pre-recession average, whereas sales of new single-family homes are lagging by about 60%. The vacancy rate on rental housing is 16% below its pre-recession average, a sign individuals are delaying household formation or choosing to pay down debt instead of purchasing homes.

In other national economic indicators, personal income growth slowed from the last fiscal year, with 2.6% growth in FY 2014 compared to 4.0% in FY 2013. Disposable personal income grew by 2.1% in FY 2014, compared to 3.3% in FY 2013. The market indices have been performing well; the Standard & Poor 500 Index grew 21.4% in FY 2014 and 17.6% in FY 2013.

Connecticut

In Connecticut, personal income grew 1.5% from FY 2013 to FY 2014; however, real personal income fell by 0.1%. Similar to the housing trends exhibited nationally, Connecticut's permits, starts, and completions on multi-family homes have recovered to their pre-recession levels. Permits, starts, and completions on single-family homes, however, continue to fall short of their pre-recession average from FY's 2004 to 2007, with permits 43.6% below, starts 54.7% short, and completions 54.1% below their pre-recession average. Total home sales fell by 2.4% between FY 2013 to FY 2014, and remain 40.3% below their pre-recession average. The median price on existing homes grew by about 2% between FY 2013 to FY 2014, whereas the median price on new homes fell by about 7% over the same period.

Based on preliminary numbers for December 2014, Connecticut has recovered 80.9% of the jobs lost during The Great Recession, or 96,300 of 119,100 jobs lost. The private sector has recovered at a faster pace, with a 93.9% recovery rate from the recession. Nine of the ten industry supersectors all showed positive gains in calendar year 2014, including manufacturing which has been in an overall decline since the 1970s. The one supersector that lost jobs in calendar year 2014, and has been declining throughout the recovery, is Financial Activities. Connecticut lost 9,500 or 6.6% of jobs in Financial Activities during the recession, and another 5,100 jobs since the recovery began. The unemployment rate averaged 7.3% in FY 2014, and has fallen to 6.4% as of December 2014.

In an effort to preserve Connecticut as a global aerospace hub, in March 2014 Governor Malloy announced an agreement with United Technologies Corporation (UTC) allowing the firm to monetize unused research and development tax credits. Under the deal, UTC will invest up to

$500 million over five years to upgrade and expand facilities in Connecticut, in return for tax offsets over the next 14 years of up to $400 million in sales and income tax. UTC has 2,500 direct suppliers across Connecticut, 700 of which provided goods or services in excess of $100,000 to UTC in 2013.

Economic Assumptions of the Governor's Budget

The U.S. economy is projected to continue accelerating through FY 2015 with 3.1% growth in real GDP. U.S. growth is then projected to slow to an average of 2.6% in FY's 2016 to 2019. Inflation is expected to decrease in FY 2015 to 0.6%, increase almost to the Federal Open Market Committee's target rate in FY 2016, and then remain relatively stable between 2.3% and 2.5% annually from FY's 2017 to 2019. The U.S. unemployment rate is projected to continue falling, reaching 5.2% by FY 2017, before stabilizing. Housing starts are expected to pick up in FY's 2015 to 2017 by 14.8% on average, then decelerate from FY 2018 onwards. New vehicle sales are projected to continue growing through FY 2017, surpassing their pre-recession levels, then stabilize at about 17.2 million sales in FY's 2018 to 2019.

Connecticut's economy is expected to grow 2.8% in FY 2015, then decline to an average of 2.0% growth in FY's 2016 to 2019. Personal income growth in Connecticut is projected to accelerate to about 4% in FY's 2015 and 2016, before further growing to about 5% in FY's 2017 and 2018. Nonagricultural employment is expected to finish off the current fiscal year with a healthy 1.6% growth before decelerating to 1.3% in FY 2016 and further to 0.3% in FY 2018. Employment in Connecticut is expected to surpass its pre-recession peak by the second quarter of 2016. Connecticut's unemployment rate is projected to decline to 6.3% by FY 2015 and drop down to 5.2% by the end of the forecast period in FY 2019. Housing starts in Connecticut are expected to turn towards positive growth in FY 2015 with 18.8% growth, continuing with 19.7% growth in FY 2017 after a slight decline in FY 2016, before slowing in the out years.

TABLE 89
U.S. AND CONNECTICUT ECONOMIC INDICATORS

	U.S. Real GDP (Billions of Dollars)		CT Real GSP (Millions of Dollars)		U.S. Housing Starts (Millions)		CT Housing Starts	
Fiscal Year	Value	Growth	Value	Growth	Value	Growth	Value	Growth
2013	15,503	2.0%	232.1	0.9%	0.9	27.8%	5,368	47.0%
2014	15,885	2.5%	235.4	1.4%	1.0	9.1%	4,768	-11.2%
2015	16,371	3.1%	242.0	2.8%	1.1	12.6%	5,666	18.8%
2016	16,795	2.6%	246.3	1.8%	1.3	16.7%	6,331	11.7%
2017	17,275	2.9%	251.8	2.2%	1.4	15.0%	7,579	19.7%
2018	17,684	2.4%	256.7	1.9%	1.5	5.4%	8,235	8.7%
2019	18,143	2.6%	262.4	2.2%	1.6	4.0%	8,751	6.3%

	U.S. Employment (Millions)		CT Employment (Thousands)		U.S. Unemployment Rate		CT Unemployment Rate	
Fiscal Year	Value	Growth	Value	Growth	Value	Growth	Value	Growth
2013	135.2	1.6%	1,647.2	0.8%	7.8	-0.7	8.1	-0.4
2014	137.5	1.7%	1,659.6	0.8%	6.8	-1.0	7.3	-0.8
2015	140.3	2.0%	1,686.5	1.6%	5.8	-1.0	6.3	-1.0
2016	143.0	1.9%	1,707.8	1.3%	5.4	-0.4	5.7	-0.6
2017	145.2	1.6%	1,724.1	1.0%	5.2	-0.2	5.4	-0.4
2018	146.5	0.8%	1,730.1	0.3%	5.2	0.0	5.2	-0.1
2019	147.5	0.7%	1,732.8	0.2%	5.3	0.1	5.2	0.0

	Consumer Price Index		U.S. New Vehicle Sales (Millions)		CT Personal Income (Millions of Dollars)	
Fiscal Year	Value	Growth	Value	Growth	Value	Growth
2013	231.4	1.7%	15.0	10.6%	217,907	3.5%
2014	235.0	1.6%	15.9	5.5%	221,127	1.5%
2015	236.4	0.6%	16.8	5.8%	229,921	4.0%
2016	239.8	1.5%	17.1	1.7%	238,812	3.9%
2017	245.4	2.3%	17.4	1.8%	250,469	4.9%
2018	251.4	2.4%	17.4	0.3%	262,651	4.9%
2019	257.7	2.5%	17.1	-1.9%	273,670	4.2%

REVENUE FORECAST

The following table shows the actual General Fund Revenue collections for fiscal 2014, and estimated revenue collections for fiscal 2015 and projected revenue collections for fiscal 2016 and fiscal 2017 by major sources.

TABLE 90
STATE OF CONNECTICUT - GENERAL FUND REVENUES
(In Millions)

Taxes	Actual Revenue 2013-14	Estimated Revenue 2014-15	Projected Revenue Current Rates 2015-16	Proposed Revenue Changes 2015-16	Net Projected Revenue 2015-16
Personal Income Tax	$ 8,718.7	$ 9,264.5	$ 9,748.6	$ 12.7	$ 9,761.3
Sales & Use Tax	4,100.6	4,226.2	4,251.0	70.4	4,321.4
Corporation Tax	782.2	734.3	627.3	273.2	900.5
Public Service Tax	293.3	299.1	308.0	0.7	308.7
Inheritance & Estate Tax	168.1	173.0	177.4	-	177.4
Insurance Companies Tax	240.7	256.2	237.2	22.7	259.9
Cigarettes Tax	376.8	354.4	336.7	-	336.7
Real Estate Conveyance Tax	180.5	186.9	194.7	-	194.7
Oil Companies Tax	35.6	-	-	-	-
Electric Generation	15.3	-	-	-	-
Alcoholic Beverages Tax	60.6	60.7	61.2	1.8	63.0
Admissions & Dues Tax	39.9	38.3	38.7	-	38.7
Health Provider Tax	480.2	478.1	479.9	170.2	650.1
Miscellaneous Tax	18.1	65.5	20.9	-	20.9
Total Taxes	$ 15,510.6	$ 16,137.2	$ 16,481.6	$ 551.7	$ 17,033.3
Less Refunds of Tax	(1,091.3)	(1,115.1)	(1,165.2)	-	(1,165.2)
Less Earned Income Tax Credit	(91.1)	(120.7)	(138.4)	11.0	(127.4)
Less R&D Credit Exchange	(5.1)	(6.8)	(7.1)	-	(7.1)
Total - Taxes Less Refunds	$ 14,323.1	$ 14,894.6	$ 15,170.9	$ 562.7	$ 15,733.6
Other Revenue					
Transfers-Special Revenue	$ 323.2	$ 325.1	$ 329.8	$ -	$ 329.8
Indian Gaming Payments	279.9	267.5	260.7	-	260.7
Licenses, Permits, Fees	314.7	266.7	295.9	15.9	311.8
Sales of Commodities	40.5	43.5	44.6	-	44.6
Rents, Fines, Escheats	130.9	118.4	119.9	-	119.9
Investment Income	(0.3)	0.6	2.8	-	2.8
Miscellaneous	206.8	161.9	163.7	4.6	168.3
Less Refunds of Payments	(66.6)	(72.9)	(74.2)	-	(74.2)
Total - Other Revenue	$ 1,229.0	$ 1,110.8	$ 1,143.2	$ 20.5	$ 1,163.7
Other Sources					
Federal Grants	$ 1,243.9	$ 1,238.4	$ 1,298.1	$ (25.7)	$ 1,272.4
Transfer From Tobacco Settlement	107.0	120.0	86.1	21.0	107.1
Transfers From/(To) Other Funds	106.5	14.6	(212.7)	(20.9)	(233.6)
Transfers to Resources of STF	-	(18.8)	(38.2)	-	(38.2)
Total - Other Sources	$ 1,457.4	$ 1,354.2	$ 1,133.3	$ (25.6)	$ 1,107.7
Total - General Fund Revenues	$ 17,009.6	$ 17,359.6	$ 17,447.4	$ 557.6	$ 18,005.0

Projected Revenue Current Rates 2016-17	Proposed Revenue Changes 2016-17	Net Projected Revenue 2016-17
$ 10,304.7	$ 8.5	$ 10,313.2
4,431.1	(10.2)	4,420.9
669.8	154.4	824.2
316.5	0.7	317.2
182.7	-	182.7
239.7	22.7	262.4
320.5	-	320.5
200.8	-	200.8
-	-	-
-	-	-
61.6	1.8	63.4
40.0	-	40.0
482.0	169.0	651.0
21.4	-	21.4
$ 17,270.8	$ 346.9	$ 17,617.7
(1,214.9)	-	(1,214.9)
(144.9)	11.0	(133.9)
(7.4)	-	(7.4)
$ 15,903.6	$ 357.9	$ 16,261.5
$ 339.3	$ -	$ 339.3
254.3	-	254.3
273.3	18.7	292.0
45.8	-	45.8
121.8	-	121.8
5.9	-	5.9
165.8	4.6	170.4
(75.1)	-	(75.1)
$ 1,131.1	$ 23.3	$ 1,154.4
$ 1,322.0	$ (30.6)	$ 1,291.4
83.0	16.0	99.0
(222.7)	(9.8)	(232.5)
(17.6)	-	(17.6)
$ 1,164.7	$ (24.4)	$ 1,140.3
$ 18,199.4	$ 356.8	$ 18,556.2

Explanation of Changes

Personal Income Tax
Delay the Singles Exemption for two years.

Sales Tax
Reduce the rate to 6.20% on 11/1/2015, and 5.95% on 4/1/2017.
Eliminate the clothing exemption for items $50 and under.
Alter the Sales Tax free week to clothing and footwear less than $100.
Impact of Alcoholic Beverages Changes.

Corporation Tax
Maintain surcharge on corporations at 20%.
Cap use of Net Operating Losses at 50% of liability.
Cap use of tax credits- IY 2015: 35%, IY 2016: 45%, IY 2017 and later, 60%.
Eliminate the Business Entity Tax.

Public Utilities Tax
Reduce transfer to CT-N.

Insurance Companies Tax
Maintain the Three Tier Credit Cap for two years.
Continue the moratorium on the Film Tax Credit for two years.

Alcoholic Beverages Tax
Extend sale hours
Eliminate minimum pricing.

Health Provider Taxes
Update the Hospital Net Revenue Tax.
Cap use of tax credits- FY 2015: 35%, FY 2016: 45%, FY 2017 and later, 60%.

Earned Income Tax Credit (EITC)
Delay EITC increase for two years at 27.5%.

License, Permits, and Fees
Increase SOTS fees for pass-through entities by $80.
Increase DEEP Fee for Solid Waste Transport by $1.
Transfer Palliative Use of Marijuana to General Fund.

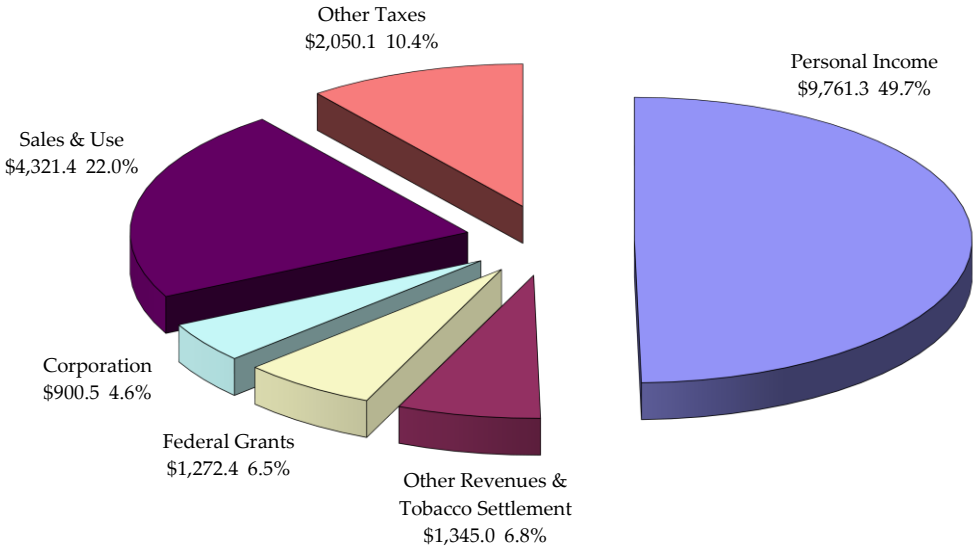
Miscellaneous Revenue
Charge towns 100% for Resident State Troopers.

Federal Grants
Revenue loss resulting from expenditure changes.

Transfers- Tobacco Settlement
Eliminate the Tobacco Health Trust Fund transfer.
Eliminate the Biomedical Trust Fund transfer.
Reduce transfer to the Early Childhood Education Program.

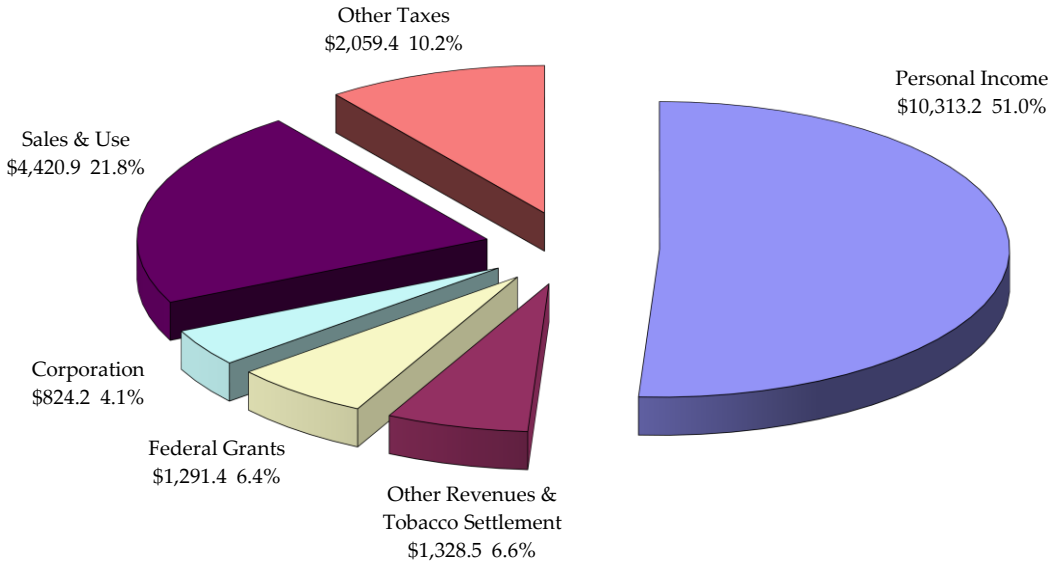
Transfers-Other Funds
Various fund transfers.

GENERAL FUND
FISCAL YEAR 2016 – TOTAL $18,005.0 MILLION*



* Refunds are estimated at $1,165.2 million in FY 2016, R&D Credit Exchange is estimated at $7.1 million, Earned Income Tax Credit is estimated at $127.4 million, Refunds of Payments are estimated at $74.2 million, and Transfers to Other Funds are estimated at $271.8 million in FY 2016.

GENERAL FUND
FISCAL YEAR 2017 – TOTAL $18,556.2 MILLION*



* Refunds are estimated at $1,214.9 million in FY 2017, R&D Credit Exchange is estimated at $7.4 million, Earned Income Tax Credit is estimated at $133.9 million, Refunds of Payments are estimated at $75.1 million, and Transfers to Other Funds are estimated at $250.1 million in FY 2017.

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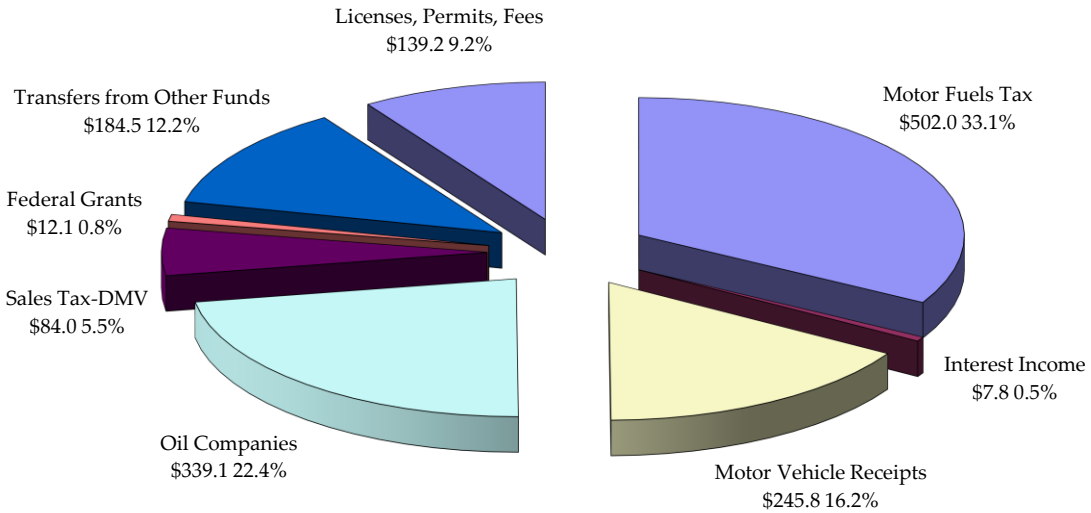
TABLE 91
STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND REVENUES
(In Millions)

	Actual Revenue 2013-14	Estimated Revenue 2014-15	Projected Revenue Current Rates 2015-16	Proposed Revenue Changes 2015-16	Net Projected Revenue 2015-16
Taxes					
Motor Fuels Tax	$ 508.1	$ 506.3	$ 502.0	$ -	$ 502.0
Oil Companies Tax	380.7	360.3	339.1	-	339.1
Sales Tax - DMV	82.2	83.1	84.0	-	84.0
Total Taxes	$ 971.0	$ 949.7	$ 925.1	$ -	$ 925.1
Less Refunds of Taxes	(7.0)	(7.1)	(7.2)	-	(7.2)
Total - Taxes Less Refunds	$ 964.0	$ 942.6	$ 917.9	$ -	$ 917.9
Other Sources					
Motor Vehicle Receipts	$ 236.1	$ 244.6	$ 245.8	$ -	$ 245.8
Licenses, Permits, Fees	138.4	138.8	139.2	-	139.2
Interest Income	6.8	7.3	7.8	-	7.8
Federal Grants	12.1	12.1	12.1	-	12.1
Transfers From Other Funds	(83.0)	(21.5)	146.3	-	146.3
Transfers From Resources of GF	(15.0)	18.8	38.2	-	38.2
Less Refunds of Payments	(3.6)	(3.6)	(3.7)	-	(3.7)
Total - Other Sources	$ 291.7	$ 396.5	$ 585.7	$ -	$ 585.7
Total - STF Revenues	$ 1,255.7	$ 1,339.1	$ 1,503.6	$ -	$1,503.6

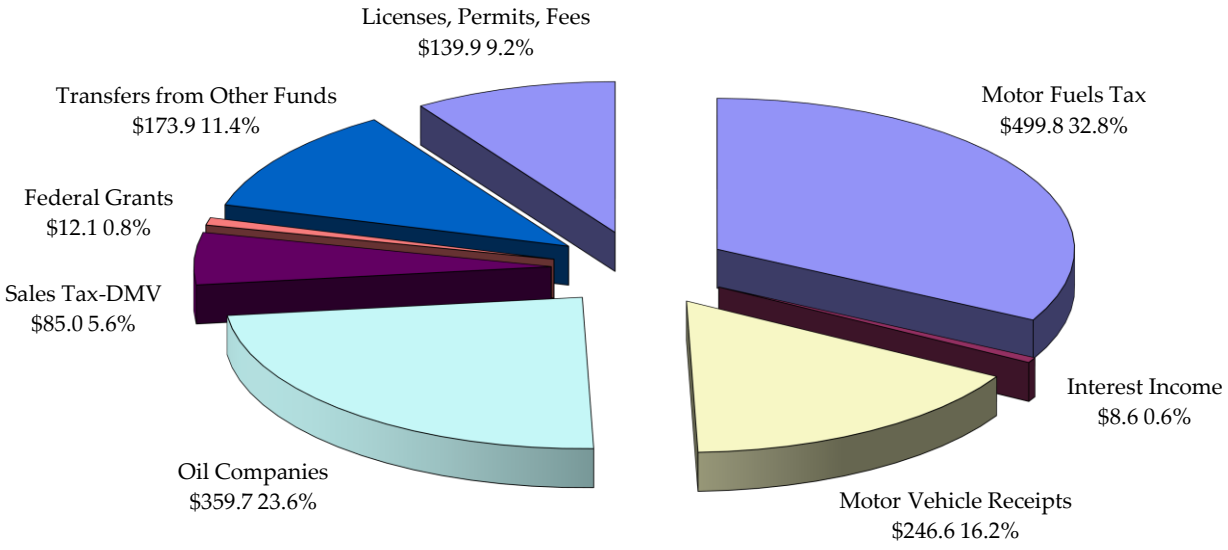
FISCAL YEAR 2016 - TOTAL $1,503.6 MILLION*



* Refunds of Taxes are estimated at $7.2M and Refunds of Payments are estimated at $3.7M.

	Projected Revenue Current Rates 2016-17	Proposed Revenue Changes 2016-17	Net Projected Revenue 2016-17
	$ 499.8	$ -	$ 499.8
	359.7	-	359.7
	85.0	-	85.0
	$ 944.5	$ -	$ 944.5
	(7.4)	-	(7.4)
	$ 937.1	$ -	$ 937.1
	$ 246.6	$ -	$ 246.6
	139.9	-	139.9
	8.6	-	8.6
	12.1	-	12.1
	156.3	-	156.3
	17.6	-	17.6
	(3.8)	-	(3.8)
	$ 577.3	$ -	$ 577.3
	$ 1,514.4	$ -	$ 1,514.4

FISCAL YEAR 2017 - TOTAL $1,514.4 MILLION*



* Refunds of Taxes are estimated at $7.4M and Refunds of Payments are estimated at $3.8M.

IMPACT OF THE GOVERNOR'S BUDGET ON THE STATE'S ECONOMY

The traditional purpose of a governmental budget is threefold: it outlines necessary and desirable public services, it estimates how much these services will cost, and it defines the resources that are required to provide these services. The budget is a fundamental policy document of every level of government. As proposed, enacted and implemented, it represents a consensus regarding what government realistically can and ought to do.

The economic implications of governmental budgets are significant. Government expenditures and investment at the federal, state and local levels are an important dimension of the national economy, accounting for about 20% of the Gross Domestic Product.The spending and tax policies of government profoundly influence the performance of the economy. Because the Governor's budget accounts for 7.4% of Connecticut's Gross State Product, it is inevitable that state government's expenditure and revenue actions influence the state's economy.

Expenditure Actions

On a current services basis, a gap of nearly $1.2 billion was projected for both FY 2016 and FY 2017. The Governor's recommended budget resolves this imbalance through proposals that would increase revenue by $557.6 million in FY 2016 and $356.8 million in FY 2017, and decrease expenditure requirements by more than $590 million in FY 2016 and $753 million in FY 2017*. While difficult, these decisions produce a recommended budget that is balanced and under the spending cap in each year of the biennium.

Jobs, the Economy, and Education

Education and workforce development initiatives have been cornerstones of Governor Malloy's efforts to reform education and rejuvenate the economy and employment.

Pre-Kindergarten slots
Governor Malloy is committed to early childhood education, as evidenced by the 1,020 new pre-kindergarten seats that were added in FY 2015. Despite the fiscal climate, rather than rolling this investment back, the Governor has held this effort steady and provided $2 million to annualize the 1,020 new seats.

Elementary and Secondary Education
The Governor recognizes the importance of the Education Cost Sharing (ECS) grant as a significant source of municipal aid and support for education, and is recommending maintaining funding at the FY 2015 level. The budget also sustains funding for the state's major education grants. To improve urban education and reduce racial isolation, Governor Malloy is proposing more funding for school choice including:

* Based on REMI analysis, the reduction in state expenditures over the biennium will cumulatively cost the state $1.8 billion in gross state product.

- $36 million in additional funding for magnet schools in FY 2016 to pay for approximately 1,800 more seats;
- $12 million in FY 2016 for 1,250 new charter school seats and $7.9 million in FY 2017 for 612 more charter school seats and
- $700,000 for OPEN Choice in FY 2016 to fund up to a total of approximately 3,360 seats, and $4.9 million more in FY 2017 to fund an additional 470 seats for expanded voluntary school transfer options.

Higher Education

Overall block grant funding levels for higher education are reduced in the budget. At the same time, the Governor has continued support for major initiatives including Next Generation CT (NextGenCT) at the University of Connecticut, Bioscience Connecticut at the University of Connecticut Health Center and Transform CSCU 2020 at the colleges and universities of the Board of Regents. Recommended funding changes from estimated FY 2015 levels are as follows:

	FY 2016	FY 2017
University of Connecticut:	($9,769,737)	($9,769,737)
University of Connecticut Health Center:	$1,182,941	$1,855,334
Board of Regents:	($1,558,635)	($1,558,635)

Second Chance Society

One of the challenges that the Governor intends to address this biennium is to "break the cycle" of crime and poverty and to make ex-offenders productive members of society. This "Second Chance Society" initiative is one of the most effective ways to reduce crime while helping former offenders re-enter society by expanding and improving their access to education and employment opportunities. Providing these opportunities will lower the crime rate, prevent recidivism and break the cycle that hurts too many families.

To that end, the Governor's budget includes funding to support a nationally renowned employment training program that will ease the transition and reduce the likelihood of recidivism. The Integrated Basic Education and Skills Training (I-BEST) model provides adult basic education simultaneously with vocational skills training in order to better prepare individuals for the workforce so they may become productive members of the community. The Governor's budget recommendation of $1.5 million per year will provide funding to support approximately 125 individuals in Hartford annually.

Without proper supports, individuals leaving incarceration often cycle through the correctional and other support systems. In addition to funding for employment services for ex-offenders, Governor Malloy's budget provides an infusion of support for additional housing opportunities for frequent users of the correctional and health care systems. The Connecticut Collaborative on Re-entry (CCR) initiative, formerly known as frequent user systems engagement (FUSE), provides access to housing while treating the underlying issues that lead to housing instability. CCR is a coordinated support system that reduces public sector costs and improves outcomes by providing housing, health care, mental health and addiction services and counseling to the target population. This innovative

approach has been shown to reduce recidivism from 90% to 40% in its participants. To further this initiative, Governor Malloy's budget recommends $2 million in FY 2016 and an additional $2 million in FY 2017 to provide 100 additional placements in FY 2016 and another 100 in FY 2017.

Finally, $1 million is added for the School-Based Diversion Initiative as part of the Governor's Second Chance Society initiative. The School-Based Diversion Initiative is currently funded through several agencies and is a program designed to reduce rates of in-school arrests, expulsions, and out-of-school suspensions. Keeping kids in school leads to improved student outcomes. This new funding will allow for the expansion of the program to reach a total of three to four schools in each of six districts per year, for a total of 18-24 schools per year.

Municipal Aid

Since taking office, Governor Malloy has refused to shift the state's fiscal problems onto municipalities. Despite the fiscal challenges facing the state over the upcoming biennium, the Governor's recommended budget continues to support municipalities and preserves aid by: maintaining municipal grants; enhancing municipal capital funding; and sustaining the commitment to teachers' retirement contributions, retiree health services cost and debt service for a variety of municipal investments.

Health and Human Services

The budget reduces programs and services in the Department of Social Services (DSS) by $166.3 million in FY 2016 and $238.4 million in FY 2017. After factoring in the federal share of the Medicaid expenditures, the DSS reductions total $331.6 million and $464.6 million respectively.

The majority of the reductions in DSS impact reimbursements to Medicaid providers. The state's share of Medicaid expenditures is reduced by $68.9 million in FY 2016 and $74.3 million in FY 2017 ($170.4 million in FY 2016 and $183.7 million in FY 2017 after factoring in the federal share). Other proposed reductions include closing the Torrington regional office, limiting intake and increasing cost sharing requirements to the state-funded home care program and significantly reducing several non-entitlement accounts and programs.

The Governor's budget provides nearly $170 million in FY 2016 and an additional $130 million in FY 2017 to support caseload growth and annualization of FY 2015 caseload growth under Medicaid. In addition, the budget includes over $14 million in state Medicaid expenditures in FY 2016 and $38 million in FY 2017 to fund the July 2014 directive from the Centers for Medicare and Medicaid Services (CMS) requiring state Medicaid programs to cover medically necessary services for children under 21 years of age with autism spectrum disorder under the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit.

Given the availability of affordable health insurance due to the changes under the Affordable Care Act, the budget recommends transitioning coverage for HUSKY A adults with income over 138% of the federal poverty level to the health insurance exchange, which will reduce state expenditures by

$44.6 million in FY 2016 and $82.1 million in FY 2017 ($89.2 million in FY 2016 and $164.2 million in FY 2017 after factoring in the federal share).

The Governor's budget preserves funding for critical programs in the Department of Developmental Services (DDS) through additional funding of $21.6 million in FY 2016 and $37.6 million in FY 2017 to support annualization of FY 2015 caseload growth and residential placements (110 in FY 2016 and 96 in FY 2017) and employment and day programs (99 in FY 2016 and 84 in FY 2017) for individuals aging out of services in the Department of Children and Families or local education agencies. An additional $4 million in new funding will annualize 100 placements under the 2015 Waiting List Initiative designed to support services for individuals with aging caregivers. Almost $20 million was removed from the DDS Voluntary Services program that serves children under 21 with severe behavioral problems resulting from behavioral health issues and intellectual disabilities, autism spectrum disorder or all three.

With all the attention in the past few years on enhancing mental health services in general and especially for high risk youth following the tragedy at Sandy Hook, the Governor was able to preserve much of the caseload growth in the Department of Mental Health and Addiction Services (DMHAS). In addition to caseload for young adults, funding is provided for additional slots in the mental health waiver to further the state's rebalancing efforts by assisting individuals with mental illness and funding to augment existing services allowing individuals in Connecticut Valley Hospital to successfully transition to the community.

Additionally, new funding is proposed within DMHAS to support the Governor's new Zero:2016 and Second Chance Society initiatives through proposed funding for wrap-around services for individuals in Supportive Housing who are part of the Governor's Zero:2106 initiative designed to end chronic homelessness by 2016 and the population served through the Second Chance Society initiatives.

General Government

Second Chance Society

As part of the Governor's Second Chance Society initiative, and in light of the declining prison population, the budget incorporates a realignment of Department of Correction facilities and a shift to a more intensive community re-integration strategy, saving the state an estimated $24.3 million annually.

Ineffective drug policies have swelled Connecticut prisons and created offenders who struggle to find work and reintegrate into society. Connecticut can send fewer non-violent individuals to jail by reducing penalties for certain drug crimes. In addition, the mandatory minimum sentences for non-violent drug possession will be eliminated but judges will still have discretion to impose a range of sentences based on the facts and circumstances of each individual case.

There are many parole hearings for non-violent, low risk inmates that are delayed or, in some cases, never heard by the Board of Pardons and Paroles due to limited resources. In order to address the issue, the Governor is proposing a number of changes to streamline the processes, including an optional hearing process and additional full-time Board members.

There are too many non-violent ex-offenders for whom employment is a practical impossibility because of a felony conviction. Clarifying the expedited pardons process will help these individuals have a realistic chance of a full pardon after they complete their probation or jail sentence, followed by several years of responsible citizenship.

The majority of inmates incarcerated in Connecticut's prisons will return to the community. Over 1,000 individuals will be released within the next 18 months. To assist this group, one correctional facility of approximately 600 beds will be designated as a Re-integration Unit. Activities in this unit will focus on preparation for re-integration through efforts to ensure pre-release relationships between community, parole and probation parties and the offenders. Inmates will be assigned a rehabilitative path(s) based on assessed needs. Such assessments include Statewide Collaborative Risk Offender Evaluation System, the Addiction Severity Index, and the Treatment and Programming Assessment Instrument. The pathways will directly address the inmates risk for re-offense and attendant re-entry needs.

To ensure that inmates are treated equitably and consistently, the Department of Correction is developing a Centralized Community Release Unit. This unit will simplify the review process to make it more understandable to the offender population and the line staff who interact with them. Public safety is enhanced by pairing the community release determinations with the right level of supervision and community treatment for each offender.

Transportation - Let's Go CT!

One of the most significant priorities addressed in Governor Malloy's budget is to improve the state's transportation infrastructure. The Governor's new transportation plan – Let's Go CT! - is a long term strategy for expanding, updating, and improving Connecticut's transportation system. The Governor's budget addresses this need by recommending the capital and operating funding needed to begin the implementation of a thirty year vision[†].

Governor Malloy believes in the benefits that will come from expanding bus service opportunities. The new CTfastrak, the state's first bus rapid transit system, will begin operation in March 2015. In addition, expansions to the CTfastrak operations are being proposed to enable more citizens access to affordable, convenient bus service. Funding is included to carry out a study of alternative bus route configurations and possible additional routes for CT Transit bus service that would benefit areas of the state and employment centers which currently do not have sufficient service. Following the completion of the study, significant funding is included to purchase additional equipment to be used

[†] Based on REMI analysis, the five-year capital spending plan will cumulatively add $1.6 billion to the state's gross state product over the five years.

on the new and extended routes. This expansion will help connect more residents to employment centers, opening up more job opportunities as our economy recovers.

The Let's Go CT! plan includes expanded rail service on existing Metro North and Shore Line East lines and new expanded service on the New Haven-Hartford-Springfield line. Additional station construction will also be complimented by Transit Oriented Development and Responsible Growth programs which will enable the impacted communities to add more economic and housing options for their residents and visitors, while preventing sprawl.

The state of the current highway system cannot be ignored either, and the Governor Malloy is proposing to begin the process of replacing some of the highway structures that have served well for many decades but are in need of replacement. This is no small undertaking. The design process for the viaducts in both Hartford and Waterbury will begin and the result will be a revitalized Interstate 84. Both of these upgrades will entail significant investments of both time and funding and will begin with the design work within the first five years of the proposed plan. The highest priority for highway expansion is the section of Interstate 95 from Stamford to Bridgeport. Based on the significant congestion in this corridor, the Governor proposes to expand capacity by adding lanes and reconfiguring access points which will improve traffic flow. Interstate 91 improvements are also included in the project list, such as the reconfiguration of the 1-91 ramp to the Charter Oak Bridge.

The initiatives outlined above are just examples of the initiatives envisioned by the Governor as part of Let's Go CT!, which presents a comprehensive long term plan for providing quality transportation options to the citizens of Connecticut.

Capital Proposals

The Governor's budget proposes new general obligation (GO) bond authorizations totaling $1.76 billion in FY 2016 and $1.8 billion in FY 2017. These proposed bond authorizations are in addition to those that were previously authorized by the General Assembly and become effective during the biennium, which include $312.1 million in FY 2016 and $266.4 million in FY 2017 for the Next Generation Connecticut/ UConn 2000 program, $118.5 million in FY 2016 and $95 million in FY 2017 for the CSCU 2020 program, $21.425 million in FY 2016 and $21.108 million in FY 2017 for the Bioscience Collaboration Program, $15 million in FY 2016 and $25 million in FY 2017 for the Bioscience Innovation Fund and $84 million over the biennium for various other programs authorized in prior legislation. The capital budget proposal also includes the cancellation of $233.6 million in GO bond authorizations from prior years that are no long needed.

Other notable proposed GO bond authorizations include:

- $1.1 billion over the biennium to meet the commitments of the school construction program;
- $186.4 million over the biennium for the Board of Regents for equipment, technology improvements building projects at the State Universities and Community Colleges;
- $85 million over the biennium for information technology investments to enhance state agency efficiency and effectiveness;
- $345 million over the biennium for housing related initiatives in the areas of affordable housing, the state's public housing portfolio, and under the state's successful supportive housing program;
- $200 million over the biennium for the Department of Economic and Community Development to continue to provide low interest loans to attract and retain businesses and jobs in the state;
- $100 million over the biennium to continue the popular and successful Small Business Express Loan Program;
- $100 million over the biennium for the Urban Act Program;
- $20 million in each year of the biennium for redevelopment of brownfields;
- $60 million for the Capital Region Development Authority to assist with the development of housing in downtown Hartford.

The Governor is also proposing $2.7 billion in additional special tax obligation bond authorizations over the next five fiscal years to begin to implement projects under the Let's Go CT! long-term transportation plan. This funding is in addition to $741.4 million in FY 2016 and $763.3 million in FY 2017 for the Department of Transportation's regular program for maintaining and improving our highways and transit systems.

Revenue Proposals

During Governor Malloy's first term in office, the State of Connecticut enacted revenue and spending policies which addressed an annual $3.2 billion deficit in the General Fund budget while providing modest tax relief in critical areas. While the Governor and the Legislature's actions have put Connecticut on a steadier path to recovery, difficult decisions remain to ensure a balanced budget and a prosperous state economy. In total, revenue measures contained within this budget proposal would raise $557.6 million in FY 2016 and $356.8 million in FY 2017.

In order to balance the state's budget, Governor Malloy is proposing to postpone certain scheduled tax cuts and sunset dates. These extensions will not result in a tax increase relative to today's tax structure. These include extending current levels of the corporation surcharge, the earned income tax credit, the income tax exemption for single filers, and credit limitations on insurance companies. However, the Governor's revenue proposal maintains tax relief in critical areas. In particular, under the Governor's proposal, the income tax exemption for teachers' pensions and the sales tax exemption for nonprescription drugs will occur as scheduled.

Governor Malloy is proposing to reduce the sales tax rate from 6.35% to 5.95% in the current biennium, representing more than a 6% reduction in the overall rate. Based on data from the IRS, a household of four with median household income in Connecticut would save approximately $57 dollars per year under this plan. In order to mitigate the cost of reducing the sales tax rate, the Governor proposes to permanently eliminate the clothing exemption. The fully annualized savings to Connecticut taxpayers of $299.5 million for the sales tax reduction greatly exceeds the annualized cost to consumers of eliminating the clothing exemption of $146.4 million.

Governor Malloy is also proposing to completely eliminate the $250 biennial business entity tax. This tax has been identified by small businesses in Connecticut as a nuisance. Income from entities which currently owe this tax is passed through to individuals' personal income tax return and subject to the state's personal income tax. The revenue loss from eliminating the business entity tax is partially mitigated by an increase of $80 in the preexisting fee due to the Secretary of State's office from all such business entities. These policies result in a net reduction in taxes for Connecticut's small businesses.

Governor Malloy is proposing to address tax preferences in the corporation tax which have allowed some of Connecticut's largest businesses to pay little or no taxes while benefitting from the services and infrastructure provided by Connecticut taxpayers. These changes include capping the use of net operating losses and tax credits. These proposals would raise $357.0 million over the biennium and ensure that all taxpayers in Connecticut share the responsibility for funding state government.

Finally, the hospital provider tax is also being updated to reflect 2013 total net patient revenues and to equalize the tax rate on inpatient and outpatient services. This will generate $165 million with a corresponding increase in supplemental payments to hospitals under Medicaid. Because the state's share of Medicaid expenditures is $55 million, updating the user fee will result in a net gain to the state of approximately $110 million.

Conclusion

Governor Malloy remains committed to a fiscally responsible state government which lives within the state's means and promotes Connecticut's quality of life. With these proposals, Governor Malloy has attempted to build on the fiscal stability established during his first term in office while expanding economic growth and opportunity for our citizens. The Governor's budget is balanced, represents modest growth over prior years and remains below the statutory spending cap.

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APPENDIX

Connecticut Resident Midyear Population Estimates

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.	2013 DPH* Est
Total	3,405,565		3,577,845		172,280	5.1	3,596,080
Andover	3,036	147	3,305	147	269	8.9	3,273
Ansonia	18,554	57	19,283	60	729	3.9	19,020
Ashford	4,098	135	4,319	136	221	5.4	4,281
Avon	15,832	68	18,145	65	2,313	14.6	18,386
Barkhamsted	3,494	143	3,807	141	313	9.0	3,745
Beacon Falls	5,246	125	6,062	123	816	15.6	6,052
Berlin	18,215	59	19,901	54	1,686	9.3	20,590
Bethany	5,040	126	5,578	126	538	10.7	5,540
Bethel	18,067	61	18,600	62	533	3.0	19,264
Bethlehem	3,422	144	3,616	143	194	5.7	3,553
Bloomfield	19,587	52	20,525	52	938	4.8	20,673
Bolton	5,017	127	4,977	131	-40	-0.8	4,948
Bozrah	2,357	153	2,631	152	274	11.6	2,639
Branford	28,683	32	28,000	37	-683	-2.4	27,998
Bridgeport	139,529	1	144,355	1	4,826	3.5	147,216
Bridgewater	1,824	160	1,725	163	-99	-5.4	1,696
Bristol	60,062	11	60,510	13	448	0.7	60,568
Brookfield	15,664	69	16,470	71	806	5.1	16,860
Brooklyn	7,173	113	8,228	110	1,055	14.7	8,280
Burlington	8,190	108	9,329	104	1,139	13.9	9,494
Canaan	1,081	168	1,238	168	157	14.5	1,214
Canterbury	4,692	130	5,144	130	452	9.6	5,096
Canton	8,840	101	10,337	95	1,497	16.9	10,357
Chaplin	2,250	156	2,311	156	61	2.7	2,276
Cheshire	28,543	33	29,260	33	717	2.5	29,150
Chester	3,743	141	3,991	139	248	6.6	4,343
Clinton	13,094	81	13,254	82	160	1.2	13,180
Colchester	14,551	74	16,092	72	1,541	10.6	16,210
Colebrook	1,471	165	1,486	165	15	1.0	1,457
Columbia	4,971	129	5,495	127	524	10.5	5,460
Cornwall	1,434	166	1,419	167	-15	-1.0	1,412
Coventry	11,504	87	12,453	87	949	8.2	12,411
Cromwell	12,871	83	14,038	79	1,167	9.1	14,178
Danbury	74,848	7	81,056	7	6,208	8.3	83,684
Darien	19,607	51	20,750	51	1,143	5.8	21,330
Deep River	4,610	133	4,625	133	15	0.3	4,589
Derby	12,391	84	12,909	84	518	4.2	12,801
Durham	6,627	116	7,406	116	779	11.8	7,361
East Granby	4,745	132	5,155	129	410	8.6	5,212
East Haddam	8,333	105	9,141	106	808	9.7	9,147
East Hampton	13,352	78	12,999	83	-353	-2.6	12,912
East Hartford	49,575	19	51,318	19	1,743	3.5	51,199
East Haven	28,189	35	29,267	32	1,078	3.8	29,121

Connecticut Resident Midyear Population Estimates

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.	2013 DPH* Est
East Lyme	18,118	60	19,184	61	1,066	5.9	18,937
East Windsor	9,818	94	11,201	94	1,383	14.1	11,406
Eastford	1,618	163	1,751	161	133	8.2	1,736
Easton	7,272	111	7,484	115	212	2.9	7,616
Ellington	12,921	82	15,679	74	2,758	21.3	15,786
Enfield	45,212	20	44,635	22	-577	-1.3	44,748
Essex	6,505	117	6,684	120	179	2.8	6,633
Fairfield	57,340	13	59,413	14	2,073	3.6	60,855
Farmington	23,641	45	25,368	44	1,727	7.3	25,613
Franklin	1,835	159	1,922	159	87	4.7	1,987
Glastonbury	31,876	29	34,467	29	2,591	8.1	34,768
Goshen	2,697	151	2,982	148	285	10.6	2,945
Granby	10,347	93	11,292	92	945	9.1	11,323
Greenwich	61,101	9	61,119	10	18	0.0	62,396
Griswold	10,807	89	11,977	90	1,170	10.8	11,959
Groton	39,907	23	40,125	25	218	0.5	40,176
Guilford	21,398	49	22,411	50	1,013	4.7	22,417
Haddam	7,157	114	8,376	109	1,219	17.0	8,363
Hamden	56,913	14	61,054	11	4,141	7.3	61,607
Hampton	1,758	161	1,864	160	106	6.0	1,868
Hartford	124,121	2	124,744	3	623	0.5	125,017
Hartland	2,012	158	2,114	158	102	5.1	2,131
Harwinton	5,283	124	5,651	125	368	7.0	5,593
Hebron	8,610	104	9,704	99	1,094	12.7	9,588
Kent	2,858	150	2,979	149	121	4.2	2,939
Killingly	16,472	67	17,411	68	939	5.7	17,233
Killingworth	6,018	121	6,531	121	513	8.5	6,490
Lebanon	6,907	115	7,316	117	409	5.9	7,319
Ledyard	14,687	72	15,055	77	368	2.5	15,094
Lisbon	4,069	136	4,345	135	276	6.8	4,348
Litchfield	8,316	106	8,462	108	146	1.8	8,333
Lyme	2,016	157	2,409	154	393	19.5	2,401
Madison	17,858	64	18,266	64	408	2.3	18,297
Manchester	54,740	15	58,354	15	3,614	6.6	58,211
Mansfield	20,720	50	26,685	41	5,965	28.8	25,774
Marlborough	5,709	123	6,406	122	697	12.2	6,431
Meriden	58,244	12	60,936	12	2,692	4.6	60,456
Middlebury	6,451	118	7,606	113	1,155	17.9	7,571
Middlefield	4,203	134	4,430	134	227	5.4	4,425
Middletown	43,167	21	47,697	20	4,530	10.5	47,333
Milford	52,305	17	52,759	17	454	0.9	53,137
Monroe	19,247	54	19,466	59	219	1.1	19,834
Montville	18,546	58	19,594	57	1,048	5.7	19,713
Morris	2,301	155	2,390	155	89	3.9	2,345

Connecticut Resident Midyear Population Estimates

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.	2013 DPH* Est.
Naugatuck	30,989	30	31,880	30	891	2.9	31,707
New Britain	71,538	8	73,253	8	1,715	2.4	72,939
New Canaan	19,395	53	19,732	56	337	1.7	20,194
New Fairfield	13,953	75	13,871	81	-82	-0.6	14,145
New Hartford	6,088	120	6,994	118	906	14.9	6,886
New Haven	123,626	3	129,946	2	6,320	5.1	130,660
New London	25,671	41	27,643	38	1,972	7.7	27,545
New Milford	27,121	37	28,145	36	1,024	3.8	27,767
Newington	29,306	31	30,599	31	1,293	4.4	30,756
Newtown	25,031	42	27,605	39	2,574	10.3	28,113
Norfolk	1,660	162	1,711	164	51	3.1	1,678
North Branford	13,906	76	14,399	78	493	3.5	14,353
North Canaan	3,350	145	3,320	146	-30	-0.9	3,241
North Haven	23,035	39	24,106	47	1,071	4.6	23,939
North Stonington	4,991	128	5,298	128	307	6.2	5,291
Norwalk	82,951	6	85,653	6	2,702	3.3	87,776
Norwich	36,117	26	40,605	24	4,488	12.4	40,347
Old Lyme	7,406	110	7,605	114	199	2.7	7,592
Old Saybrook	10,367	92	10,224	96	-143	-1.4	10,246
Orange	13,233	79	13,968	80	735	5.6	13,953
Oxford	9,821	96	12,749	85	2,928	29.8	12,874
Plainfield	14,619	73	15,428	75	809	5.5	15,228
Plainville	17,328	66	17,724	67	396	2.3	17,820
Plymouth	11,634	86	12,246	88	612	5.3	12,047
Pomfret	3,798	140	4,265	137	467	12.3	4,198
Portland	8,732	102	9,522	101	790	9.0	9,456
Preston	4,688	131	4,725	132	37	0.8	4,755
Prospect	8,707	103	9,415	103	708	8.1	9,671
Putnam	9,002	98	9,602	100	600	6.7	9,465
Redding	8,270	107	9,174	105	904	10.9	9,312
Ridgefield	23,643	44	24,652	46	1,009	4.3	25,164
Rocky Hill	17,966	62	19,754	55	1,788	10.0	19,915
Roxbury	2,136	154	2,265	157	129	6.0	2,229
Salem	3,858	138	4,153	138	295	7.6	4,201
Salisbury	3,977	137	3,735	142	-242	-6.1	3,693
Scotland	1,556	164	1,732	162	176	11.3	1,699
Seymour	15,454	70	16,556	70	1,102	7.1	16,571
Sharon	2,968	149	2,774	151	-194	-6.5	2,743
Shelton	38,101	25	39,580	26	1,479	3.9	40,999
Sherman	3,827	139	3,574	145	-253	-6.6	3,670
Simsbury	23,234	47	23,507	48	273	1.2	23,824
Somers	10,417	91	11,469	91	1,052	10.1	11,320
South Windsor	24,412	43	25,751	43	1,339	5.5	25,846
Southbury	18,567	56	19,943	53	1,376	7.4	19,859

Connecticut Resident Midyear Population Estimates

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.	2013 DPH* Est.
Southington	39,728	24	43,130	23	3,402	8.6	43,661
Sprague	2,971	148	2,979	150	8	0.3	2,979
Stafford	11,307	88	12,097	89	790	7.0	11,928
Stamford	117,083	4	122,867	4	5,784	4.9	126,456
Sterling	3,099	146	3,848	140	749	24.2	3,780
Stonington	17,906	63	18,559	63	653	3.6	18,541
Stratford	49,976	18	51,437	18	1,461	2.9	52,112
Suffield	13,552	77	15,789	73	2,237	16.5	15,788
Thomaston	7,503	109	7,892	112	389	5.2	7,761
Thompson	8,878	100	9,474	102	596	6.7	9,345
Tolland	13,146	80	15,086	76	1,940	14.8	14,915
Torrington	35,202	27	36,438	27	1,236	3.5	35,611
Trumbull	34,243	28	36,062	28	1,819	5.3	36,571
Union	693	169	855	169	162	23.4	848
Vernon	28,063	36	29,205	34	1,142	4.1	29,161
Voluntown	2,528	152	2,608	153	80	3.2	2,611
Wallingford	43,026	22	45,182	21	2,156	5.0	45,141
Warren	1,254	167	1,469	166	215	17.1	1,447
Washington	3,596	142	3,586	144	-10	-0.3	3,526
Waterbury	107,271	5	110,429	5	3,158	2.9	109,676
Waterford	19,152	55	19,540	58	388	2.0	19,505
Watertown	21,661	48	22,526	49	865	4.0	22,228
West Hartford	61,046	10	63,362	9	2,316	3.8	63,371
West Haven	52,360	16	55,662	16	3,302	6.3	55,046
Westbrook	6,292	119	6,949	119	657	10.4	6,906
Weston	10,037	95	10,179	97	142	1.4	10,372
Westport	25,749	40	26,393	42	644	2.5	27,308
Wethersfield	26,271	38	26,695	40	424	1.6	26,510
Willington	5,959	122	6,035	124	76	1.3	5,965
Wilton	17,633	65	18,053	66	420	2.4	18,657
Winchester	10,664	90	11,254	93	590	5.5	11,013
Windham	22,857	46	25,321	45	2,464	10.8	25,213
Windsor	28,237	34	29,060	35	823	2.9	29,142
Windsor Locks	12,043	85	12,502	86	459	3.8	12,573
Wolcott	15,215	71	16,692	69	1,477	9.7	16,725
Woodbridge	8,983	99	8,989	107	6	0.1	8,955
Woodbury	9,198	97	9,995	98	797	8.7	9,822
Woodstock	7,221	112	7,986	111	765	10.6	7,897

* DPH stands for the Connecticut Department of Public Health

Source: Connecticut Department of Public Health

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 1
U.S. ECONOMIC VARIABLES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product ($B)	12,679.4	13,508.9	14,157.6	14,684.1	14,529.3	14,630.1	15,246.8	15,855.9	16,430.8	17,080.7
Percent Change	6.5%	6.5%	4.8%	3.7%	-1.1%	0.7%	4.2%	4.0%	3.6%	4.0%
Real GDP	14,013.3	14,450.2	14,721.1	14,945.8	14,549.8	14,573.8	14,913.9	15,205.8	15,502.5	15,884.6
Percent Change	3.4%	3.1%	1.9%	1.5%	-2.6%	0.2%	2.3%	2.0%	2.0%	2.5%
GDP Deflator (2009=100)	90.5	93.5	96.2	98.2	99.9	100.4	102.2	104.3	106.0	107.5
Percent Change	3.0%	3.3%	2.9%	2.2%	1.6%	0.5%	1.8%	2.0%	1.6%	1.5%
Housing Starts (K)	2,016.3	2,036.0	1,546.2	1,132.4	646.3	594.0	569.7	684.4	875.0	954.3
Percent Change	3.7%	1.0%	-24.1%	-26.8%	-42.9%	-8.1%	-4.1%	20.1%	27.8%	9.1%
Unemployment Rate	5.3%	4.8%	4.5%	5.0%	7.6%	9.7%	9.3%	8.5%	7.8%	6.8%
New Vehicle Sales (M)	16.8	17.0	16.3	15.3	10.6	11.2	12.2	13.6	15.0	15.9
Percent Change	1.3%	-1.7%	-2.6%	-6.3%	-30.5%	5.3%	9.3%	11.0%	10.6%	5.5%
Consumer Price Index ('82-'84=100)	191.7	198.9	204.1	211.7	214.6	216.8	221.1	227.6	231.4	235.0
Percent Change	3.0%	3.8%	2.6%	3.7%	1.4%	1.0%	2.0%	2.9%	1.7%	1.6%
Industrial Production Index ('07=100)	94.2	96.4	98.7	100.0	89.6	87.6	92.3	95.5	98.5	101.8
Percent Change	3.3%	2.3%	2.4%	1.3%	-10.4%	-2.2%	5.3%	3.5%	3.1%	3.4%
Personal Income ($B)	10,322.9	11,025.0	11,695.9	12,273.5	12,252.6	12,184.4	12,833.0	13,516.9	14,058.1	14,426.1
Percent Change	5.9%	6.8%	6.1%	4.9%	-0.2%	-0.6%	5.3%	5.3%	4.0%	2.6%
Real Personal Income ($B in 82-84=100)	5,384.9	5,541.8	5,730.2	5,798.0	5,708.2	5,621.2	5,805.1	5,939.7	6,076.0	6,139.6
Percent Change	2.8%	2.9%	3.4%	1.2%	-1.5%	-1.5%	3.3%	2.3%	2.3%	1.0%
Disposable Personal Income ($B)	9,194.6	9,741.7	10,273.8	10,804.0	10,953.8	11,041.3	11,529.1	12,071.0	12,466.2	12,731.9
Percent Change	5.1%	5.9%	5.5%	5.2%	1.4%	0.8%	4.4%	4.7%	3.3%	2.1%
Disposable Personal Income ($B in 2009$)	9,883.4	10,120.1	10,399.3	10,724.1	10,941.5	10,960.8	10,935.6	11,220.8	11,470.8	11,673.1
Percent Change	2.4%	2.8%	3.1%	2.0%	0.2%	-0.2%	2.6%	2.2%	1.8%	0.9%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 2
U.S. PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Income	10,322.9	11,025.0	11,695.9	12,273.5	12,252.6	12,184.4	12,833.0	13,516.9	14,058.1	14,426.1
Percent Change	5.9%	6.8%	6.1%	4.9%	-0.2%	-0.6%	5.3%	5.3%	4.0%	2.6%
Wages & Salaries	5,560.6	5,884.9	6,239.3	6,483.1	6,385.9	6,281.0	6,526.0	6,767.9	7,033.8	7,271.3
Percent Change	5.5%	5.8%	6.0%	3.9%	-1.5%	-1.6%	3.9%	3.7%	3.9%	3.4%
Manufacturing Income	705.6	726.1	745.7	749.0	699.7	658.4	696.1	720.7	740.2	761.1
Percent Change	3.6%	2.9%	2.7%	0.5%	-6.6%	-5.9%	5.7%	3.5%	2.7%	2.8%
Nonmanufacturing Inc.	4,855.0	5,158.8	5,493.6	5,734.1	5,686.2	5,622.5	5,830.0	6,047.2	6,293.6	6,510.2
Percent Change	5.8%	6.3%	6.5%	4.4%	-0.8%	-1.1%	3.7%	3.7%	4.1%	3.4%
Other Labor Income	1,360.0	1,421.9	1,472.9	1,529.2	1,541.7	1,555.0	1,612.9	1,653.2	1,696.2	1,747.2
Percent Change	7.0%	4.6%	3.6%	3.8%	0.8%	0.9%	3.7%	2.5%	2.6%	3.0%
Proprietor's Income	963.3	1,030.8	1,014.8	1,003.9	982.8	1,011.4	1,079.2	1,207.2	1,304.1	1,355.2
Percent Change	3.2%	7.0%	-1.5%	-1.1%	-2.1%	2.9%	6.7%	11.9%	8.0%	3.9%
Farm Income	47.0	41.0	36.2	46.2	36.1	40.6	62.4	74.6	80.2	72.1
Percent Change	-1.3%	-14.7%	-13.3%	21.7%	-27.8%	10.9%	35.0%	16.4%	7.0%	-11.3%
Nonfarm Income	916.3	989.8	978.6	957.7	946.7	970.9	1,016.8	1,132.6	1,223.9	1,283.1
Percent Change	3.4%	7.4%	-1.1%	-2.2%	-1.2%	2.5%	4.5%	10.2%	7.5%	4.6%
Rental Income	264.2	241.7	207.9	233.3	317.5	383.4	456.8	525.5	578.3	635.3
Percent Change	0.0%	-8.5%	-14.0%	12.2%	36.1%	20.7%	19.2%	15.0%	10.0%	9.9%
Personal Dividend Inc.	579.2	647.7	773.4	839.6	689.6	503.8	612.0	740.2	854.9	841.1
Percent Change	18.0%	10.6%	16.3%	7.9%	-21.8%	-36.9%	17.7%	17.3%	13.4%	-1.6%
Personal Interest Income	999.5	1,155.2	1,283.3	1,371.2	1,326.9	1,217.7	1,209.1	1,247.5	1,251.4	1,263.5
Percent Change	4.7%	13.5%	10.0%	6.4%	-3.3%	-9.0%	-0.7%	3.1%	0.3%	1.0%
Transfer Payments	1,463.5	1,559.8	1,664.8	1,806.1	2,000.2	2,218.1	2,303.6	2,321.9	2,381.4	2,460.4
Percent Change	6.0%	6.6%	6.7%	8.5%	10.7%	10.9%	3.9%	0.8%	2.6%	3.3%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 3
U.S. PERSONAL INCOME AND ITS DISPOSITION
(BILLIONS OF DOLLARS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Less:										
Contributions to										
Social Insurance	852.3	900.2	943.0	975.9	976.7	971.5	952.6	932.6	1,027.2	1,131.5
Percent Change	6.1%	5.6%	4.8%	3.5%	0.1%	-0.5%	-1.9%	-2.1%	10.1%	10.2%
Equals:										
Personal Income	10,322.9	11,025.0	11,695.9	12,273.5	12,252.6	12,184.4	12,833.0	13,516.9	14,058.1	14,426.1
Percent Change	5.9%	6.8%	6.1%	4.9%	-0.2%	-0.6%	5.3%	5.3%	4.0%	2.6%
Less:										
Personal Taxes	1,128.3	1,283.3	1,422.1	1,469.5	1,298.8	1,143.1	1,304.0	1,445.8	1,592.0	1,694.2
Percent Change	12.8%	13.7%	10.8%	3.3%	-11.6%	-12.0%	14.1%	10.9%	10.1%	6.4%
Equals:										
Disposable Personal Inc.	9,194.6	9,741.7	10,273.8	10,804.0	10,953.8	11,041.3	11,529.1	12,071.0	12,466.2	12,731.9
Percent Change	5.1%	5.9%	5.5%	5.2%	1.4%	0.8%	4.4%	4.7%	3.3%	2.1%
Less:										
Personal Outlays	8,871.2	9,448.8	9,955.7	10,396.2	10,308.4	10,426.1	10,851.9	11,295.9	11,684.3	12,110.1
Percent Change	6.5%	6.5%	5.4%	4.4%	-0.8%	1.1%	4.1%	4.1%	3.4%	3.6%
Equals:										
Personal Savings	323.5	292.9	318.1	407.9	645.4	615.2	677.1	775.1	781.9	621.9
Percent Change	-22.6%	-9.5%	8.6%	28.2%	58.2%	-4.7%	10.1%	14.5%	0.9%	-20.5%
Personal Savings Rate	3.5%	3.0%	3.1%	3.8%	5.9%	5.6%	5.9%	6.4%	6.3%	4.9%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 4
U.S. EMPLOYMENT AND THE LABOR FORCE
(MILLIONS OF JOBS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Establishment Employ.	132.8	135.3	137.3	138.1	134.3	130.1	130.9	133.0	135.2	137.5
Percent Change	1.5%	1.9%	1.5%	0.6%	-2.7%	-3.1%	0.6%	1.6%	1.6%	1.7%
Manufacturing	14.3	14.2	14.0	13.7	12.7	11.5	11.6	11.8	12.0	12.1
Percent Change	-0.3%	-0.6%	-1.2%	-2.3%	-7.7%	-8.9%	0.8%	1.8%	1.2%	0.6%
Nonmanufacturing	118.5	121.1	123.3	124.4	121.6	118.6	119.3	121.2	123.2	125.5
Percent Change	1.7%	2.2%	1.8%	0.9%	-2.2%	-2.5%	0.6%	1.6%	1.7%	1.9%
Construction & Mining	7.7	8.2	8.4	8.2	7.4	6.3	6.2	6.4	6.6	6.8
Percent Change	4.4%	6.2%	2.2%	-2.3%	-10.3%	-14.0%	-1.5%	3.2%	2.4%	3.3%
Information	3.1	3.1	3.0	3.0	2.9	2.7	2.7	2.7	2.7	2.7
Percent Change	-2.2%	-0.9%	-0.7%	-0.3%	-4.1%	-5.4%	-2.0%	-0.5%	0.3%	-0.3%
Public Utility, Trade & Transportation	25.7	26.1	26.5	26.6	25.6	24.6	24.8	25.3	25.6	26.1
Percent Change	1.5%	1.6%	1.2%	0.6%	-3.9%	-3.8%	0.8%	1.9%	1.3%	2.0%
Finance, Insurance & Real Estate	8.1	8.3	8.4	8.3	8.0	7.7	7.7	7.7	7.8	7.9
Percent Change	0.5%	2.0%	1.0%	-1.1%	-3.1%	-3.6%	-0.7%	0.7%	1.2%	1.0%
Services	52.1	53.5	54.9	55.9	55.2	54.6	55.6	57.1	58.6	60.1
Percent Change	1.7%	2.4%	2.7%	2.5%	1.8%	-1.3%	-1.2%	1.9%	2.7%	2.5%
Professional & Business	16.6	17.3	17.8	18.0	17.1	16.5	17.0	17.6	18.2	18.9
Percent Change	3.0%	3.9%	3.0%	0.9%	-4.7%	-3.6%	3.1%	3.6%	3.4%	3.7%
Education & Health	17.4	17.9	18.3	18.9	19.4	19.7	20.0	20.5	20.9	21.3
Percent Change	2.4%	2.8%	2.6%	3.0%	2.6%	1.8%	1.6%	2.1%	2.1%	1.8%
Leisure & Hospitality	12.7	12.9	13.3	13.5	13.2	13.0	13.2	13.6	14.0	14.4
Percent Change	2.6%	2.3%	2.6%	1.6%	-1.9%	-1.9%	1.4%	2.9%	3.2%	3.2%
Other Services	5.4	5.4	5.5	5.5	5.4	5.3	5.3	5.4	5.4	5.5
Percent Change	-0.2%	0.3%	1.0%	0.9%	-1.3%	-2.0%	0.1%	1.2%	0.9%	0.6%
Government	21.7	21.9	22.1	22.4	22.6	22.6	22.3	22.0	21.9	21.9
Percent Change	0.6%	0.8%	1.0%	1.2%	0.9%	0.0%	-1.3%	-1.4%	-0.4%	-0.1%
Civilian Labor Force	148.2	150.4	152.4	153.7	154.6	153.9	153.6	154.3	155.3	155.5
Percent Change	1.0%	1.4%	1.4%	0.8%	0.6%	-0.4%	-0.2%	0.4%	0.7%	0.1%
Unemployment Rate	5.3%	4.8%	4.5%	5.0%	7.6%	9.7%	9.3%	8.5%	7.8%	6.8%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 5
CONSUMER PRICE INDEXES
(1982-1984 = 100)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All Items – Urban Consumers	191.7	198.9	204.1	211.7	214.6	216.8	221.1	227.6	231.4	235.0
Percent Change	3.0%	3.8%	2.6%	3.7%	1.4%	1.0%	2.0%	2.9%	1.7%	1.6%
Food & Beverages	188.6	192.9	198.5	207.8	218.1	218.2	222.8	231.6	235.5	239.2
Percent Change	3.0%	2.3%	2.9%	4.7%	4.9%	0.1%	2.1%	4.0%	1.7%	1.5%
Housing	192.4	199.6	206.5	212.8	217.5	216.5	217.2	221.0	224.9	230.2
Percent Change	3.7%	3.5%	3.1%	2.2%	-0.5%	0.3%	1.7%	1.8%	2.4%	2.4%
Energy	159.7	194.2	198.6	226.6	208.2	206.5	227.8	245.9	245.7	246.4
Percent Change	12.5%	21.6%	2.3%	14.1%	-8.1%	-0.9%	10.3%	7.9%	-0.1%	0.3%
Commodities	156.9	163.1	165.0	172.0	170.9	173.2	178.7	186.3	187.8	188.0
Percent Change	3.0%	3.9%	1.2%	4.2%	-0.6%	1.3%	3.2%	4.3%	0.8%	0.1%
Apparel	120.2	119.2	119.6	118.6	119.4	120.0	119.7	124.9	126.9	127.6
Percent Change	-0.4%	-0.8%	0.4%	-0.8%	0.7%	0.5%	-0.3%	4.3%	1.7%	0.5%
Transportation	167.0	179.9	181.2	192.8	182.6	189.0	202.9	215.4	217.8	217.8
Percent Change	4.9%	7.7%	0.7%	6.4%	-5.3%	3.5%	7.3%	6.2%	1.1%	0.0%
Services	226.2	234.6	242.9	251.0	258.1	260.1	263.2	268.6	274.6	281.6
Percent Change	3.0%	3.7%	3.6%	3.3%	2.8%	0.8%	1.2%	2.0%	2.3%	2.5%
Medical Care	329.2	343.5	359.3	378.3	390.9	404.4	417.1	431.7	447.8	459.9
Percent Change	5.0%	4.3%	4.6%	5.3%	3.3%	3.4%	3.2%	3.5%	3.7%	2.7%
Other Goods & Services	308.9	317.6	327.5	338.9	355.3	376.9	384.6	390.7	397.8	404.7
Percent Change	2.5%	2.8%	3.1%	3.5%	4.8%	6.1%	2.0%	1.6%	1.8%	1.7%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 6
PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Income	167.41	178.38	190.71	198.50	194.66	193.71	203.01	210.44	217.91	221.13
Percent Change	6.4%	6.6%	6.9%	4.1%	-1.9%	-0.5%	4.8%	3.7%	3.5%	1.5%
Disposable Personal Income	143.07	150.72	159.65	166.73	166.57	167.14	173.81	178.76	183.58	184.86
Percent Change	5.5%	5.3%	5.9%	4.4%	-0.1%	0.3%	4.0%	2.9%	2.7%	0.7%
Total Wages	92.13	96.72	102.36	105.74	102.04	99.91	104.32	106.26	109.78	112.27
Percent Change	5.5%	5.0%	5.8%	3.3%	-3.5%	-2.1%	4.4%	1.9%	3.3%	2.3%
Manufacturing Wages	12.88	13.08	13.57	13.91	13.08	12.30	13.19	13.41	13.75	13.76
Percent Change	3.2%	1.6%	3.7%	2.6%	-6.0%	-5.9%	7.2%	1.6%	2.5%	0.1%
Nonmanufacturing Wages	79.26	83.64	88.79	91.83	88.96	87.60	91.13	92.85	96.03	98.51
Percent Change	5.9%	5.5%	6.2%	3.4%	-3.1%	-1.5%	4.0%	1.9%	3.4%	2.6%
Other Labor Income	21.76	22.02	22.39	23.54	23.47	23.47	24.38	24.47	24.53	24.54
Percent Change	7.7%	1.2%	1.7%	5.1%	-0.3%	0.0%	3.9%	0.3%	0.2%	0.1%
Proprietor's Income	16.07	17.23	17.12	16.16	16.37	18.47	18.42	19.74	21.19	22.09
Percent Change	2.7%	7.2%	-0.6%	-5.6%	1.3%	12.8%	-0.2%	7.2%	7.4%	4.2%
Property Income	31.95	36.61	42.22	45.30	41.98	38.44	41.39	44.67	47.88	48.85
Percent Change	10.6%	14.6%	15.3%	7.3%	-7.3%	-8.4%	7.7%	7.9%	7.2%	2.0%
Transfer Payments Less Social Insurance	5.50	5.81	6.61	7.76	10.79	13.43	14.49	15.30	14.52	13.38
Percent Change	5.8%	5.5%	13.9%	17.4%	39.0%	24.4%	7.9%	5.6%	-5.1%	-7.9%
Transfer Payments	18.69	19.47	20.77	22.43	25.41	27.87	28.59	28.89	29.65	30.05
Percent Change	5.1%	4.2%	6.7%	8.0%	13.3%	9.7%	2.6%	1.1%	2.6%	1.3%
Social Insurance	13.19	13.66	14.16	14.67	14.62	14.45	14.10	13.59	15.13	16.67
Percent Change	4.7%	3.6%	3.6%	3.6%	-0.3%	-1.2%	-2.4%	-3.6%	11.3%	10.2%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 7
DEFLATED PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Income	185.01	190.84	198.28	202.07	194.97	192.96	198.55	201.82	205.59	205.58
Percent Change	3.3%	3.1%	3.9%	1.9%	-3.5%	-1.0%	2.9%	1.6%	1.9%	0.0%
Disposable Personal Income	158.11	161.24	165.99	169.73	166.84	166.49	169.99	171.44	173.20	171.87
Percent Change	2.4%	2.0%	2.9%	2.2%	-1.7%	-0.2%	2.1%	0.9%	1.0%	-0.8%
Total Wages	101.82	103.47	106.42	107.64	102.20	99.52	102.03	101.91	103.58	104.38
Percent Change	2.4%	1.6%	2.9%	1.1%	-5.1%	-2.6%	2.5%	-0.1%	1.6%	0.8%
Manufacturing Wages	14.23	13.99	14.11	14.16	13.10	12.26	12.90	12.86	12.97	12.80
Percent Change	0.1%	-1.7%	0.8%	0.4%	-7.5%	-6.4%	5.3%	-0.3%	0.9%	-1.4%
Nonmanufacturing Wages	87.59	89.47	92.32	93.48	89.11	87.26	89.13	89.05	90.61	91.58
Percent Change	2.7%	2.1%	3.2%	1.3%	-4.7%	-2.1%	2.1%	-0.1%	1.7%	1.1%
Other Labor Income	24.05	23.56	23.28	23.96	23.51	23.38	23.85	23.46	23.14	22.82
Percent Change	4.6%	-2.0%	-1.2%	2.9%	-1.9%	-0.6%	2.0%	-1.6%	-1.4%	-1.4%
Proprietor's Income	17.76	18.43	17.80	16.45	16.40	18.39	18.02	18.93	20.00	20.53
Percent Change	-0.4%	3.8%	-3.4%	-7.6%	-0.3%	12.2%	-2.1%	5.1%	5.6%	2.7%
Property Income	35.31	39.17	43.90	46.11	42.05	38.29	40.48	42.84	45.17	45.41
Percent Change	7.3%	10.9%	12.1%	5.0%	-8.8%	-8.9%	5.7%	5.8%	5.4%	0.5%
Transfer Payments Less Social Insurance	6.08	6.21	6.88	7.90	10.81	13.38	14.17	14.68	13.70	12.44
Percent Change	2.7%	2.2%	10.7%	14.9%	36.8%	23.7%	6.0%	3.5%	-6.6%	-9.2%
Transfer Payments	20.66	20.83	21.60	22.83	25.45	27.76	27.96	27.71	27.97	27.94
Percent Change	2.0%	0.8%	3.7%	5.7%	11.5%	9.1%	0.7%	-0.9%	1.0%	-0.1%
Social Insurance	14.58	14.62	14.72	14.93	14.64	14.39	13.79	13.03	14.27	15.49
Percent Change	1.7%	0.3%	0.7%	1.4%	-1.9%	-1.7%	-4.2%	-5.5%	9.5%	8.6%

Note: All categories are deflated by GDP Price Index (2009 = 100).

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 8
MANUFACTURING EMPLOYMENT
(THOUSANDS -Seasonally Adjusted)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Manufacturing	196.70	194.12	192.40	189.22	180.42	166.28	166.23	166.04	164.38	162.79
Percent Change	-0.4%	-1.3%	-0.9%	-1.7%	-4.7%	-7.8%	0.0%	-0.1%	-1.0%	-1.0%
Electronic & Electrical	25.78	25.78	25.08	25.02	25.25	24.55	22.87	23.29	23.06	22.70
Percent Change	-0.5%	-2.7%	-0.2%	0.9%	-2.8%	-6.9%	1.9%	-1.0%	-1.6%	-3.8%
Metals Manufacturing	41.14	40.98	40.80	40.38	37.94	33.69	34.05	34.93	35.63	35.95
Percent Change	1.4%	-0.4%	-0.4%	-1.0%	-6.0%	-11.2%	1.1%	2.6%	2.0%	0.9%
Industrial Machinery	18.35	18.00	18.16	18.01	17.03	15.33	14.88	14.71	14.29	14.11
Percent Change	-1.6%	-1.9%	0.9%	-0.8%	-5.4%	-10.0%	-2.9%	-1.1%	-2.8%	-1.3%
Transportation Equip.	43.31	43.60	43.52	43.93	43.94	42.41	42.11	42.31	41.76	41.06
Percent Change	0.6%	0.7%	-0.2%	1.0%	0.0%	-3.5%	-0.7%	0.5%	-1.3%	-1.7%
Chemical, Plast. & Rub.	24.78	24.21	23.35	22.04	19.98	18.25	18.31	17.67	17.04	16.59
Percent Change	-1.4%	-2.3%	-3.6%	-5.6%	-9.3%	-8.7%	0.3%	-3.5%	-3.6%	-2.7%
Food, Bev. & Tobacco	8.38	8.56	8.46	8.03	7.73	7.98	8.09	7.97	8.01	8.30
Percent Change	0.0%	2.2%	-1.2%	-5.1%	-3.7%	3.2%	1.4%	-1.5%	0.5%	3.7%
All Other	34.97	32.99	33.03	31.81	28.55	24.07	25.93	25.16	24.60	24.09
Percent Change	-23.7%	-5.7%	0.1%	-3.7%	-10.3%	-15.7%	7.7%	-3.0%	-2.2%	-2.1%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 9
NONMANUFACTURING EMPLOYMENT
(THOUSANDS -Seasonally Adjusted)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nonmanufacturing	1,460.3	1,476.6	1,497.3	1,517.1	1,484.3	1,439.6	1,452.2	1,467.6	1,482.8	1,496.8
Percent Change	1.0%	1.1%	1.4%	1.3%	-2.2%	-3.0%	0.9%	1.1%	1.0%	0.9%
Construction & Mining	67.2	67.2	68.5	69.2	60.3	51.8	51.4	52.4	53.1	55.8
Percent Change	4.3%	-0.1%	2.0%	1.0%	-12.9%	-14.1%	-0.8%	2.0%	1.2%	5.2%
Information	38.7	37.8	38.1	38.5	36.4	32.5	31.6	31.2	31.7	31.7
Percent Change	-1.3%	-2.2%	0.6%	1.1%	-5.5%	-10.7%	-2.6%	-1.2%	1.5%	0.0%
Utilities	8.7	8.3	8.1	8.3	8.7	8.1	7.8	7.6	7.5	7.5
Percent Change	-0.5%	-4.1%	-2.0%	2.5%	4.1%	-6.6%	-3.3%	-2.6%	-1.6%	0.4%
Transportation	42.8	44.0	44.1	44.1	42.9	40.8	41.6	42.3	43.7	45.4
Percent Change	5.9%	2.7%	0.2%	0.1%	-2.7%	-5.0%	2.0%	1.8%	3.2%	3.8%
Wholesale Trade	65.9	67.2	67.7	69.1	67.3	63.1	62.9	63.2	63.1	63.9
Percent Change	0.5%	1.9%	0.8%	2.1%	-2.6%	-6.2%	-0.3%	0.3%	-0.1%	1.3%
Retail Trade	192.7	191.4	191.1	190.9	182.6	177.4	179.5	181.3	182.6	183.8
Percent Change	0.8%	-0.7%	-0.2%	-0.1%	-4.4%	-2.8%	1.2%	1.0%	0.7%	0.7%
Finance & Insurance	120.7	122.3	123.8	123.2	121.0	116.6	116.7	115.4	113.4	111.9
Percent Change	-0.3%	1.3%	1.2%	-0.5%	-1.8%	-3.7%	0.1%	-1.1%	-1.8%	-1.3%
Real Estate	20.5	21.0	21.1	20.9	19.9	19.0	18.8	18.7	18.9	19.1
Percent Change	1.3%	2.4%	0.8%	-1.3%	-4.7%	-4.7%	-0.8%	-0.6%	1.2%	1.0%
Professional & Business	197.9	202.6	205.5	207.6	196.7	187.4	193.2	199.8	203.5	205.3
Percent Change	0.7%	2.4%	1.4%	1.0%	-5.3%	-4.7%	3.1%	3.4%	1.9%	0.9%
Education & Health	271.0	276.1	283.8	292.2	299.9	304.1	310.8	315.2	319.4	324.8
Percent Change	1.8%	1.9%	2.8%	3.0%	2.6%	1.4%	2.2%	1.4%	1.3%	1.7%
Leisure & Hospitality	128.7	130.8	134.0	137.4	135.2	132.7	135.3	140.5	144.7	149.7
Percent Change	1.6%	1.7%	2.4%	2.5%	-1.6%	-1.8%	2.0%	3.8%	3.0%	3.4%
Other Services	62.7	63.1	64.3	63.8	62.1	60.6	60.6	60.8	62.2	61.9
Percent Change	0.6%	0.7%	1.9%	-0.7%	-2.8%	-2.4%	0.0%	0.3%	2.3%	-0.5%
Federal Government	20.0	19.8	19.6	19.6	19.5	19.8	18.4	17.8	17.5	17.3
Percent Change	-2.1%	-1.0%	-0.7%	-0.1%	-0.6%	1.4%	-7.0%	-3.1%	-1.9%	-1.0%
State & Local Gov't.	222.9	225.2	227.6	232.2	232.0	225.8	223.5	221.3	221.6	218.9
Percent Change	-0.1%	1.0%	1.1%	2.0%	-0.1%	-2.6%	-1.0%	-1.0%	0.1%	-1.2%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 10
LABOR FORCE & OTHER ECONOMIC INDICATORS
(THOUSANDS -Seasonally Adjusted)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Labor Force	1,795.3	1,815.7	1,838.2	1,858.7	1,888.3	1,906.1	1,914.9	1,896.3	1,874.7	1,859.5
Percent Change	0.2%	1.1%	1.2%	1.1%	1.6%	0.9%	0.5%	-1.0%	-1.1%	-0.8%
Nonfarm Employment	1,657.0	1,670.8	1,689.7	1,706.3	1,664.7	1,605.9	1,618.4	1,633.6	1,647.2	1,659.6
Percent Change	0.8%	0.8%	1.1%	1.0%	-2.4%	-3.5%	0.8%	0.9%	0.8%	0.8%
Residential Employment	1,708.2	1,731.6	1,756.6	1,766.6	1,757.6	1,735.6	1,737.5	1,736.2	1,722.9	1,723.8
Percent Change	0.6%	1.4%	1.4%	0.6%	-0.5%	-1.3%	0.1%	-0.1%	-0.8%	0.0%
Unemployed	87.1	84.1	81.6	92.0	130.7	170.5	177.4	160.2	151.8	135.7
Percent Change	-7.2%	-3.4%	-3.0%	12.8%	42.1%	30.4%	4.0%	-9.7%	-5.3%	-10.6%
Unemployment Rate	4.9%	4.6%	4.4%	5.0%	6.9%	8.9%	9.3%	8.4%	8.1%	7.3%
Households	1,334.4	1,343.0	1,349.9	1,351.7	1,359.6	1,365.3	1,369.7	1,366.1	1,367.2	1,358.3
Percent Change	0.6%	0.6%	0.5%	0.1%	0.6%	0.4%	0.3%	-0.3%	0.1%	-0.7%
Housing Starts	11,999.3	11,351.0	8,788.4	6,700.8	3,769.2	3,832.8	3,536.5	3,657.9	5,375.5	4,771.8
Percent Change	20.1%	-5.4%	-22.6%	-23.8%	-43.8%	1.7%	-7.7%	3.4%	47.0%	-11.2%
Single Family	9,962.9	9,097.6	7,160.0	4,901.1	2,482.9	2,832.4	2,467.9	2,377.0	2,987.2	2,706.1
Percent Change	25.7%	-8.7%	-21.3%	-31.5%	-49.3%	14.1%	-12.9%	-3.7%	25.7%	-9.4%
Multi Family	2,068.2	2,036.4	2,253.4	1,628.4	1,799.7	1,286.4	1,000.4	1,068.6	1,280.9	2,388.3
Percent Change	83.1%	-1.5%	10.7%	-27.7%	10.5%	-28.5%	-22.2%	6.8%	19.9%	86.5%
New Car Registrations	215.8	196.9	189.7	184.0	129.0	133.3	148.0	151.8	161.3	174.4
Percent Change	5.3%	-8.8%	-3.6%	-3.0%	-29.9%	3.3%	11.0%	2.6%	6.2%	8.1%

Note: Housing starts are expressed in whole numbers, not thousands

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 11
ANALYTICS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Wages/Total Income	55.0%	54.2%	53.7%	53.3%	52.4%	51.6%	51.4%	50.5%	50.4%	50.8%
Other Labor Income /Total Income	13.0%	12.3%	11.7%	11.9%	12.1%	12.1%	12.0%	11.6%	11.3%	11.1%
Social Insurance /Total Income	7.9%	7.7%	7.4%	7.4%	7.5%	7.5%	6.9%	6.5%	6.9%	7.5%
Transfer Payments /Total Income	11.2%	10.9%	10.9%	11.3%	13.1%	14.4%	14.1%	13.7%	13.6%	13.6%
Proprietor's Income /Total Income	9.6%	9.7%	9.0%	8.1%	8.4%	9.5%	9.1%	9.4%	9.7%	10.0%
Property Income /Total Income	19.1%	20.5%	22.1%	22.8%	21.6%	19.8%	20.4%	21.2%	22.0%	22.1%
Average Wages (Thousands in 2009 $)	58.33	58.79	59.73	59.99	58.88	59.36	60.42	59.67	59.65	59.35
Average Mfg. Wages (Thousands in 2009 $)	62.61	64.44	67.36	70.40	70.02	71.45	76.62	77.80	79.93	80.36
Average Nonmfg. Wages (Thousands in 2009 $)	57.37	57.95	58.89	58.99	58.01	58.53	59.26	58.46	58.39	58.16
Manufacturing Share of Nonfarm Employment	11.9%	11.6%	11.4%	11.1%	10.8%	10.4%	10.3%	10.2%	10.0%	9.8%
Residential Employment /Total Nonfarm Employment	1.031	1.036	1.040	1.035	1.056	1.081	1.074	1.063	1.046	1.039

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - CALENDAR YEAR BASIS

TABLE 12
PERSONAL INCOME (MILLIONS-Seasonally Adjusted Annual Rate)

BRIDGEPORT-STAMFORD-NORWALK

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	57,594.9	61,370.4	67,423.3	70,593.6	69,946.9	64,219.2	68,039.3	73,015.2	76,325.8	77,080.5
Percent Change	9.2%	6.6%	9.9%	4.7%	-0.9%	-8.2%	5.9%	7.3%	4.5%	1.0%
Total Wages	29,411.3	31,130.2	33,290.8	36,063.5	35,751.3	32,768.2	33,942.3	35,522.8	36,219.7	36,271.7
Percent Change	6.3%	5.8%	6.9%	8.3%	-0.9%	-8.3%	3.6%	4.7%	2.0%	0.1%

HARTFORD-WEST HARTFORD-EAST HARTFORD

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	49,786.3	52,154.4	55,890.8	59,991.0	61,404.5	60,582.3	61,649.8	63,457.8	66,750.8	67,268.3
Percent Change	5.9%	4.8%	7.2%	7.3%	2.4%	-1.3%	1.8%	2.9%	5.2%	0.8%
Total Wages	30,283.6	31,703.7	33,154.1	35,331.4	35,700.6	34,410.5	34,804.9	36,280.4	37,486.2	38,131.2
Percent Change	6.2%	4.7%	4.6%	6.6%	1.0%	-3.6%	1.1%	4.2%	3.3%	1.7%

NEW HAVEN-MILFORD

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	33,274.3	34,570.9	36,793.4	39,314.1	40,380.2	40,123.9	40,925.3	42,267.6	44,151.7	44,567.5
Percent Change	5.5%	3.9%	6.4%	6.9%	2.7%	-0.6%	2.0%	3.3%	4.5%	0.9%
Total Wages	16,611.3	16,950.6	17,639.2	18,478.9	18,919.3	18,230.9	18,371.7	18,855.8	19,465.4	19,824.4
Percent Change	4.6%	2.0%	4.1%	4.8%	2.4%	-3.6%	0.8%	2.6%	3.2%	1.8%

NEW LONDON-NORWICH, CT-RI

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	10,724.7	11,018.3	11,624.2	12,403.0	12,792.5	12,630.6	12,825.1	13,173.6	13,768.2	13,795.7
Percent Change	5.4%	2.7%	5.5%	6.7%	3.1%	-1.3%	1.5%	2.7%	4.5%	0.2%
Total Wages	5,863.6	6,055.0	6,295.0	6,605.3	6,855.6	6,710.5	6,659.2	6,745.1	6,799.1	6,763.4
Percent Change	4.1%	3.3%	4.0%	4.9%	3.8%	-2.1%	-0.8%	1.3%	0.8%	-0.5%