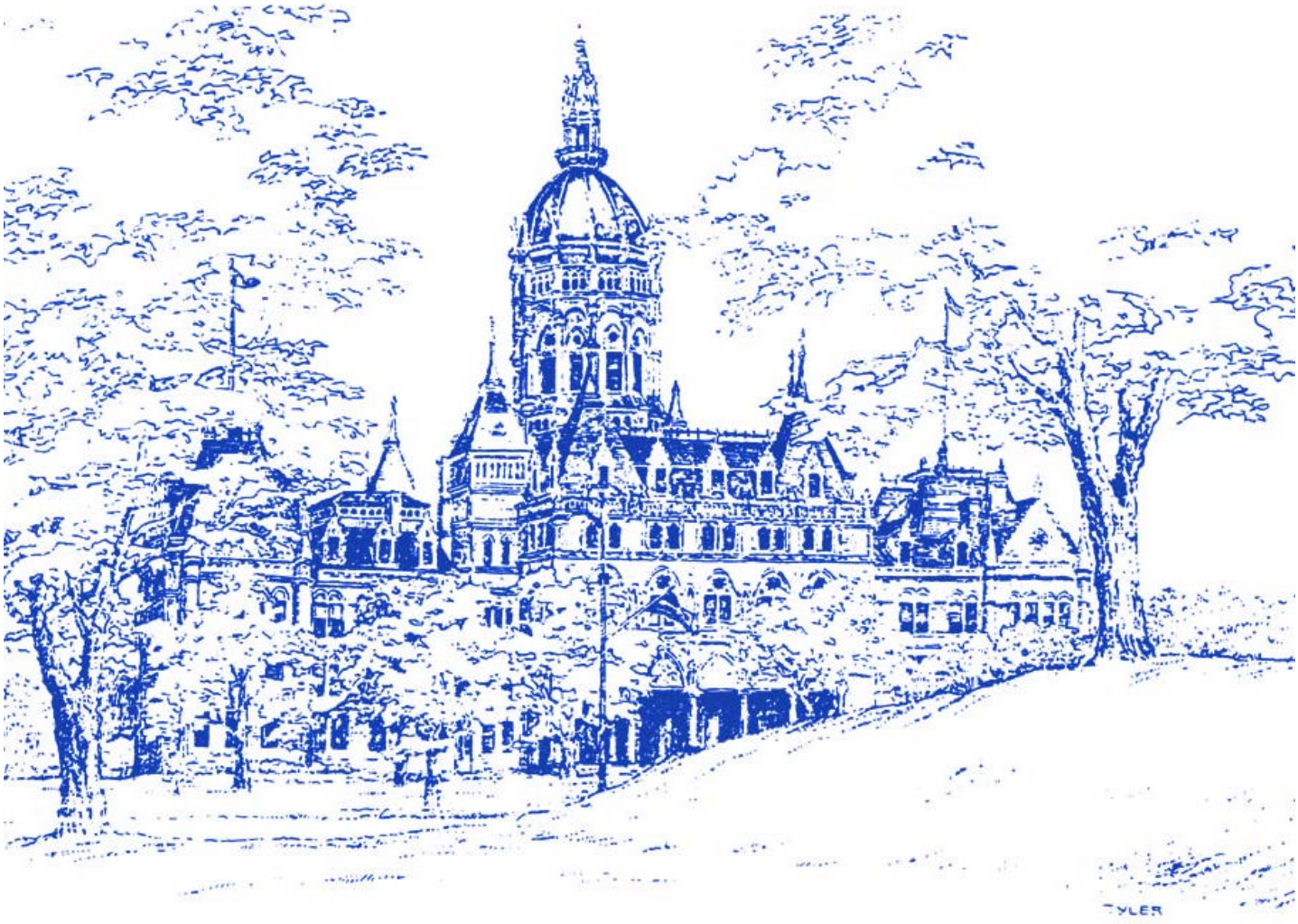
FY2001- FY2003 BIENNIUM

CONNECTICUT

ECONOMIC REPORT OF THE GOVERNOR



John G. Rowland, Governor

February 2001

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INTRODUCTION

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

"Part IV of the Budget Document shall consist of 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 will focus 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 of three differing entities (the United States, the New England Region, and Connecticut); (5) a discussion of some of the important revenue raising taxes; (6) the economic assumptions of the Governor's Budget, including narratives on the foreign sector, the U.S. economy and the Connecticut economy, 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.

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 between New England and the rest of the Eastern seaboard markets. Over one-quarter of the total population of the United States and about 60% of the Canadian population live within a 500-mile radius of Connecticut and are readily accessible by rail, truck and air. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Connecticut's Bradley International Airport is well situated for overseas airfreight operations and is readily accessible from all areas of the State. Railroad service is provided to most major towns and cities of Connecticut, providing connections with the major eastern railroads, as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides favorable access to the European and Eastern South American export markets. Connecticut has operational harbors in Bridgeport and New Haven which accommodate most deep draft vessels.

Connecticut is highly urbanized with a population density of 703 persons for each of its 4,845 square miles of land, compared with 79 persons per square mile of land for the United States, based on recently-released preliminary figures from the April 1, 2000 census. Hartford, the capital of Connecticut, is a center for the insurance industry and a major service center for business and commerce. The industrial activity of the State is concentrated in two regions. The first, the Naugatuck Valley, extends from Bridgeport north through Ansonia and Waterbury to Torrington, and has a high concentration of heavy industry. The second, a belt extending from Hartford southwest through New Britain, Middletown and Meriden to the coast in New Haven, is typified by highly skilled precision metal products manufacturing. In addition, a large submarine building firm, several chemical production facilities and two casino gaming enterprises exist in the Groton-New London area. Stamford, and the Southwestern portion of the state in general, has a high concentration of financial service industries. The area also serves as headquarters to numerous Fortune 500 companies due to the talented labor pool which resides there, the amenable environment of the region and proximity to New York City, the world's financial center.

Connecticut is a mature and highly developed state. Connecticut's leadership in the skills and techniques of modern manufacturing, trade, finance, insurance and other fields produced a record economic output and growth during the twentieth century while its revitalized transportation infrastructure made its products accessible to numerous markets. Connecticut's 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

On April 1, 2000, this nation's population was counted. The 2000 Census of Population and Housing was the 22nd in a series that began in 1790. At that time, the population numbered 4 million in the nation's 18 states. In 2000, based on preliminary census figures, the population totaled 281.4 million

people in the 50 states and the District of Columbia. The following Table displays the change in resident population for the United States, New England and Connecticut with their corresponding census counts. Since 1930, the population has risen in all three data series for all decades. However, during the 1970s, 1980s and 1990's, the population growth in Connecticut and New England was significantly lower than the prior three decades.

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	13.1	13,923	5.4	3,406	3.6

* The census is taken on April 1 of each census year. Figures for 2000 are preliminary, and have been released for state totals only, without details of age, sex, race, etc.

Source: U.S. Bureau of the Census

In the United States, the resident population, which excludes Armed Forces Overseas, increased from 248,709,873 in 1990 to 281,421,906 in 2000. This represents an increase of 13.1% for the 1990s, an increase from the 9.8% increase experienced in the 1980s and the 11.4% increase experienced in the 1970s. New England's population increased 5.4% from 1990 to 2000 after a 6.9% increase from 1980 to 1990. Within New England, only Vermont and New Hampshire experienced growth higher than the region. According to projections made by the U.S. Bureau of the Census prior to the census, this trend is likely to continue.

During the last few decades, the heavily populated states experienced a slowdown in the growth of their populations. This slow growth phenomenon was common to the states 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 apportionment of seats in the U.S. House of Representatives changed as a result of the 1990 Census, and will change again as a result of the 2000 census. Also, federal aid levels will continue to change as the state's estimated population size, relative to the nation's, changes each year. Federal programs which use population as the base include such grants as highway planning and construction, alcohol and drug abuse programs, low income energy assistance, community assistance grants and job training.

Resident population in Connecticut, according to preliminary figures from the 2000 census, was 3,405,565, an increase of 118,449 from the 3,287,116 figure of 1990. This represented a growth of

3.6% for the decade, slower growth than was experienced by either the New England Region or the nation as a whole, for the third consecutive decade. In fact, between 1990 and 2000, the state's growth rate was the fourth lowest in the nation. During the last recession, Connecticut's population started declining as a result of the state's weak economy, the high relative cost of living, and a softened job market which collectively made the state less attractive. The minor population losses in the early 1990's were the result of small in-migration compared to a much larger out-migration. This net out-migration is not to be confused with overall population declines, since a surplus of births and an influx of foreign migration have offset domestic out-migration in most years. The migration of population to and from Connecticut during the late 1980s and 1990s parallels the performance of the state's economy, rising during the expansion, declining at the time of the recession, and rising again the last few years.

Population counts for Connecticut counties from the 1980 and 1990 census with their corresponding percentage increases are shown in the following Table. Connecticut counties experiencing faster growth during the 1980's were those not dominated by large urban areas. Population counts by municipality are also available in the Appendix of this report.

TABLE 2
COUNTY POPULATION IN CONNECTICUT

County	1980 Census	1990 Census	Percent Change
Fairfield	807,143	827,645	2.5
Hartford	807,766	851,783	5.4
Litchfield	156,769	174,092	11.1
Middlesex	129,017	143,196	11.0
New Haven	761,325	804,219	5.6
New London	238,409	254,957	6.9
Tolland	114,823	128,699	12.1
Windham	92,312	102,525	11.1

Note: County figures have not been released for 2000.

Source: U.S. Bureau of the Census

In September 1995, the Policy Development and Planning Division of Connecticut's Office of Policy and Management (OPM) published "Connecticut Population Projections, By Age and Sex: 1995, 2000, 2010 & 2020." The publication lists population projections by five-year intervals for the State, Counties and Municipalities, by age and sex. According to the projected data, Connecticut's total population was expected to remain virtually static through the year 2000. Thereafter, growth is projected at a cumulative 1.5% from 2000 to 2010. The growth for the following ten-year period from 2010 to 2020 is projected at 6.4%.

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, school enrollments, etc. In addition, to comply with the Connecticut General Statutes concerning state aid to municipalities, an annual mid-year estimate of population is also prepared by the Department of Public Health based on the number of births, deaths and school age population. The following Table shows the U.S. Bureau of the Census estimates for mid-year population for the United States, New England and Connecticut. (July 1, 2000, population estimates were not available due to the 2000 Census. The most current 1999 data is provided, since estimates for interim years have not been reconciled with 2000 census results.)

TABLE 3
MID-YEAR POPULATION
(In Thousands)

Mid	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990	249,464	1.1	13,220	0.3	3,289	0.2
1991	252,153	1.1	13,201	(0.1)	3,289	(0.0)
1992	255,030	1.1	13,188	(0.1)	3,275	(0.4)
1993	257,783	1.1	13,216	0.2	3,272	(0.1)
1994	260,327	1.0	13,243	0.2	3,268	(0.1)
1995	262,803	1.0	13,283	0.3	3,265	(0.1)
1996	265,229	0.9	13,329	0.3	3,267	0.1
1997	267,784	1.0	13,378	0.4	3,269	0.1
1998	270,248	0.9	13,429	0.4	3,273	0.1
1999	272,691	0.9	13,496	0.5	3,282	0.3

Source: Population Estimates Program, Population Division, U.S. Bureau of the Census

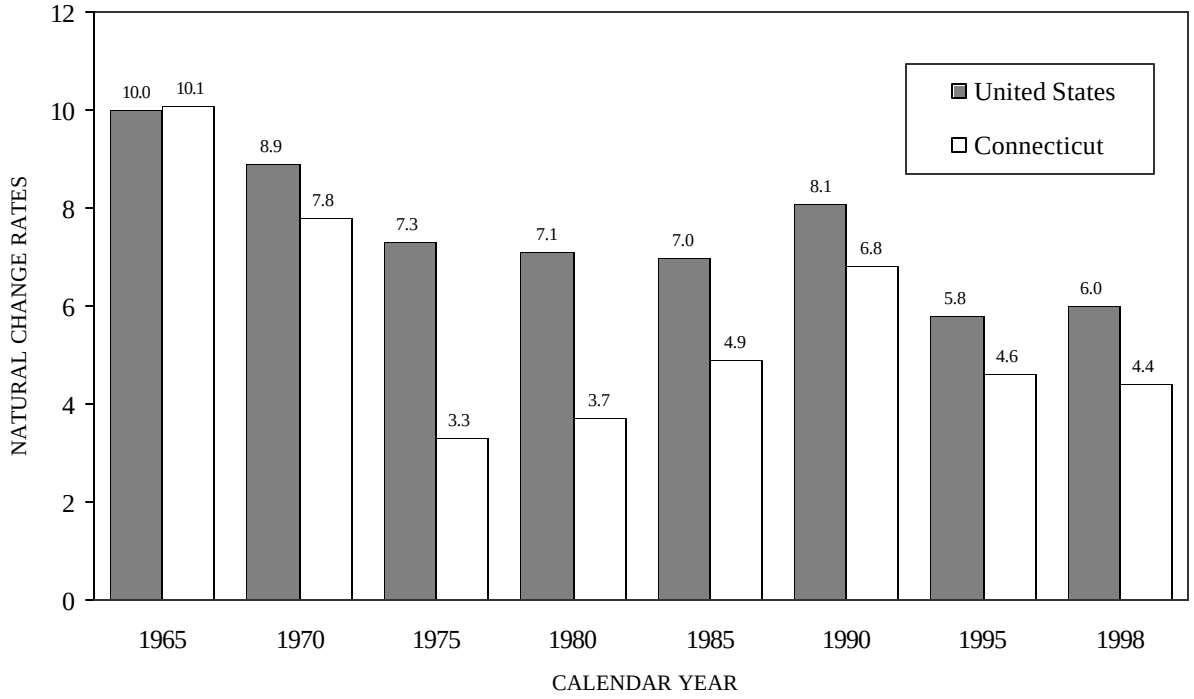
Natural Change Rates

The natural change rate is defined as the difference between birth and death rates.

The birth rate in Connecticut has consistently remained below the national average, declining during the 1960s and 1970s and then slowly reversing itself, increasing gradually since the early 1980s and finally peaking in 1990. However, since reaching its peak of 15.2 births per 1,000, Connecticut's trend has followed that of the nation, declining gradually over the next seven years. In 1998, the Connecticut birth rate was approximately 13.4 per 1,000, compared to the national average of 14.6. This is a slight increase, however, from the 13.2 in 1997. The mortality rate for Connecticut for the last few years, however, has been rising and leveling off near the levels experienced 30 to 35 years ago, while the national death rate has experienced a gradual decline. This has occurred despite the improvements in medicine and health care and is attributable to the aging of the population.

The following Chart and Table provides a graphic presentation of the natural change rates for the United States and Connecticut.

NATURAL CHANGE RATES
PER THOUSAND



Source: U.S. Bureau of the Census, Connecticut Department of Health Services, & The National Center for Health Statistics, Centers for Disease Control and Prevention

TABLE 4
NATURAL CHANGE RATES PER THOUSAND POPULATION

	1965	1970	1975	1980	1985	1990	1995	1997	1998
Birth Rates:									
United States	19.4	18.4	16.1	15.9	15.8	16.7	14.6	14.5	14.6
Connecticut	19.2	16.7	11.6	12.5	13.7	15.2	13.6	13.2	13.4
Death Rates:									
United States	9.4	9.5	8.8	8.8	8.8	8.6	8.8	8.6	8.6
Connecticut	9.1	8.9	8.3	8.8	8.8	8.4	9.0	9.0	9.0
Natural Change									
United States	10.0	8.9	7.3	7.1	7.0	8.1	5.8	5.9	6.0
Connecticut	10.1	7.8	3.3	3.7	4.9	6.8	4.6	4.2	4.4

Source: U.S. Bureau of the Census, Connecticut Department of Health Services, & The National Center for Health Statistics, Centers for Disease Control and Prevention

Households

Demand for housing, household goods and services depends upon the amount of household income and the total number of households. The number of households is a function of population and household size. 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 opposite is true when the size of household increases, the number of households decline.

The number of households in Connecticut, according to 1995 U.S. Census Bureau estimates, was approximately 1,222,000, down from the 1990 Census count of 1,230,475. This is not unusual in that the five-year trend coincides with the gradual decline in Connecticut's population that occurred during the early 1990s. The following Table shows the household structures for the United States and Connecticut covering the first half of the decade.

TABLE 5
HOUSEHOLD STRUCTURE
(In Thousands)

	United States			Connecticut		
	1990 Number of Households	1995 Number of Households	5 Year Percent Change	1990 Number of Households	1995 Number of Households	5 Year Percent Change
Family	66,090	69,305	4.9	864	857	(0.8)
• Married	52,317	53,858	2.9	685	675	(1.5)
• Male	2,884	3,227	11.9	39	39	0.0
• Female	10,890	12,220	12.2	140	143	2.1
Non-Family	27,257	29,685	8.9	366	365	(0.8)
Total	93,347	98,990	5.7	1,230	1,222	(0.7)

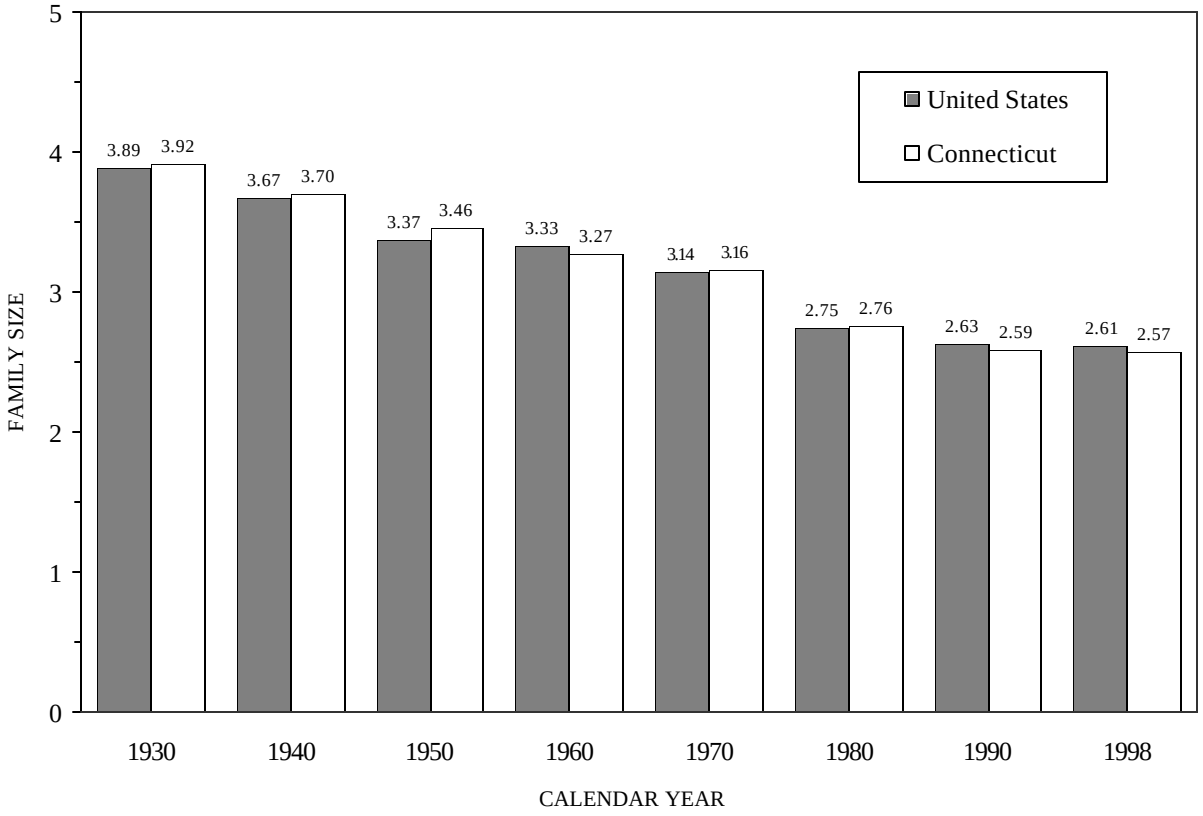
Source: U.S. Bureau of the Census

In 1990, household patterns in Connecticut were very similar to those of the Nation with some 70 percent being family households and 30 percent non-family households. Family households include a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. Non-family households include a householder living alone or with non-relatives. In 1995, the patterns for state and national family and non-family households are still fairly similar. However, five-year growth in various structural components for the U.S. differ when compared to Connecticut. Family and non-family households, outside of female supported households, all declined or remained flat in Connecticut while expanding in the United States. The out-migration of state residents during the early 1990s contributed significantly to the dip in overall household growth.

Between 1990 and 1995, the decreasing population, the decreasing number of households, and the changing mix in the types of households in Connecticut resulted in a slight increase in average population per household in the state. The following Chart, however, shows that household size has generally been edging downward in the state and for the nation. Note, that the trend for the last five decades for the state follows that of the U.S. in both direction and magnitude. This relationship is important in forecasting Connecticut's household size. The nation's household size is estimated by the U.S. Bureau of the Census with current estimates derived from sample surveys.

PERSONS PER HOUSEHOLD

1930 - 1998



Source: U.S. Bureau of the Census

The declines in household size can be considered indicators 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 numbers of one parent families that are the consequence of the recent rise in the number of divorces.

Age Cohorts

The distribution of the Connecticut population among age cohorts is somewhat different from that of the U.S. average. As shown in the following Table, the state has a higher concentration of persons

aged 45 and over than either New England or 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 which may not continue to grow at a rate equal to that of the last few years. In 1998, the National Center for Health Statistics estimated the average life expectancy to be 76.3 years, up from 73.7 years in 1980, 75.4 years in 1990, and 75.8 years in 1995. As life spans continue to increase nationally, this trend is expected to impact retirement, social security, pension systems, health care, etc.

TABLE 6
POPULATION DISTRIBUTION BY AGE IN 1999
(In Thousands)

	17 & Less	18 to 24	25 to 44	45 to 64	65 & Above	Total
United States	70,199	26,011	82,749	59,191	34,540	272,691
% of Total	25.7	9.5	30.4	21.7	12.7	100.0
New England	3,272	1,114	4,288	2,946	1,876	13,496
% of Total	24.2	8.3	31.8	21.8	13.9	100.0
Connecticut	828	256	1,010	719	469	3,282
% of Total	25.2	7.8	30.8	21.9	14.3	100.0

Source: Population Estimates Program, Population Division, U.S. Bureau of the Census, March 9, 2000 (Numbers may not add due to rounding.)

Population Projections

The U.S. Department of Commerce, Bureau of the Census, recently published population projections for the United States and the 50 states, updating the previously mentioned Office of Policy & Management projections published in September of 1995. The report contains population estimates and projections for various years in a number of formats. The methodology employed in the preparation of the projections is also detailed. The following Table lists the estimates and the most current projections of the population in Connecticut.

Based on different assumptions on interstate migration, the BOC published four scenarios on projections. The preferred series underscores that Connecticut's population is not expected to increase significantly for the next several years. Resident population has begun to climb back up and will continue to increase through the projection period.

In addition, the elderly population (defined as those 65 years and over) continues to grow substantially. The size of this cohort is not only growing rapidly, the average age is also increasing. The most senior subset, which are those aged 85 and older, is increasing at a faster rate than the total elderly population in Connecticut. This significant growth 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 for health care facilities, public transportation, elderly housing, etc. The burden of caring for the elderly may become much greater as the baby boom generation enters its retirement years.

TABLE 7
PROJECTIONS OF THE POPULATION IN CONNECTICUT
(Mid-Year Resident Population In Thousands)

Age Group	1990 Census	1999 Estimate	BOC Projections 2005	2010
Total	3,287.1	3,282	3,317	3,400
0-17	737.6	828	777	766
18-44	1,452.3	1,266	1,235	1,232
45-64	651.3	719	849	924
65 & Over	445.9	469	456	477
85 & Over	47.1	63	75	85
Median Age	34.4	37.0	37.6	39.0

Source: U.S. Department of Commerce, Bureau of the Census, March 9, 2000

More specifically, the following three Tables call attention to some particular implications of these projections which might 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 areas.

TABLE 8
POPULATION DENSITY BY YEAR
(Persons per Square Mile)

	1980	1990	Preliminary 2000	Projected 2005	Projected 2015
United States	64.0	70.3	79.5	80.9	87.7
Northeast	301.9	313.1	330.1	325.2	337.9
Connecticut	637.9	678.4	702.9	684.4	723.8

Source: U.S. Bureau of the Census

In addition, as shown in the following Table, cultural implications might be suggested by the projected changes in the distribution of the population by race. 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, the region, and the state.

TABLE 9
POPULATION DISTRIBUTION BY RACE AND YEAR
(Percent of Total Population)

	Census 1980	Census 1990	Estimated 1998	Projected 2005	Projected 2015
United States					
White	86.0%	83.9%	82.5%	81.3%	79.7%
African-American	11.8%	12.3%	12.7%	13.2%	13.7%
Asian	1.6%	3.0%	3.9%	4.6%	5.6%
American Indian	0.6%	0.8%	0.9%	0.9%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Hispanic Origin	6.4%	9.0%	11.2%	12.6%	15.1%
Northeast					
White	88.5%	85.6%	83.6%	81.9%	79.6%
African-American	10.1%	11.4%	12.2%	13.1%	14.1%
Asian	1.2%	2.7%	3.9%	4.7%	6.0%
American Indian	0.2%	0.3%	0.3%	0.3%	0.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Hispanic Origin	5.4%	7.6%	9.1%	10.7%	12.8%
Connecticut					
White	92.0%	89.6%	88.0%	86.3%	83.9%
African-American	7.1%	8.6%	9.3%	10.6%	12.0%
Asian	0.7%	1.6%	2.5%	2.9%	3.8%
American Indian	0.2%	0.2%	0.2%	0.2%	0.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Hispanic Origin	4.1%	6.5%	7.9%	10.0%	12.7%

Source: U.S. Bureau of the Census

Finally, as mentioned earlier, a change is occurring in the age distribution of the population. As shown in the following Table, not only are the elderly increasing in number, but the non-elderly, on a relative scale, are decreasing, with the young and very young remaining a relatively stable portion of the total. This means that increasing pressure will be brought upon those between the ages of 18 and 65 years of age to provide social and support services for the young and the elderly, particularly for the elderly. This will become increasingly significant as the “baby-boomers” begin to reach the age of sixty-five in the year 2011.

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

	1980	1990	Estimated 1999	Projected 2005	Projected 2015	Projected 2025
Dependency Ratio						
United States	65.1	61.5	62.4	60.8	63.2	74.2
Northeast	63.9	59.0	62.2	58.0	58.6	67.7
Connecticut	61.9	57.0	65.3	59.2	59.7	69.3
Youth Dependency Ratio						
United States	46.5	41.3	41.8	40.5	39.2	42.0
Northeast	43.6	37.3	39.3	37.2	35.6	38.0
Connecticut	42.9	35.8	41.7	37.3	35.8	38.9
Aged Dependency Ratio						
United States	18.6	20.2	20.6	20.3	24.0	32.2
Northeast	20.3	21.7	22.9	20.8	23.1	29.7
Connecticut	19.0	21.2	23.6	21.9	24.0	30.4
Aged Female Dependency Ratio						
United States	11.1	12.1	12.0	11.8	13.5	17.6
Northeast	12.3	13.3	13.6	12.2	13.1	16.4
Connecticut	11.5	12.8	14.0	12.8	13.4	16.6

* 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 generally considered to be those older than 18 and less than 65 years of age.

Source: U.S. Bureau of the Census, Population Distribution Branch

Housing

In the U.S., the economy continued to provide impetus for housing starts, as year over year growth declined only slightly from its decade high peak. Housing starts in fiscal 2000 reached approximately 1.7 million units for the second consecutive year; this measure of renewed strength has not been achieved since the economic boom of the late 1980's. Job stability, real earnings increases and inventive financing techniques all contributed to the expansion of homeownership. However, while most economic trends remain positive, interest rates rose throughout the fiscal year. Consequently, housing starts during the latter part of the fiscal year began to show signs of slowing in response to the rise in mortgage rates. With low mortgage rates no longer an incentive, housing starts are likely to decline. This suggests, at the very least, that the explosive growth in U.S. housing starts is likely behind us over the near term.

In the Northeast, the early to mid 1980s was a period of considerable growth in the price of both land and homes. This was due to a combination of pent-up demand, a pro-real estate tax code, and a

growing economy which led to the long boom in residential real estate in Connecticut. In marked contrast, the late 1980s to the early 1990s saw the residential housing market slide into recession. The state's housing market remained in a slump through fiscal 1993. Beginning in 1994, spurred on by declining mortgage rates and rising consumer confidence, housing starts began to post a modest recovery. Finally, during the last few years, lower interest rates, lower oil prices and cheaper imports have increased purchasing power. As a result, the most interest rate sensitive sector of the economy began a resounding recovery.

The following Table provides a ten year historical profile of housing starts in the U.S. the New England Region and Connecticut along with the average fixed rate for 30 year mortgages.

TABLE 11
HOUSING STARTS AND MORTGAGE RATES

Fiscal Year	United States (000's)	New England (000's)	Connecticut (000's)	Mortgage Rate %
1990-91	1,017.5	34.2	7.8	9.50
1991-92	1,130.0	38.0	9.1	8.46
1992-93	1,212.5	38.7	8.3	7.38
1993-94	1,397.5	41.2	8.9	6.87
1994-95	1,382.5	42.1	10.0	7.74
1995-96	1,450.0	38.6	8.6	7.46
1996-97	1,457.5	41.8	9.4	7.68
1997-98	1,530.0	45.1	10.8	7.24
1998-99	1,675.0	48.1	11.6	6.88
1999-00	1,670.0	46.5	10.6	7.67

PERCENT CHANGE IN HOUSING STARTS AND MORTGAGE RATES

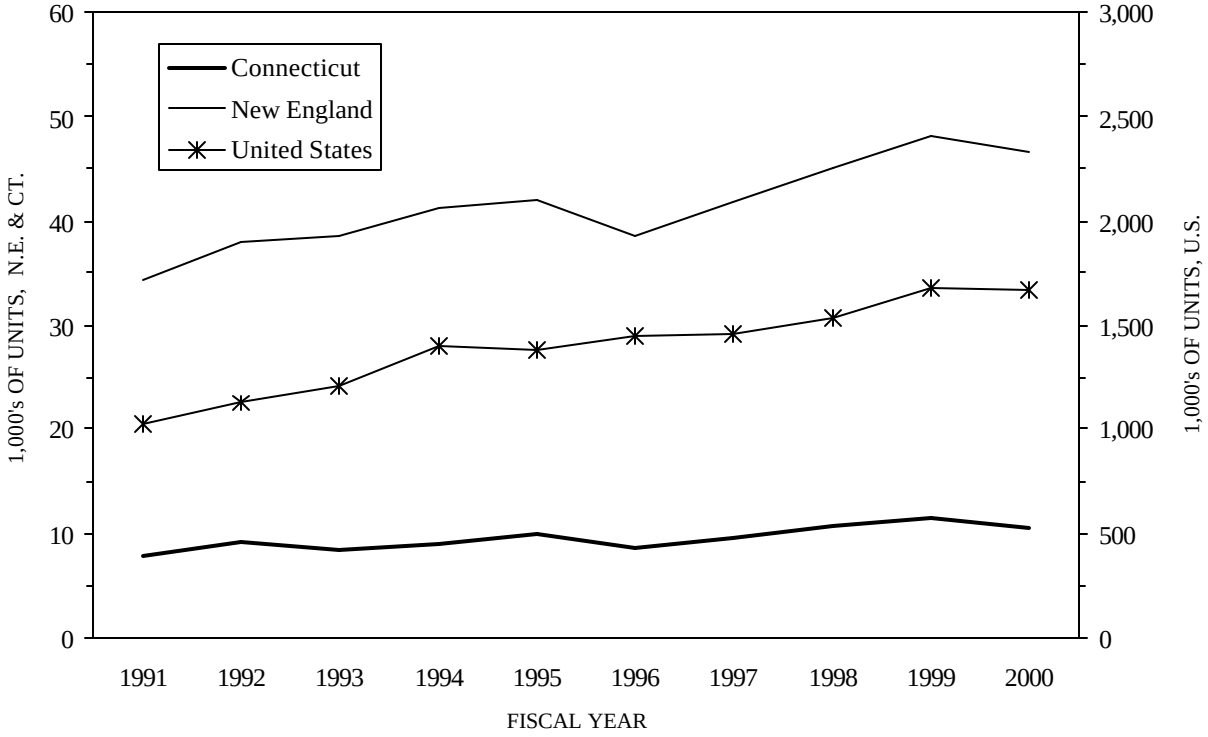
Fiscal Year	United States % Change	New England % Change	Connecticut % Change	Mortgage Rate % Change
1990-91	(23.6)	(28.9)	(27.7)	(3.2)
1991-92	11.1	11.2	16.6	(10.9)
1992-93	7.3	1.7	(7.8)	(12.8)
1993-94	15.3	6.4	7.0	(7.0)
1994-95	(1.1)	2.4	12.1	12.6
1995-96	4.9	(8.4)	(14.3)	(3.6)
1996-97	0.5	8.1	10.0	2.9
1997-98	5.0	7.9	14.1	(5.7)
1998-99	9.5	6.7	7.9	(5.0)
1999-00	(0.3)	(3.2)	(8.3)	11.6

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

The following Charts provide a graphic presentation of the growth in housing starts for the three entities over a ten-year fiscal period.

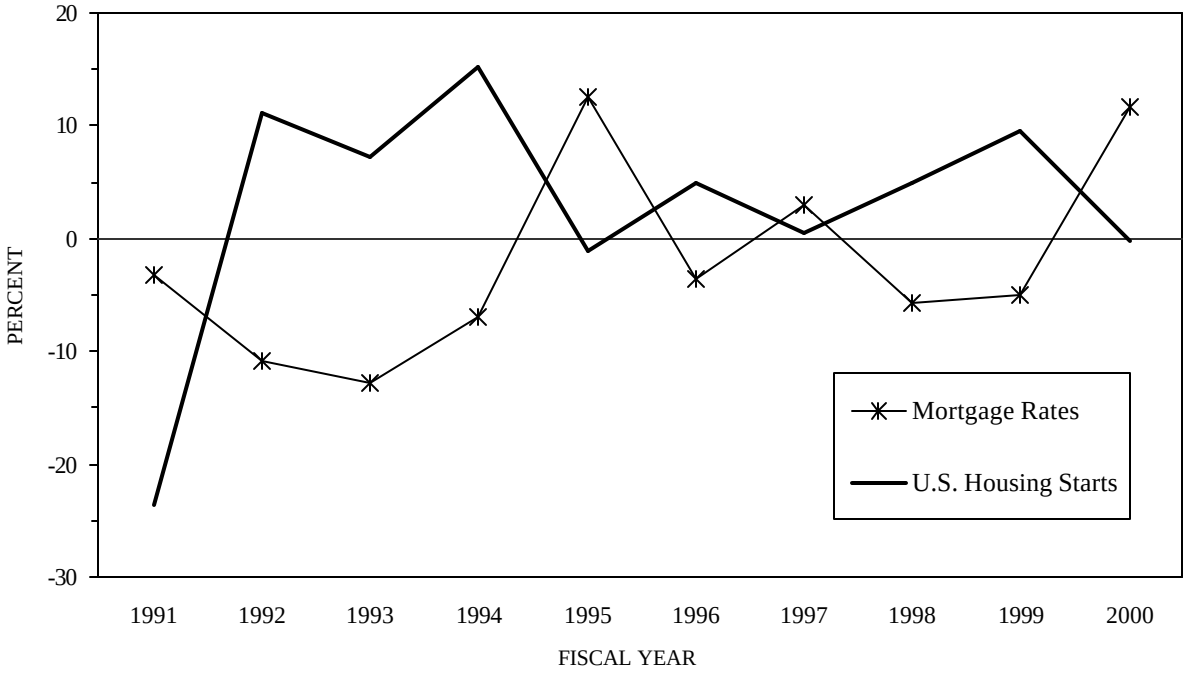
HOUSING STARTS

BY FISCAL YEAR



COMPARISON OF THE PERCENT CHANGE

U.S. HOUSING STARTS VS. MORTGAGE RATES



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

In Connecticut, the demand for new homes showed upbeat results for fiscal 2000 even after six interest-rate hikes by the Federal Reserve. Although sales dropped back from the historical high set in fiscal 1999, their level through year-end remained quite high by historical standards. For fiscal 2000 in total, the number of starts slowed to an annual rate of 10,640 units, well above the ten-year average of 7,900 units. The continued strength is no surprise given healthy job and income growth, high consumer confidence and relatively attractive lending rates which remain near their lowest levels in 30 years.

A major indicator of housing activity is the number of building permits authorizing construction issued by local authorities. The Connecticut Department of Economic & Community Development (DECD), the lead agency for all matters relating to housing, tabulates this information and presents it in its annual report "Connecticut Housing Production & Permit Authorized Construction". It should be noted that 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, housing permits reported do not represent the number of units actually put into construction for the period shown and should therefore not be interpreted as housing starts.

The following are the Connecticut counties in which privately owned housing permits were issued in Calendar 1999, indicating the geographic distribution of housing construction activity.

County	Total Units Authorized	Percent of Total	Growth Rate
Fairfield	2,343	22.0	(21.3)
Hartford	2,182	20.5	(21.8)
Litchfield	846	8.0	9.3
Middlesex	869	8.2	(3.3)
New Haven	2,334	21.9	1.4
New London	879	8.3	(9.6)
Tolland	792	7.4	10.9
Windham	392	3.7	(9.9)
State Total	10,637	100.0	(10.3)

According to the report, calendar 1999 registered a decrease in housing permit activity after two consecutive years of renewed interest in housing construction. Permit activity totaling 10,637 units were authorized to be added to the state's housing unit inventory, a decline 10.3% when compared with the 11,863 units approved in 1998. In regard to local municipalities, the top five accounted for 14% of the total permits authorized. The town of Stamford led all Connecticut communities with 451 permits issued followed by Danbury, Southington, Milford and New Haven.

In addition, residential demolition permits issued during calendar 1999 totaled 2,001 permits. The town of Hartford issued the most demolition permits with 288 units, followed by Bridgeport, Meriden, Waterbury, and New Britain. These five cities accounted for over 48% of all demolition permits**.** As a result, the net gain to Connecticut's housing inventory totaled 8,636 units in calendar 1999. This was

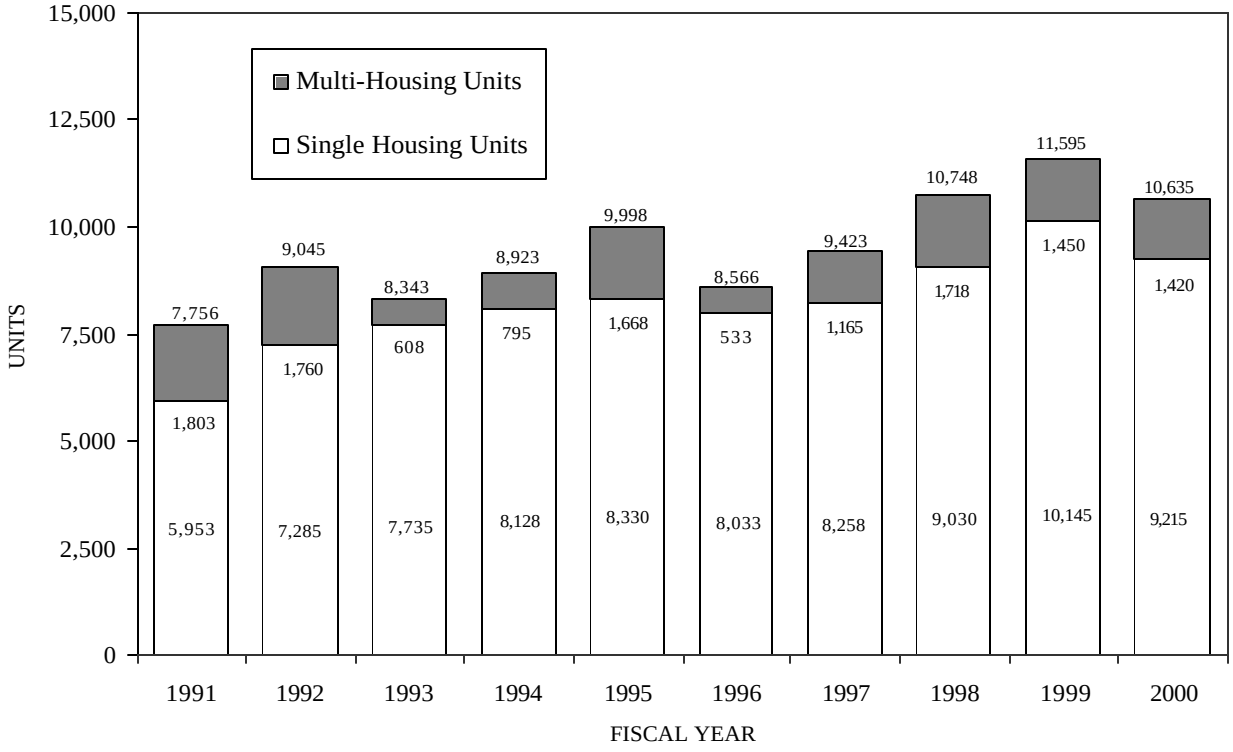
a decrease of roughly 2.9% from 1998's net gain of 8,895 units. At the end of 1999, an estimated 1,390,232 housing units existed in Connecticut. This is based on a net gain of 70,491 housing units authorized from January of 1991 through December of 1999 added to the base of 1,319,741 housing units reported in the 1990 census as modified by the Department of Economic & Community Development. The following Table shows changes in housing unit inventory from 1990 to 1999.

TABLE 12
CONNECTICUT HOUSING INVENTORY

Structure Type	Inventory 1990	% of Total	Inventory 1999	% of Total	Net Gain	Growth Rate
One-Unit	815,307	61.8	882,413	63.5	67,106	8.2
Two-Unit	121,177	9.2	121,503	8.7	326	0.3
Three & Four-Unit	122,423	9.3	122,351	8.8	(72	(0.1)
Five Or More Unit	230,989	17.5	239,163	17.2	8,174	3.5
Other	30,954	2.3	30,964	2.2	1(	0.0
Demolitions	(1,109	(0.1)	(6,162	(0.4)	(5,053)	NA
Total Inventory	1,319,741	100.0	1,390,232	100.0	70,491	5.3

Source: Connecticut State Department of Economic and Community Development

CONNECTICUT HOUSING STARTS



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

The mix of housing construction in Connecticut (i.e., single unit versus multi-unit) has varied greatly during the last ten fiscal years. As shown in the Chart on the prior page, multi-unit construction ranged between a low of 533 units in fiscal 1996 (6.2% of the total starts) and a high of 1,803 units in fiscal 1991 (23.2% of total starts).

In addition to the interest rate, there are other factors that influence both the demand for and mix of housing including average size of household, age of buyer or renter, available cash for downpayments and changes in the mortgage market.

Average Size of Household

Average persons per household (PPH) have been declining nationally for several decades. In Connecticut, PPH fell from 3.70 in 1940 to 2.59 by 1990, a decline of 30%. Recent national surveys by the Bureau of the Census indicate PPH for 1998 approximates 2.61 nationally. Changes in household size can influence housing construction activity heavily. For example, PPH in Connecticut declined to 2.57 for 1998. During the current decade, population in Connecticut contracted from 3,289,000 to approximately 3,273,000 by 1998, a decrease of 16,000 or 0.5%. Contrary to these two trends, dwelling unit stock, however, actually rose from 1,319,741 units in 1990 to 1,383,461 units by 1998 (as estimated by the Department of Economic & Community Development), an increase of 63,720 units or 4.8%. Despite the growth in dwelling units, the pool of potential new homebuyers in Connecticut is growing slowly and is forecasted to continue to do so into the next decade.

Age of Buyer or Renter

If the size of the 25-34 year old age group is large, the demand for new housing should be strong, as this is the largest first time homebuyer group. Should the age of the population 65 and older be large, there may be a shift from single units to rental apartments as this group, who no longer needs space for children and who may be unable or unwilling to maintain a single family residence, changes housing.

In 1997, the U.S. Department of Commerce, Bureau of the Census updated its projections for the age and sex of the population in Connecticut to the year 2010. Listed below are actual statistics from the Census for 1980 - 1995. The 2000 - 2010 statistics are excerpts from the U.S. Census Bureau study. The totals below illustrate the potential impact of the 25 to 34 year old homebuyer group and the 65 and older population. Population totals are in thousands.

Years of Age	1980	1985	1990	1995	2000	2005	2010
25-34	491	534	584	504	410	383	412
% Change		8.8%	9.4%	(13.7%)	(18.7%)	(6.6%)	7.6%
65 and over	365	408	446	469	461	456	477
% Change		11.8%	9.3%	5.2%	(1.7%)	(1.1%)	4.6%

Through 1990, the 25-34 year old homebuyer group increased in size. However, the same age group was forecasted to decline during the remainder of the last decade and into the first half of the current

decade. This is crucial for the housing market for two reasons. First, young adults are the prime source of household formation. Consequently, a declining population of young adults will slow the formation of new households, thus reducing the 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 is projected to grow by the end of the first decade of this century. This creates a mixed blessing. Demand for rental 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 ever-expanding needs has yet to be determined.

Changes in the Mortgage Market

Changes in the mortgage market significantly affects the demand for housing. In the early and mid 1980s adjustable-rate mortgages (ARMs) and the deregulation of financial markets led to greater credit availability. However, during the late 1980s and early 1990s significant events severely impacted financial institutions, particularly those located in the Northeast. As a result, bankers adopted a more conservative lending approach and federal bank examiners tightened their regulatory stance thus creating a more cautious environment. This environment coupled with declining property values and a sluggish regional economy exacerbated credit availability problems during those years.

In an attempt to stimulate the economy, the Federal Reserve pushed interest rates lower during the mid 1990s, the effects of which began to materialize in the home mortgage market. As a result, mortgage rates drifted lower and housing starts began rising. This cycle continued uninterrupted through fiscal 1998. In early fiscal 1999, to cushion the national economy from the effects of disruptions in world financial markets, the Federal Reserve eased rates further. By the end of fiscal 1999, however, with financial markets resuming normal functioning and foreign economies recovering, the Federal Reserve began reversing that easing, allowing interest rates to inch upward.

During fiscal 2000, thirty-year fixed rate loans and one-year adjustable rate loans began the year hovering around 7.4% and 5.5% respectively. Over the course of the fiscal year, thirty-year fixed rate loans moved gradually upward, rising more than a full percentage point. The catalyst for higher rates was the Federal Reserve's decision to raise interest rates six times during the course of the fiscal year in an attempt to reign in the economy. This indirectly caused mortgage rates to rise in anticipation of rising inflation. Finally, in mid-May, rates on thirty-year mortgages hit a five-year high of 8.6%. The climate of rising rates caused a shift in the balance between fixed-rate mortgages and ARMs. The share of thirty-year fixed rate loans to all loans decreased as buyers procured mortgages with an initial fixed rate in the earliest years, followed by variable interest rates. Moreover, the one-year adjustable rate ended the fiscal year at 6.5%, about 1.8 percentage points lower than the thirty-year fixed rate. Fifteen-year mortgages, a popular option for those refinancing mortgages, averaged 7.3% in fiscal 2000.

State of Connecticut - Housing Programs

The State of Connecticut continues to assist in helping low and moderate income families and individuals in the state fulfill their need for high quality, safe and affordable housing. The State's commitment is reflected in the programs of the Department of Economic & Community Development and the Connecticut Housing Finance Authority, which are committed to supporting and revitalizing the state's urban areas as follows:

The Department of Economic and Community Development offers residents the most comprehensive package of housing assistance. These programs range from providing capital grants for new construction or rehabilitation of rental and low income housing to assisting low and moderate income buyers with downpayment loans of up to 25% of the purchase price. The state agency also administers federally funded programs that provide rent subsidies and emergency assistance repairs related to natural disasters for low and moderate income families and senior citizens.

The Connecticut Housing Finance Authority (a quasi-public agency) provides mortgage money to homebuyers and funding for the financing and purchasing of existing housing, rehabilitation of substandard housing and the construction of new housing for owner occupancy and rental. In 1999, CHFA expanded homeownership opportunities by providing mortgage financing to 4,229 first-time homebuyers statewide, a year-over-year increase of 11%. Through the state's Down Payment Assistance Program, down payments and, in some cases, closing costs were provided for 1,768 low-to-moderate income homebuyers. CHFA mortgage loans and tax credits are often combined with municipal grants and state and private loans, to make rental housing projects feasible. In 1999, the Authority exceeded its goal of financing 1,400 units of rental housing by financing 1,859 units. Furthermore, the Authority financed the construction and rehabilitation of 1,972 rental housing units and assured quality management of 24,824 units of low income housing in 219 developments, monitoring them to ensure compliance with subsidy and program requirements. Finally, the Authority also allocated $570,000 of Employer Assisted Housing Tax Credits in 1999 to ten Connecticut companies to provide affordable housing assistance to help their low and moderate income employees with down payments and rental security deposits.

EMPLOYMENT PROFILE

Employment Estimates

The employment estimates for most of the tables included in this section are obtained through the U.S. Bureau of Labor Statistics and the Connecticut State 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 agricultural workers. By that measure, total residential employment in fiscal 2000 rebounded after dipping in fiscal 1999 by adding 17,900 jobs. The decline registered in fiscal 1999 was an anomaly due to extraordinary events that required the Bureau of Labor Statistics to adjust its annual benchmark for 1998. Nevertheless, establishment employment continues to march ahead, growing for the seventh consecutive year. On an average annual basis, growth in establishment employment has increased by about 22,300 jobs since fiscal 1993. Moreover, fiscal 2000 marks the first time that establishment employment has exceeded the previous historic high of 1,671,400 jobs registered in fiscal 1989. The following Table provides a ten fiscal year historical profile of establishment and residential employment in Connecticut.

TABLE 13
CONNECTICUT SURVEY EMPLOYMENT COMPARISONS
(In Thousands)

Fiscal Year	Establishment Employment	% Growth	Residential Employment	% Growth
1990-91	1,588.8	(3.61)	1,731.9	0.76
1991-92	1,534.9	(3.39)	1,694.7	(2.15)
1992-93	1,527.7	(0.47)	1,675.4	(1.14)
1993-94	1,533.1	0.35	1,653.7	(1.30)
1994-95	1,556.6	1.53	1,623.4	(1.83)
1995-96	1,568.6	0.77	1,614.1	(0.57)
1996-97	1,599.4	1.97	1,628.8	0.91
1997-98	1,627.9	1.78	1,640.2	0.70
1998-99	1,657.8	1.84	1,637.1	(0.19)
1999-00	1,684.0	1.58	1,655.0	1.09

Source: U.S. Bureau of Labor Statistics, Connecticut State 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 14
NONAGRICULTURAL EMPLOYMENT
(In Thousands)

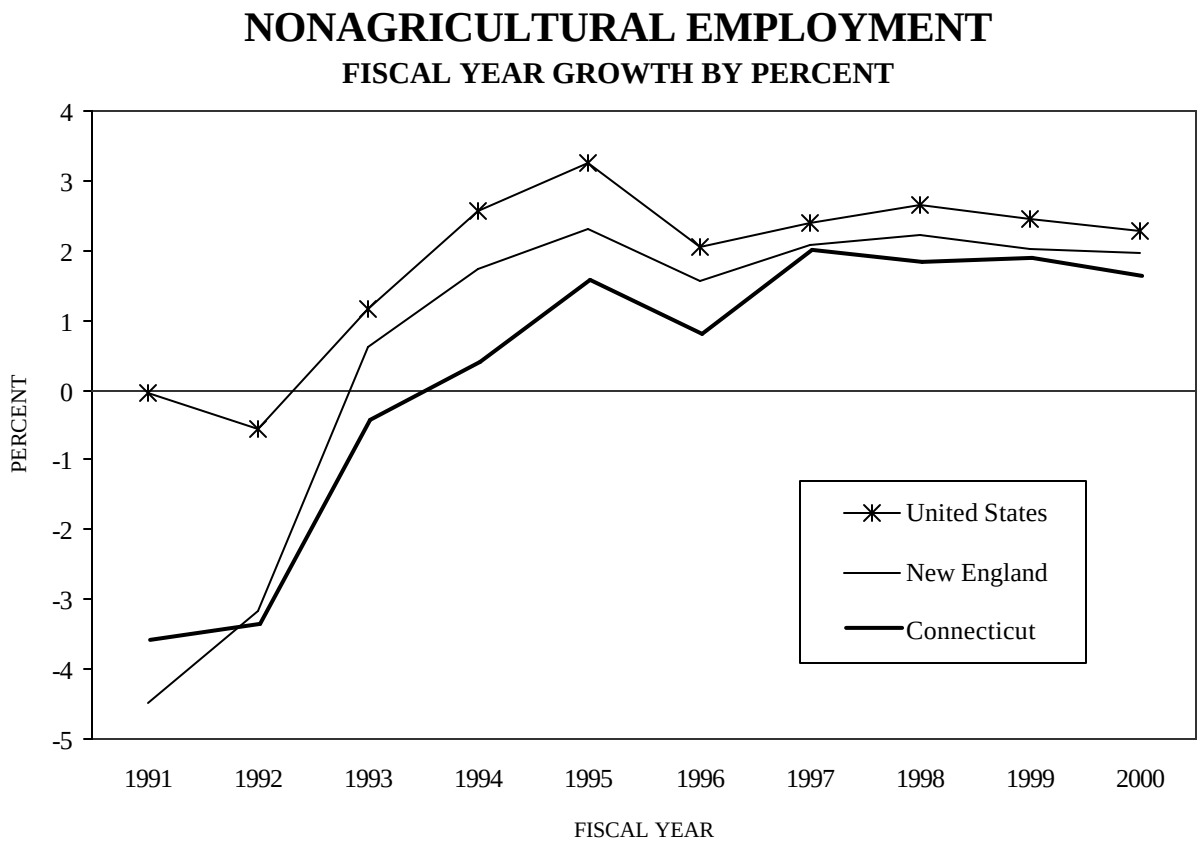
Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990-91	108,838	(0.04)	6,188.1	(4.49)	1,588.8	(3.61)
1991-92	108,220	(0.57)	5,991.7	(3.17)	1,534.9	(3.39)
1992-93	109,460	1.15	6,028.2	0.61	1,527.7	(0.47)
1993-94	112,260	2.56	6,133.2	1.74	1,533.1	0.35
1994-95	115,913	3.25	6,275.5	2.32	1,556.6	1.53
1995-96	118,273	2.04	6,372.6	1.55	1,568.6	0.77
1996-97	121,100	2.39	6,504.7	2.07	1,599.4	1.97
1997-98	124,305	2.65	6,649.0	2.22	1,627.9	1.78
1998-99	127,345	2.45	6,784.2	2.03	1,657.8	1.84
1999-00	130,255	2.29	6,917.4	1.96	1,684.0	1.58

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

In Connecticut, approximately 61% 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.

After establishing Connecticut's nonagricultural employment peak in 1989, nonagricultural employment levels began declining with the onset of the recession. This persisted through fiscal 1993. The state's economy lost 143,700 nonagricultural jobs during this time period, a reduction of 8.6%. In fiscal 1994, the state's economy started to gain momentum and it has steadily improved in each successive year since, adding tens of thousand of new workers annually. During fiscal 2000, nonagricultural employment performed admirably, increasing by 26,200 jobs. Over the course of the last seven fiscal years, the state has not only regained all of the nonagricultural jobs that were lost during the last recession but has added 12,600 new jobs. This surpasses the state's prior nonagricultural employment peak, and establishes fiscal 2000 as the state's new benchmark for measuring nonagricultural employment during the new decade.

The following Chart provides a graphic presentation of the growth rates in nonagricultural employment for the three entities for a ten fiscal year period.



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

Whereas manufacturing employment has ranged between 269,000 and 480,000 for almost 50 years, nonmanufacturing employment has risen significantly. Relatively rapid growth in the nonmanufacturing sector is a trend that is in evidence nationwide and reflects the increased importance of the service industry. The following Table depicts the decrease in the ratio of manufacturing employment to total employment over time. 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 calendar 1999, approximately 84% of the state's workforce was employed in nonmanufacturing jobs, up from roughly 50% in the early 1950s.

Despite the fact that manufacturing is an economic base industry in Connecticut, the state still possesses a diversified economy. It is one of the few states whose service sector exports a product--insurance. For example, total premium and annuity income from policyholders of all lines of insurance to Connecticut based companies was $83.0 billion in calendar 1999. Of the $83.0 billion, $8.8 billion or approximately 10.6% is derived from Connecticut residents. The other 89.4% is derived from sales outside of the state. This provides an additional source of incoming funds to bolster the economy of the state.

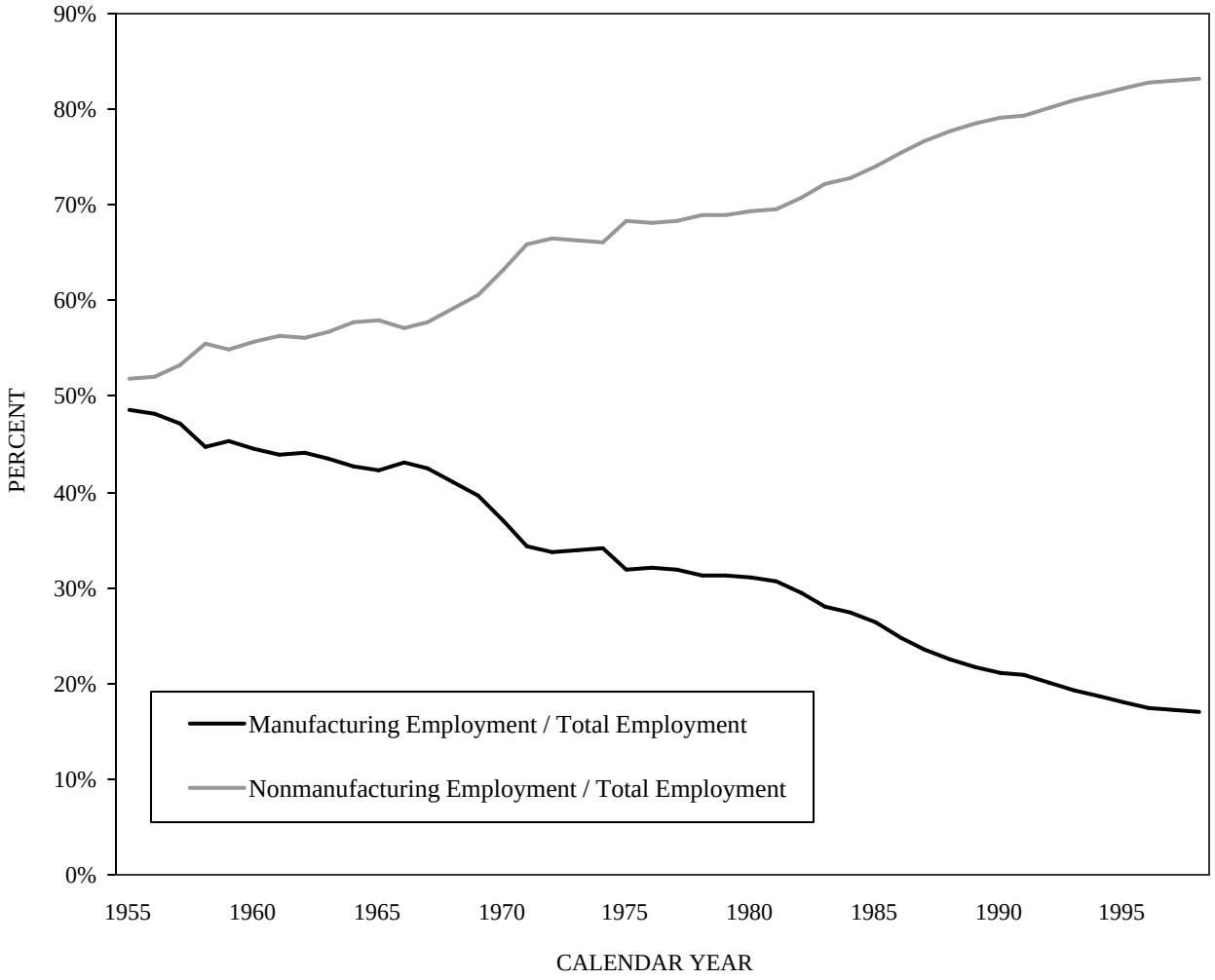
TABLE 15
CONNECTICUT RATIO OF MANUFACTURING EMPLOYMENT
TO TOTAL EMPLOYMENT
(In Thousands)

Calendar 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
1967	1,130.3	479.6	650.7	42.4
1968	1,158.1	474.4	683.7	41.0
1969	1,194.5	471.4	722.8	39.5
1970	1,198.1	441.8	756.3	36.9
1971	1,164.9	398.9	766.0	34.2
1972	1,191.1	400.1	791.0	33.6
1973	1,239.5	420.2	819.3	33.9
1974	1,265.0	430.8	834.2	34.1
1975	1,224.6	389.8	834.8	31.8
1976	1,240.8	397.0	843.7	32.0
1977	1,283.2	406.8	876.4	31.7
1978	1,347.2	419.6	927.6	31.1
1979	1,399.4	436.6	962.8	31.2
1980	1,428.4	440.8	987.6	30.9
1981	1,440.1	439.0	1,001.1	30.5
1982	1,429.7	418.8	1,010.9	29.3
1983	1,446.2	403.3	1,042.9	27.9
1984	1,520.3	415.3	1,105.0	27.3
1985	1,558.2	408.0	1,150.2	26.2
1986	1,598.3	394.0	1,204.3	24.7
1987	1,638.0	384.1	1,259.4	23.5
1988	1,667.3	372.2	1,295.1	22.3
1989	1,665.6	359.3	1,306.3	21.6
1990	1,623.5	341.0	1,282.5	21.0
1991	1,555.1	322.4	1,232.7	20.7
1992	1,526.1	305.7	1,220.4	20.0
1993	1,531.1	294.2	1,236.9	19.2
1994	1,543.8	285.3	1,258.5	18.5
1995	1,561.8	279.1	1,282.7	17.9
1996	1,583.8	274.7	1,309.1	17.3
1997	1,612.7	276.2	1,336.5	17.1
1998	1,642.8	277.0	1,365.8	16.9
1999	1,671.4	269.2	1,402.2	16.1

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

The following Chart provides a graphic presentation of the decrease in the state's ratio of manufacturing employment to total employment over the last five decades.

RATIO OF MANUFACTURING EMPLOYMENT & NONMANUFACTURING TO TOTAL EMPLOYMENT



Source: Connecticut State Labor Department

Connecticut's state government has taken an active role in attracting and retaining companies in the state. The state's Labor Department coordinates and administers employment and training services which impact the state's ability to attract and retain businesses and employers. As an example, the Job Training and Skill Development program is directed primarily towards small and medium sized firms enabling them to maintain a supply of adequately trained workers. The Labor Department (DOL) works closely with the Department of Economic and Community Development (DECD) to help new and existing firms in the state train or retrain workers. Roughly 5,000 Connecticut workers receive training under this program each year.

Moreover, the state's Department of Labor (DOL) in cooperation with the state's Office of Workforce Competitiveness is developing a Workforce Investment Act (WIA) business system to support the operation of the One-Stop service delivery system under Title 1 of WIA and the employment and training programs administered by the DOL. The system will provide a common repository of data

concerning all of the people served by the One-Stop service delivery system. The system will increase the effectiveness of the WIA in Connecticut. It will enable the provision of better services to employers and workers in the system as well as providing data to monitor and manage the WIA programs.

Manufacturing Employment

The ratio of manufacturing employment to total employment 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 thirteenth 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. One important component of the manufacturing sector in Connecticut is defense-related business. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division in East Hartford, and General Dynamics Corporation's Electric Boat Division in Groton.

In fiscal 1999, Connecticut ranked twelfth in total defense dollars awarded and fourth in per capita dollars awarded. The state is also one of the leading producers of military and civilian helicopters. The industry is diversified, with transportation equipment (primarily aircraft engines, helicopters and submarines) the dominant industry. Transportation equipment is followed, in order of the total number employed, by fabricated metals, nonelectrical machinery and electrical equipment. The following Table provides a ten year historical picture of the state's manufacturing employment in these four concentrated sectors.

TABLE 16
CONNECTICUT MANUFACTURING EMPLOYMENT*
(In Thousands)

Fiscal Year	Transportation Equipment	Nonelectrical Machinery	Fabricated Metals	Electrical Equipment
1990-91	79.78	41.70	36.22	32.68
1991-92	74.57	38.03	33.58	29.91
1992-93	66.69	36.63	33.38	28.53
1993-94	59.43	35.61	33.63	27.70
1994-95	54.72	35.25	34.43	27.77
1995-96	51.32	35.12	33.90	27.87
1996-97	50.22	34.48	34.39	28.64
1997-98	50.20	35.05	35.12	28.92
1998-99	49.83	33.83	34.57	27.71
1999-00	48.16	32.78	33.17	26.74

* Excludes workers idled by labor management disputes.

Source: Connecticut State 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 phenomenon diverged 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 and improved productivity, played a significant role in affecting the overall level of manufacturing employment. Moreover, during the recent decade, the state's manufacturing sector confronted intense market pressure and as a result has restructured in response to global market forces: rapidly changing technologies, mounting competition from industrializing nations, and shrinking defense budgets.

In Connecticut, the rate of job loss in manufacturing accelerated during the recessionary period of the early 1990s, producing declines of approximately 5.0% per fiscal year. By fiscal 1995 the loss of jobs had abated to roughly 2.0% per year. Increased demand for durable manufacturing orders played a pivotal role in reducing the rate of decline to roughly 0.4% a year by fiscal 1997. As cutbacks in manufacturing employment continued to ease as a result of the continued strength in the national economy, fiscal year 1998 marked the first time in over a decade the state reported year-over-year growth in the sector.

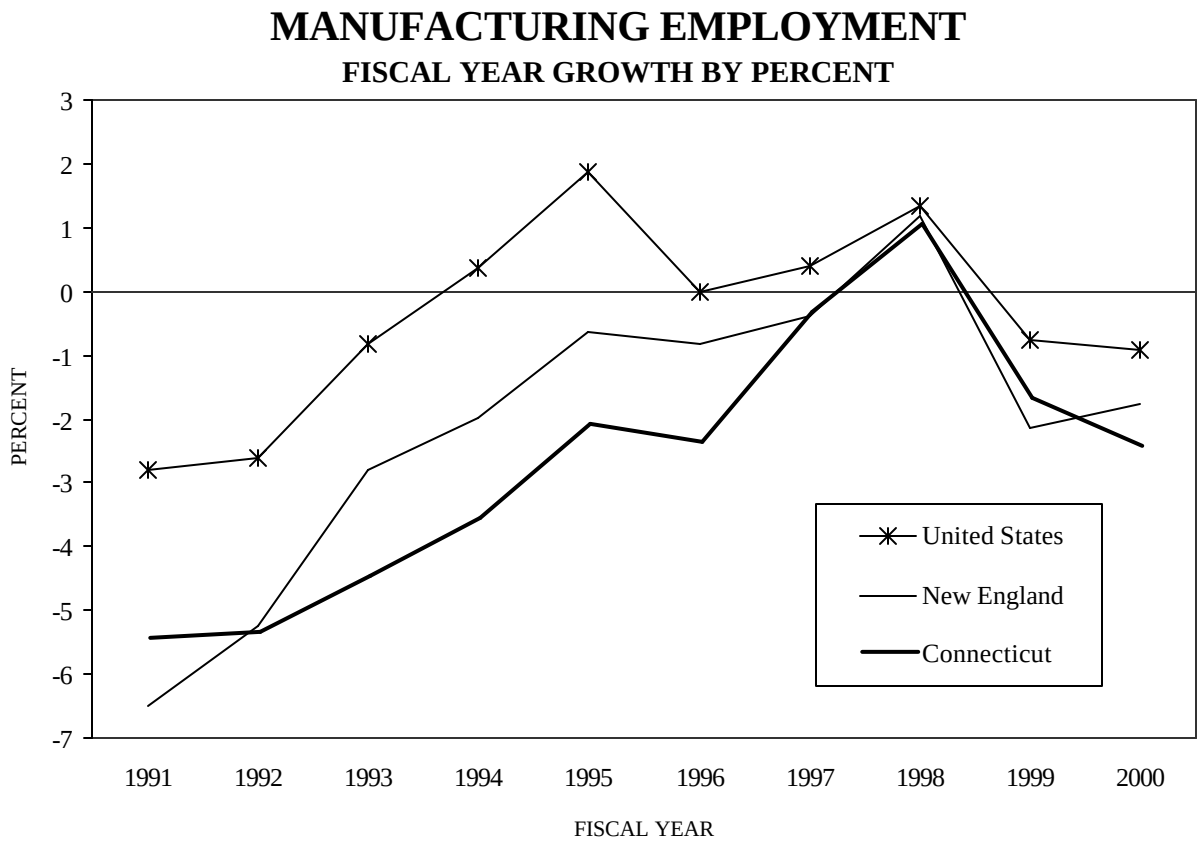
In fiscal 2000, employment in the state's manufacturing sector declined by roughly 6,700 jobs. Employment growth abated for the second consecutive year as companies responded to moderating national and international demand. Activity in the sector weakened during the course of the fiscal year, as average weekly hours for manufacturing workers declined by 0.5 hours or 1.2%. In December, average hours peaked at 43.3, only to fall off to 42.0 hours by June. This coupled with the state's current shortage of skilled workers further dampened any employment growth for this sector. Moreover, the slow erosion of the state's manufacturing base reflects the national trend away from traditional industries, both durable and nondurable. Even with the declines, manufacturing employment in Connecticut still accounts for 15.8% of all nonfarm payroll jobs, compared to only 14.2% in the United States. The following Table provides a ten year historical picture of manufacturing employment in the United States, the New England Region and Connecticut.

TABLE 17
MANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990-91	18,720	(2.80)	1,174.1	(6.49)	331.4	(5.47)
1991-92	18,230	(2.62)	1,112.3	(5.26)	313.7	(5.37)
1992-93	18,080	(0.82)	1,081.2	(2.80)	299.6	(4.49)
1993-94	18,148	0.37	1,059.6	(1.99)	288.8	(3.59)
1994-95	18,488	1.87	1,052.9	(0.63)	282.8	(2.10)
1995-96	18,488	0.00	1,044.2	(0.83)	276.0	(2.40)
1996-97	18,560	0.39	1,040.1	(0.39)	275.0	(0.36)
1997-98	18,810	1.35	1,052.3	1.17	277.8	1.02
1998-99	18,665	(0.77)	1,029.8	(2.14)	273.1	(1.70)
1999-00	18,493	(0.92)	1,011.6	(1.77)	266.4	(2.45)

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

The following Chart provides growth rates in manufacturing employment in the United States, the New England Region and Connecticut over a ten year period.



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

In fiscal 2000, employment gains by producers were concentrated solely in chemicals, paper, and textiles. The underlying strength in these sectors was notably offset by cutbacks posted in all of the remaining sectors. To date, many manufacturers have replaced outdated equipment with the latest technology laden computer aided equipment. Such cost saving measures have definitely made a difference in productivity. Moreover, the installation of high tech equipment in the production process has raised the output per production worker. Consequently, the increase in productivity in many sectors has permitted manufacturers to expand output by maintaining or even eliminating jobs. In addition, with defense spending projected to experience moderate gains, (See Table 42 – Defense Contract Awards and Related Employment) some of the state's defense-related industries are projected to begin new rounds of hiring to meet the demand, after years of cutbacks. Military producer Electric Boat is the most likely recipient with Navy contracts to build the nation's new Virginia-class submarine. Likewise, specialized work will spillover to smaller manufacturers in the region, boosting both state employment and output. However, its still anticipated that manufacturing employment will continue to decline as a share of total state employment well into the next decade.

The following Table provides a breakdown of the state's manufacturing employment by industry and indicates percentage changes for the year and over a ten year period for each of the manufacturing sectors. The second Table illustrates average weekly earnings for Connecticut durable and nondurable manufacturing and construction workers. In addition, it provides a comparison of hourly wages and average workweek for each major sector of the manufacturing industry.

TABLE 18
CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
Industry	F.Y. 1999-00	F.Y. 1998-99	F.Y. 1990-91	FY 1999 FY 2000	FY 1991 FY 2000
Durable Manufacturing	185.50	191.23	244.04	(3.0)	(24.0)
Primary Metals	9.21	9.43	10.64	(2.3)	(13.5)
Fabricated Metals	33.17	34.57	36.22	(4.1)	(8.4)
Machinery - NonElectrical	32.78	33.83	41.70	(3.1)	(21.4)
Electrical Equipment	26.74	27.71	32.68	(3.5)	(18.2)
Transportation Equipment	48.16	49.83	79.78	(3.4)	(39.6)
Instruments and Clocks	20.24	21.11	27.08	(4.1)	(25.2)
NonDurable Manufacturing	80.88	81.84	87.40	(1.2)	(7.5)
Food	8.01	8.02	10.63	(0.2)	(24.7)
Textiles	2.22	2.17	2.56	2.3	(13.4)
Apparel	3.44	3.94	4.94	(12.7)	(30.3)
Paper	8.03	7.80	8.60	3.0	(6.5)
Printing and Publishing	25.06	25.65	26.01	(2.3)	(3.2)
Chemicals	21.84	21.63	22.43	1.0	(2.7)
Rubber & Misc. Plastic Products	10.47	10.52	11.04	(0.5)	(5.1)
Total Manufacturing Employment	266.38	273.07	331.44	(2.5)	(19.6)

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

TABLE 19
AVERAGE WEEKLY EARNINGS, HOURS AND WAGES OF CONNECTICUT MANUFACTURING AND CONSTRUCTION WORKERS

Fiscal Year 1999-00	Weekly Earnings	Hourly Wages	Weekly Hours
Durable Manufacturing	$681.25	$15.88	42.90
Primary Metals	636.26	14.29	44.53
Fabricated Metals	608.12	14.25	42.68
Machinery	715.71	16.41	43.61
Electrical Equipment	542.91	13.01	41.72
Transportation Equipment	890.47	20.23	44.02
Instruments and Clocks	607.23	14.90	40.77
NonDurable Manufacturing	617.01	14.91	41.38
Food	538.49	12.53	42.97
Printing and Publishing	631.42	15.99	39.48
Textiles	504.83	12.15	41.55
Apparel	354.58	8.95	39.62
Rubber & Misc. Plastic	542.11	12.94	41.90
Paper	732.79	16.70	43.89
Chemicals	756.00	18.20	41.55
Construction	851.69	20.54	41.48
Manufacturing	$662.18	$15.60	42.45

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

The following Table ranks the 50 states in terms of their relative dependence on manufacturing. Approximately 12.3% of total personal income is derived from manufacturing wages, which ranks Connecticut thirteenth in the United States. The surrounding states of Massachusetts, Rhode Island, New York and New Jersey possess the following percentages respectively: 10.2%, 9.5%, 6.4% and 9.4%.

TABLE 20
MANUFACTURING WAGES AS A PERCENT OF PERSONAL INCOME BY STATE
(In Millions of Dollars)

State	Personal Income	Mfg. Wages	%	FY 00 Rank	State	Personal Income	Mfg. Wages	%	FY 00 Rank
Michigan	$286,22	$54,246	18.9	1	Georgia	$221,12	$21,87	9.89	26
Indiana	159,231	29,456	18.5	2	Maine	31,711	3,058	9.64	27
Wisconsin	147,698	24,262	16.4	3	Rhode Island	30,028	2,861	9.53	28
Ohio	313,391	46,972	14.9	4	New Jersey	296,516	27,911	9.41	29
New	39,133	5,438	13.9	5	Washington	182,339	16,614	9.11	30
North	205,454	27,780	13.5	6	Utah	51,374	4,459	8.68	31
Delaware	23,772	3,077	12.9	7	Texas	558,143	47,174	8.45	32
South Carolina	94,257	12,093	12.8	8	South	19,005	1,603	8.43	33
Kentucky	94,643	11,805	12.4	9	Nebraska	46,384	3,774	8.14	34
Minnesota	151,785	18,916	12.4	10	West Virginia	38,657	3,072	7.95	35
Arkansas	58,124	7,202	12.3	11	Arizona	125,514	9,875	7.87	36
Iowa	75,415	9,334	12.3	12	Oklahoma	78,746	6,193	7.86	37
Connecticut	132,569	16,274	12.2	13	Louisiana	101,773	7,372	7.24	38
Tennessee	144,620	17,715	12.2	14	Virginia	210,794	15,186	7.20	39
Alabama	102,311	12,297	12.0	15	Colorado	133,516	9,017	6.75	40
Mississippi	58,510	7,024	12.0	16	New York	631,370	40,544	6.42	41
Vermont	15,827	1,845	11.6	17	Maryland	172,787	9,465	5.48	42
Oregon	93,001	10,331	11.1	18	North	15,216	726	4.77	43
Pennsylvania	350,960	38,642	11.0	19	Florida	430,975	17,915	4.16	44
Kansas	73,062	7,980	10.9	20	New Mexico	38,982	1,549	3.97	45
Illinois	387,798	42,113	10.8	21	Montana	19,894	773	3.89	46
Idaho	29,696	3,191	10.7	22	Wyoming	13,079	364	2.78	47
Massachusetts	229,980	23,412	10.1	23	Nevada	58,274	1,560	2.68	48
Missouri	147,906	14,703	9.94	24	Alaska	18,271	427	2.34	49
California	1,037,88	103,079	9.93	25	Hawaii	33,303	505	1.52	50

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

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 (See Table 15). The following Table provides a breakdown of Connecticut's nonmanufacturing employment by industry and indicates percentage changes for the year and over a ten year period for each of the nonmanufacturing sectors.

TABLE 21
CONNECTICUT NONMANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
				1998-99	1990-91
	F.Y.	F.Y.	F.Y.	To	To
Industry	1999-00	1998-99	1990-91	1999-00	1999-00
Construction	63.27	60.79	56.94	4.1	11.1
Transportation	46.96	45.51	40.35	3.2	16.4
Communications	18.91	18.80	17.48	0.6	(1.3)
Utilities	12.75	12.70	13.33	0.4	(4.4)
Trade	362.17	357.87	349.33	1.2	3.7
Wholesale	82.23	82.27	83.80	(0.1)	(1.9)
Retail	279.94	275.60	265.53	1.6	5.4
Finance (FIRE)	141.47	139.29	149.79	1.6	(5.6)
Finance & Real Estate	69.61	67.74	67.26	2.8	3.5
Insurance	71.86	71.55	82.53	0.4	(12.9)
Services	532.96	518.22	420.20	2.8	26.8
Business Services	160.90	152.97	108.04	5.2	48.9
Health Services	159.01	158.31	137.19	0.4	15.9
All Other Services	213.05	206.94	174.97	3.0	21.8
Government	239.15	231.61	209.95	3.3	13.9
Federal	23.60	22.48	25.13	5.0	(6.1)
State and Local	215.55	209.13	184.83	3.1	16.6
Total Nonmanufacturing Employment	1,417.64	1,384.78	1,257.38	2.4	12.7

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

Source: Connecticut State Labor Department

The state's nonmanufacturing sector created roughly 32,800 new jobs in fiscal 2000. Over the course of the last ten years, there were approximately 160,200 jobs created in this sector. Moreover, this sector has fueled the entire recovery in nonagricultural employment since fiscal 1993. The driving force behind growth in the sector was the services industry, which represents almost 32% of the state's workforce, and continues to hire aggressively. Over the course of fiscal 2000, service industry employment expanded by about 14,800 workers, adding nearly one out of every two jobs statewide.

The increase was concentrated in business services and specific other services, particularly in personnel supply services, residential care services, recreation services and individual and family services. The private business sector alone, which added one out of every four jobs statewide is comprised of firms in computer programming, data processing, personnel services, advertising, management, public relations and the numerous entities classified under miscellaneous business services. Moreover, with the exception of the wholesale trade industry, job growth (new jobs) was registered in each of the remaining nonmanufacturing industries. Following services, the number of new jobs created in retail trade and the construction industry was by far the most vibrant along with the government sector. The retail trade sector experienced strong growth in apparel & accessory stores, eating & drinking places, and miscellaneous retail establishments. Employment growth in the retail trade sector was driven by consumer spending which was boosted by growth in consumer confidence. In the Spring of 2000, consumer confidence in Connecticut reached its second highest level since the index was created. In addition, construction employment, for the fourth consecutive year, continued to grow due to an active residential and commercial real estate market supported by a moderately growing population and relatively low interest rates. The increase in government employment at the state level over the ten year period can be attributed to the Federal Government's decision to categorize all workers employed on Indian Reservations as state government employees. (In June of 2000, approximately 19,100 combined employees worked at the Foxwood Casino & Mohegan Casino.)

The following Table provides a ten year profile of nonmanufacturing employment in the U.S., the New England Region and Connecticut.

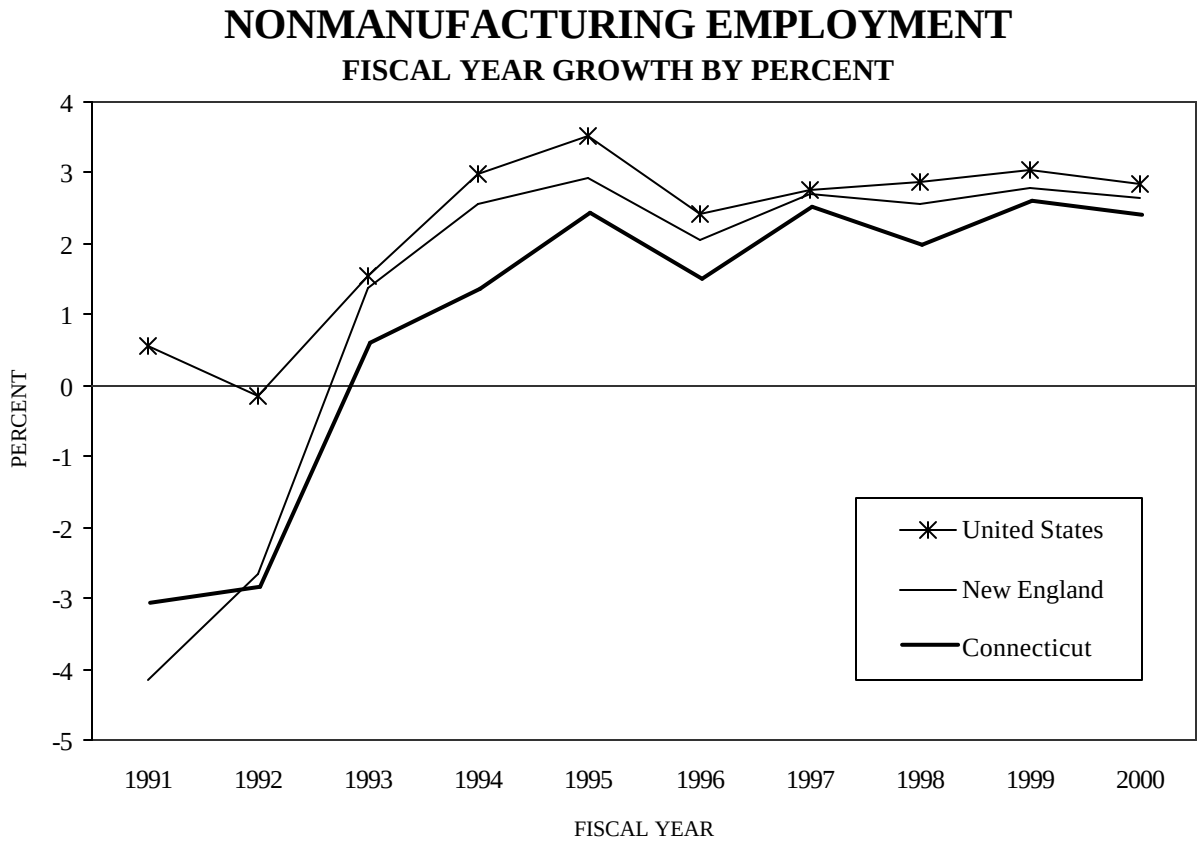
TABLE 22
NONMANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990-91	90,118	0.56	4,998.1	(4.16)	1,257.4	(3.11)
1991-92	89,993	(0.14)	4,864.5	(2.67)	1,221.3	(2.87)
1992-93	91,380	1.54	4,932.2	1.39	1,228.1	0.56
1993-94	94,113	2.99	5,058.1	2.55	1,244.3	1.32
1994-95	97,425	3.52	5,206.7	2.94	1,273.8	2.38
1995-96	99,780	2.42	5,313.4	2.05	1,292.6	1.47
1996-97	102,543	2.77	5,456.2	2.69	1,324.5	2.47
1997-98	105,490	2.87	5,596.4	2.57	1,350.1	1.93
1998-99	108,683	3.03	5,752.7	2.79	1,384.8	2.57
1999-00	111,770	2.84	5,905.2	2.65	1,417.6	2.37

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

Impediments to nonmanufacturing employment growth in certain sectors still remain in the state. The insurance industry continues to undergo a painful period of restructuring associated with downsizing, mergers and acquisitions to better prepare for increased competition. The nature of utilities in the state is also changing as the generation component of electric service has been opened up to competition.

The following Chart provides a graphic presentation of the growth in nonmanufacturing employment for the three entities over a ten fiscal year period.



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

Annual salaries for Connecticut's nonmanufacturing industries are listed on 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 23
CONNECTICUT NONMANUFACTURING ANNUAL SALARIES

	-- Calendar Year --			Percent Change	
	1989	1997	1998	97 to 98	89 to 98
Construction	$23,334	$24,824	$25,758	3.8%	10.4%
Transport., Com. & Public Util.	29,561	38,504	42,050	9.2%	42.3%
Wholesale Trade	36,095	50,458	52,225	3.5%	44.7%
Retail Trade	14,125	16,447	17,475	6.2%	23.7%
Finance, Ins. & Real Estate	23,111	41,869	43,981	5.0%	90.3%
Service	18,572	26,445	27,457	3.8%	47.8%
Government	26,366	36,004	37,394	3.9%	41.8%

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 unemployment rate is based upon a monthly survey in which household members are asked a series of questions, one of which determines if 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.

While the unemployment rate is one of the most closely watched statistics in the economy, there are problems inherent in it. First, the unemployment rate is the proportion of the unemployed to the civilian labor force, therefore, it does not reflect the problem of underemployment. This condition exists when an individual is currently working at a job not requiring the full utilization of his skills and knowledge.

The second problem is, that by definition, the civilian labor force includes only those persons actively seeking employment ignoring the discouraged worker. The discouraged worker is one who wants work but does not actively seek employment for various reasons. Finally, the unemployment rate fails to indicate particular areas where unemployment problems are most acute. The overall unemployment rate may be deemed satisfactory while the joblessness in a particular area is very high.

Nationally, minorities, women and youths tend to experience higher than average unemployment. Non-whites typically experience approximately twice the rate of joblessness as whites. Youths, particularly in large urban areas, are also subject to higher unemployment rates. Unemployment is concentrated among those who do not have basic skills, training or education. These persons are usually the first to be laid off during economic slowdowns and are often unemployable even when the economy is expanding.

To address some of the deficiencies in the unemployment number, the Bureau of Labor Statistics and the Census Bureau, beginning in January of 1994, revised the survey used to measure the unemployment rate in the United States and within individual states. These changes included revision of the survey questionnaire, incorporation of the 1990 census data, and changes to the regression model used to develop smaller state unemployment rates. From January 1994 forward, the forecast is based on the new methodology. The historical data has not been revised and is based on the old methodology. The expected net result of all these changes is to increase the unemployment rate by up to a half of a percentage point; however, the increase will be due to changes in survey methodology and not to any significant changes in economic activity.

Despite these problems, the unemployment rate is a widely accepted economic indicator and is utilized as a proxy for consumer confidence. In general, when the unemployment rate is low consumer spending is usually higher, and when the unemployment rate is high consumer spending is usually lower.

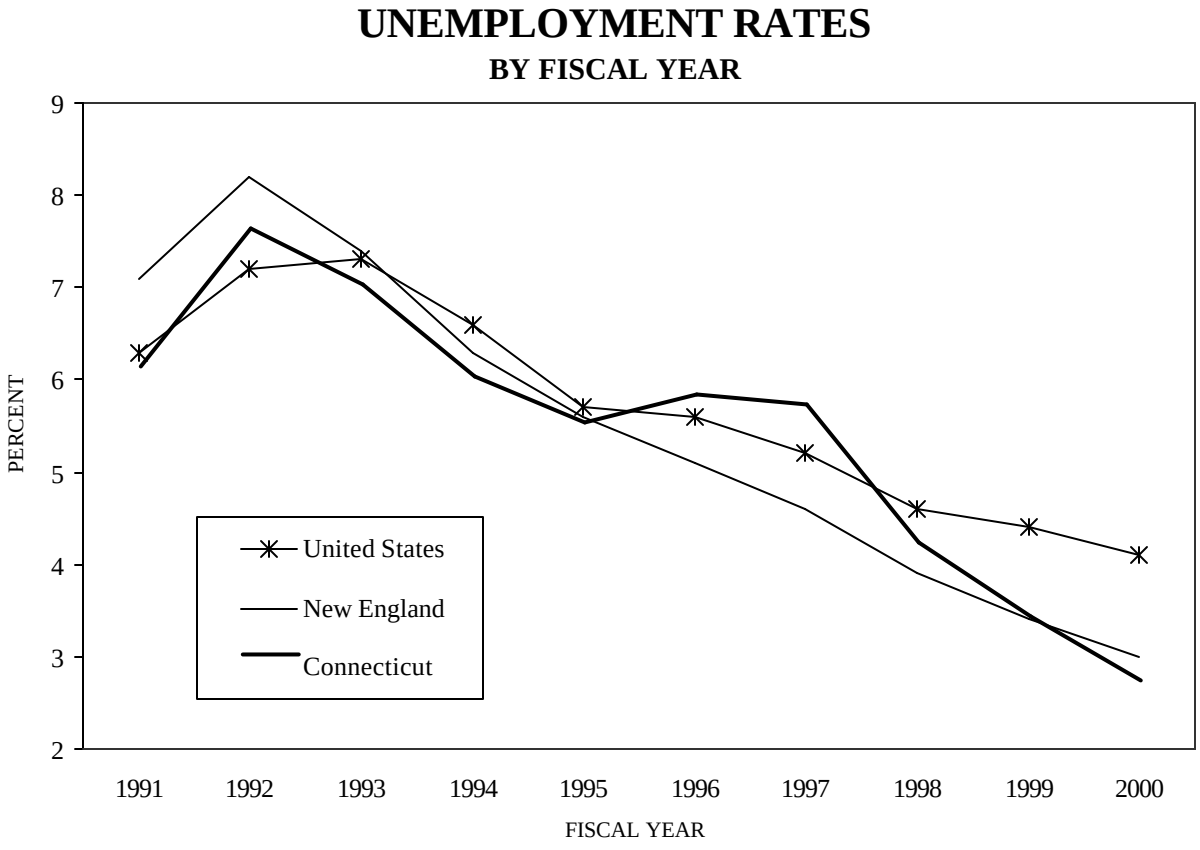
The following Table shows the unemployment rate for the United States, the New England Region and Connecticut over a ten year period.

TABLE 24
UNEMPLOYMENT RATES

Fiscal Year	United States	New England	Connecticut
1990-91	6.3	7.1	6.0
1991-92	7.2	8.2	7.5
1992-93	7.3	7.4	6.9
1993-94	6.6	6.3	5.9
1994-95	5.7	5.6	5.4
1995-96	5.6	5.1	5.7
1996-97	5.2	4.6	5.6
1997-98	4.6	3.9	4.1
1998-99	4.4	3.4	3.3
1999-00	4.1	3.0	2.7

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

The following Chart provides a graphic presentation of the unemployment rates for the United States, the New England Region and Connecticut over a ten year period.



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

Economic Development and Job Creation

Over the long-term, it is imperative that Connecticut create a business climate that will provide long term economic benefits for its citizens and the state itself. The state was particularly hard hit by the last recession and its woes were only further exacerbated, according to the business community, by the fact that the state was a high cost place in which to conduct business.

In this era of slower job growth, it is becoming increasingly common for employers to play one state off another to extract various concessions and lower their overall business costs while offering job hungry jurisdictions employment growth. From state government's perspective, Connecticut must control those costs which individuals and businesses bear through taxation, otherwise our competitiveness vis-à-vis other states will suffer. In an attempt to offset some of the high costs previously noted, the state has sought to enhance Connecticut's competitiveness with some innovative legislation including:

- Reducing the Personal Income Tax rate for all filers from 4.5% to 3.0% for certain levels of taxable income and increased the standard deduction from $12K to $15K for single filers.
- Enacting an income tax credit of up to $500 for personal and real property taxes paid on a taxpayer's primary residence in state or a motor vehicle.
- Eliminating the corporation tax on domestic insurers.
- Enacting specific financial service industry legislation such as single factor apportionment and exempting dividends from mortgage related passive investment companies under the corporation tax.
- Enacting specific industry legislation allowing manufacturers and broadcasters to utilize single factor apportionment under the corporation tax.
- Lowering the corporation tax rate to 7.5%.
- Eliminating the hospital gross receipts tax effective April 1, 2000.
- Enacting tax credits (1% to 6%) for companies that engage in R&D expenditures within the state including a tax credit exchange for those smaller businesses without sufficient income.
- Phasing out the Sales Tax on home improvement services (paving, painting, wallpapering, roofing, siding and exterior sheet metal work) by July of 2001.
- Phasing out corporation business taxes on S-corporations net income by January of 2001.
- Enacting a corporation business tax credit for up to 5% on the amount spent on investments in human capital and fixed capital.
- Deregulating the state's electric industry by introducing competition between suppliers, and by allowing businesses and consumers to choose their electric suppliers.
- Enacting business tax credits for property tax paid on electronic data processing equipment.
- Expanding the number of Enterprise Zones in the state.
- Enacting a five year local property tax exemption for newly acquired machinery used in manufacturing.
- Phasing out the inheritance tax by increasing the exemption amount for each class of inheritors over 5 years. Class A began in 1997, Class B in 1999, and Class C begins in 2001.
- Lowering the gas tax by almost 36%.

These changes represent some of the state's efforts to provide businesses and citizens with a more conducive atmosphere in which to expand, work and live and reach the state's long term goal of economic development and job creation.

SECTOR ANALYSIS

Energy

Over the past two hundred years, the history of energy supplies and the mode of energy use in the United States reflected the country's industrialization, economic development, and social transformation. As the U.S. becomes more dependent on imported energy, economic activity hinges more upon the availability and stability of its supply in the world market. In the past 25 years, all of the nation's four recessions were concurrent with the energy disruptions that occurred worldwide in 1991 (Iraq invaded Kuwait), in 1981 (Iran / Iraq war), in 1979 (Iranian Revolution), and in 1973 (Arab Oil Embargo).

At the birth of our nation in 1776, coal and petroleum lay untapped and undiscovered. Wood, human, and animal kinetic power supplied almost all energy. By the 1830s, coal and natural gas began to be used in blasting furnaces and for illumination while electricity and related technical innovations were only in the experimental stage. By the 1850s, the westbound expansion of the nation helped boost the demand for coal as railroad transportation and the metal industry needed an economical source of fuel. By the 1880s, the use of electricity began to expand.

By the end of World War I, coal accounted for about 75 percent of U.S. total energy consumption. Petroleum was just starting to be used as an illuminant. Common use of petroleum was supported by the discovery of oil in Texas in 1901 and a short time later by the mass production of automobiles. After WWII, coal gradually retreated from its place as the premier energy source, replaced by petroleum as trucking overtook the railroad industry and locomotives began switching to diesel. In the same period, natural gas gained popularity in households for its cooking and heating applications in ranges and furnaces. The coal industry, however, survived due partly to nationwide electrification, which increased the demand for coal, despite intense competition from hydroelectric power and petroleum-fired generation. Nuclear electric power also grew in the past three decades; nonetheless, its contribution to total energy production began to ebb after 1990. Renewable energy sources such as wind, solar, and geothermal energy still play little role in overall energy supplies.

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

Worldwide

In the world oil market, supply and demand among countries or regions are heavily 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) accounted for 39.6% of total world supply in 1999, with 65% of OPEC's oil production supplied by the Persian Gulf countries. OPEC is made up of Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC's market share has been growing steadily, while the U.S. market share has continued to decline. The United States consumed 19.52 million barrels of oil a day in 1999, representing 26% of total world demand. However, the United States

produced only 8.99 million barrels per day (MBPD), or 12.2% of world supply, trending down from 9.28 MBPD, or 12.4% of world supply in 1998, and 9.50 MBPD, or 13.0% of world supply in 1997. In 1950, the United States accounted for 52% of the world crude oil production.

Other large oil consumers with big disparities between supply and demand include Japan, France, Italy, and Germany. Additionally, the gap between supply and demand for the larger economies continues to widen. For example, the Organization for Economic Cooperation and Development (OECD), which includes the U.S., Western European countries, Australia, Canada, Japan, and New Zealand, consumed more and supplied less both in sheer number and in terms of relative share of the world oil market. In 1999, the OECD consumed 42.84 million barrels per day, or 57.3% of the world total, while supplying only 19.42 MBPD, or 26.3% of the world total, registering a 23.42 million barrel deficit a day. This compares to a 22.55 MBPD deficit in 1998 and 21.75 MBPD deficit in 1997. China was roughly in balance between demand and supply while the countries making up the former USSR supplied more than they demanded.

TABLE 25
WORLD OIL SUPPLY AND DEMAND
Calendar 1999

	Supply Millions of Barrels Per Day	% of Total		**Demand** Millions of Barrels Per Day	% of Total
Total OECD	19.42	26.3	Total OECD	42.84	57.3
United States	8.99	12.2	United States	19.52	26.1
Canada	2.62	3.5	Canada	1.88	2.5
North Sea	6.30	8.5	Japan	5.57	7.4
Other OECD	1.51	2.0	Germany	2.83	3.8
			France	2.03	2.7
Total OPEC	29.31	39.6	Italy	1.98	2.6
Saudi Arabia	7.83	10.6	United Kingdom	1.71	2.3
Iran	3.56	4.8	Other OECD	7.32	9.8
Other OPEC	17.92	24.2			
Total Non-OECD	25.22	34.1	Total Non-OECD	31.95	42.7
Former USSR	7.40	10.0	China	4.32	5.8
China	3.21	4.3	Former USSR	3.65	4.9
Other	14.61	19.8	Other	23.98	32.1
Total Supply	73.95	100.0	**Total Demand**	74.79	100.0

Source: U.S. Department of Energy, Energy Information Administration, "*International Petroleum Monthly*", June 2000

The oil supply deficit arising from this imbalance between demand and supply has created volatility in the world energy market and political arena. As the international energy market continues toward a greater reliance on OPEC and major consumers produce little for their own domestic markets, any supply disruption will only be magnified in its economic and political severity.

World energy reserves also mirror the same pattern of disparity as the oil supply market. The following Table shows world oil and natural gas reserves by country. The share of world oil reserves held by all OPEC countries is 75%. Among the total, the Middle East controls approximately 65% of world oil reserves with Saudi Arabia alone controlling more than one-quarter of the total. Only a very small amount of world oil reserves is in countries with which the U.S. has stable relations. The United States, Canada, Mexico, and Western Europe together control roughly 8% of the world's oil reserves.

TABLE 26
WORLD OIL & NATURAL GAS RESERVES
January 1, 1999

	Oil		Gas	
	Billions of Barrels	% of Total	Trillions of Cubic Feet	% of Total
North America	55.0	5.7	257.9	5.0
United States	21.0	2.2	164.0	3.2
Mexico	28.4	2.9	30.3	0.6
Canada	5.6	0.6	63.6	1.2
Central & South America	63.4	6.6	226.1	4.4
Venezuela	45.5	4.7	146.6	2.8
Western Europe	19.8	2.0	159.8	3.1
E. Europe & Former USSR	67.9	7.0	1,916.2	37.2
Middle East	627.1	64.8	1,853.2	36.0
Saudi Arabia	261.4	27.0	208.0	4.0
Iraq	99.0	10.2	112.6	2.2
Kuwait	94.7	9.8	56.4	1.1
Iran	92.9	9.6	812.2	15.8
Other Mid. East	79.1	8.2	664.0	12.9
Africa	77.2	8.0	377.9	7.3
Far East & Others	57.1	5.9	354.0	6.9
Total	967.5	100.0	5,145.1	100.0

Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 1999*", July 2000

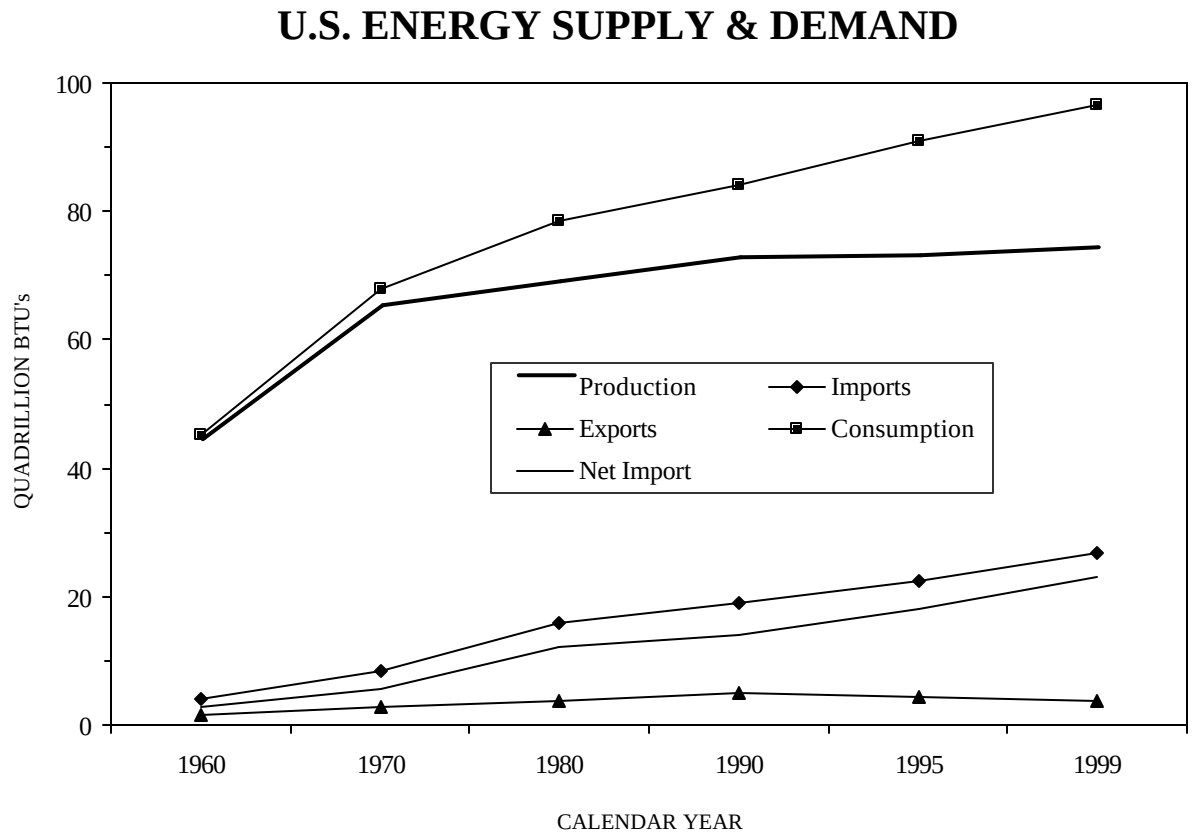
While the Middle East countries dominate crude oil reserves, they share almost equally with Eastern Europe and countries comprising the former USSR the bulk of natural gas reserves. Together, these two potentially unstable regions hold 73.2% of the world's gas reserves. The U.S. and Western Europe each control approximately 3% of world gas reserves.

As the economy grows, the United States continues to deplete its energy reserves. U.S. crude oil and natural gas reserves in 1999 were estimated at 21.0 billion barrels and 164.0 trillion cubic feet, or 2.2% and 3.2%, respectively, of the world's reserve. These were down about 30% and 20%, respectively, from 1977 levels, the year when the U.S. Department of Energy, Energy Information Administration started assembling the reserve data. Oil or natural gas reserves are the estimated quantities that are recoverable in the future from known reservoirs under existing economic and operating conditions. Given certain market prices, oil and natural gas now can be produced more economically due to

improved technology that helps identify potential reserve sites and assists in production from marginal fields.

United States

The following Chart demonstrates the history of the supply and demand of energy in the U.S. The Nation has long been a net energy importer. In 1960, the U.S. produced less energy than it consumed with net imports (imports less exports) accounting for 6.1% of national consumption. By 1970, net imports grew to 8.4% of consumption. Gaps between production and consumption continued to expand in the 1970s. By 1980, net imports deteriorated to 15.6% of consumption. Since then, disparities have widened, approaching 20% in the mid 1990s. In 1999, according to the *Annual Energy Review 1999* which is published by the U.S. Department of Energy, the U.S. consumed 96.60 quadrillion British Thermal Units (BTU's) of energy. Whereas the U.S. produced only 72.52 quadrillion BTU's and exported 3.82 quadrillion BTU's, it required net imports of 26.92 quadrillion BTU's, which represented 23.9% of total national consumption. Although U.S. energy production comes from many sources, fossil fuels that include coal, natural gas, oil, and natural gas liquids far exceed all other forms such as nuclear electric power, wood and waste, and hydroelectric power, etc. In 1999, fossil fuels accounted for 76.1% of total energy production with coal accounting for 32.2%; natural gas, 26.7%; and crude oil, 17.3%.



Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 1999"*, July 2000

National energy consumption has increased at an average annual rate of 1.2% in the past 25 years. Growth in energy consumption has trended along with economic conditions, up during periods of healthy economic growth and down during periods of sluggish growth. Growth in energy consumption also reflects the movement of prices, higher during periods of relatively low or stable prices and down during periods of price increases. The following Table illustrates the breakdown of energy usage in the U.S. in 1999 by fuel type and by economic sector. According to the August 2000 issue of "*Monthly Energy Review*", petroleum products are the most important energy source for the U.S. economy. In 1999, the U.S. consumed 92.8 quadrillion BTU's of energy. (The figure differs from the 96.60 quadrillion BTU's reported on the previous page due to a difference in the estimation approach). The 38.0 quadrillion petroleum generated BTU's accounted for 40.9% of U.S. fuel consumption. Natural gas consumption of 22.0 quadrillion BTU's made up 23.8% of the total. Coal followed with 22.0 quadrillion BTU's, accounting for 23.8% of consumption. These three fuel sources together accounted for 87.9% of U.S. fuel consumption. Nuclear and hydroelectric power were a distant fourth and fifth.

TABLE 27
U.S. ENERGY CONSUMPTION
Calendar 1999

A. By Fuel and Sector (Quadrillion BTU's)

Fuels	Residential & Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	8.0	10.2	0.7	3.2	22.0
Petroleum	2.1	9.6	25.4	0.9	38.0
Coal	0.1	2.3	0.0	19.2	21.6
Nuclear	0.0	0.0	0.0	7.8	7.8
Hydroelectric	0.0	0.0	0.0	3.3	3.3
Other	0.0	0.0	0.0	0.1	0.1
Deliv. Elec.	7.6	3.6	0.0	(11.2)	0.0
Total Demand	17.8	25.7	26.1	23.3	92.8

B. As a Percentage of Total

Fuels	Residential & Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	8.6%	11.0%	0.7%	3.4%	23.8%
Petroleum	2.2	10.3	27.4	1.0	40.9
Coal	0.1	2.4	0.0	20.7	23.2
Nuclear	0.0	0.0	0.0	8.3	8.3
Hydroelectric	0.0	0.0	0.0	3.6	3.6
Other	0.0	0.0	0.0	0.1	0.1
Deliv. Elec.	8.2	3.9	0.0	(12.1)	0.0
Total	19.2%	27.7%	28.1%	25.1%	100.0%

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, "*Monthly Energy Review*", August 2000

The transportation sector in 1999 was the largest user of energy in the economy and was overwhelmingly dependent on petroleum. The industrial sector was second with natural gas and

petroleum the predominant fuel sources. The electric generation sector's major fuel source was coal which accounted for 56% of its consumption, followed by nuclear generation with 22%.The residential and commercial sector was the smallest consuming sector. Nationally, 45% of all residential and commercial energy consumption was provided by natural gas. As previously mentioned, petroleum accounts for about 40% of all energy requirements in the U.S. The increasing disparity between oil demand and supply along with the increasing dependency on imported oil creates the potential for instability in both petroleum's price and availability in the U.S. The following Table and Chart illustrate refiners' crude oil prices and the U.S. dependence on imported oil.

TABLE 28
CRUDE OIL PRICES AND U.S. DEPENDENCE ON IMPORTED OIL

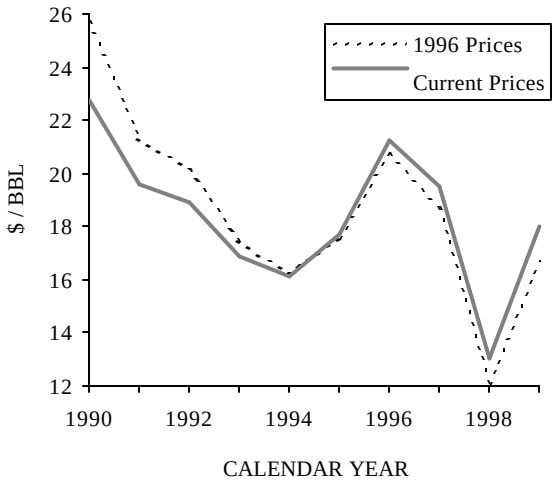
REFINERS' CRUDE OIL ACQUISITION COSTS

Calendar Year	$/BL Current $	$/BL Chained 1996$
1975	10.38	25.93
1980	28.07	49.21
1985	26.75	36.30
1990	22.22	25.68
1995	17.23	17.56
1999	17.46	16.69

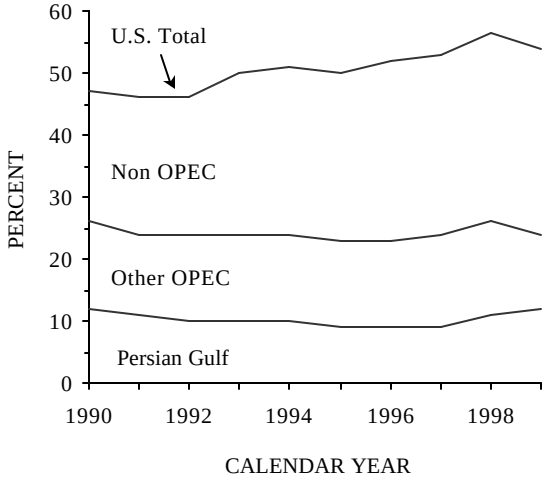
IMPORT % SHARE OF U.S. OIL CONSUMPTION

Calendar Year	Persian Gulf	Other OPEC	Non-OPEC	Total Imports
1975	7	15	15	37
1980	9	16	15	41
1985	2	10	21	32
1990	12	14	22	47
1995	9	14	27	50
1999	12	12	29	54

REFINERS' CRUDE OIL ACQUISITION COSTS



U.S. OIL IMPORTS AS A % OF CONSUMPTION



Note: Refiner's crude oil acquisition costs peaked at $35.24 per barrel in 1981. Its inflation-adjusted cost of $56.50 (chained 1996 dollars) per barrel was also a record high.

Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 1999*", July 2000 and "*International Petroleum Monthly*", September 2000

Oil Prices

Crude oil prices have a long history of large fluctuations that affect the world 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. Oil prices reached their peak in 1981 at $35.24 per barrel after two consecutive supply disturbances brought on by the Iranian Revolution in 1979 and the Iran-Iraq war in 1980. Since then, long-term prices have trended down due to increasing supplies from non-OPEC sources, mounting competition from natural gas, lower production costs from technology improvements in exploration and development, and a consistent overproduction above established quotas by members of OPEC. In 1973, oil production by OPEC members registered 30.63 million barrels per day and accounted for 55.0% of total world production of 55.68 MBPD. By 1999, oil production by OPEC members fell to 29.31 MBPD, with their share of production dropping to 39.6% of a total 73.95 MBPD. Non-OPEC countries production, on the contrary, increased from 25.05 MBPD in 1973 to 44.64 MBPD in 1999, increasing their share from 45.0% in 1973 to 60.4% in 1999. Nonetheless, the OPEC cartel still plays a significant role in the world oil market, albeit with less market share.

The price of crude oil in 1999 rose 38.9% to $17.46 per barrel after falling to a two-decade low of $12.52 per barrel in 1998. It is estimated to reach $27.35 for 2000 which is fostering concerns about low heating oil inventories in the U.S. and Europe. The low price in 1998 was brought about by the Asian economic crisis and unusually warm weather in the U.S. that reduced demand while advances in technology enabled exploration firms to continue to exploit previously uneconomic deposits at much lower costs. The big drop in the price of oil forced the industry to consolidate in order to control costs and increase efficiencies, prompting mega-mergers such as Exxon and Mobil as well as BP and Amoco. In 1999, however, stronger economic growth in Asia along with OPEC production cutbacks affected oil prices. In 2000, crude oil prices (West Texas Intermediate) rose to $37.80 a barrel in late September, the highest since the Gulf War 10 years ago. This followed a summer when gasoline prices soared under strong demand and supply constrictions brought about by the marketing of reformulated gasoline in the mid-west. Further exacerbating the situation were warnings of significant drawdowns in global inventories.

To protect against oil supply disruptions, the United State started to build a Strategic Petroleum Reserve in late 1977. It reached a reserve of 493.3 million barrels in 1985. With 4.3 million barrels of net imports per day, this would have provided the equivalent of 115 days of imported consumption. Since then, as net imports continued to increase faster than the build-up in the reserves, this cushion deteriorated. By 1999, despite an increase in reserves to 567.2 million barrels, net imports of 9.6 million per day makes the reserve only equivalent to 59 days of petroleum net imports. The situation remained basically the same in 2000. As of late October 2000, the reserve stands at 567.9 million barrels, or 59 "net petroleum import" days. The tapping of the reserve by releasing 30 million barrels into the market in October has, to some degree, cooled down the continued increase in oil prices.

Historically, a spike in energy prices has brought the CPI core inflation (the measure of inflation excluding energy and food components) up with a 6-month lag. However, the current price uptick may have a weaker impact. The consumption of petroleum is substantially less important than it once was. The large productivity gains in the economy accompanied with a more competitive general pricing environment may help suppress the increase in inflation.

Oil Consumption

Petroleum consumption in the United States has steadily grown from 15.2 MBPD in 1983 to an all-time high of 19.5 MBPD in 1999. As shown in Table 27 (U.S. Energy Consumption), in 1999, petroleum consumption accounted for 40.9% of total U.S. energy, while the transportation sector alone used two-thirds of all petroleum. Despite the fact that oil efficiency continues to improve, an increase in both population and the number of cars per household along with the shift in driving tastes from traditional vehicles to light utility trucks added to the demand for oil. Per capita oil consumption, however, has remained relatively steady at 26.2 barrels per capita in 1999, gradually rising from 24 barrels in 1983. This would indicate that although overall consumption has increased, efficiency on average has also improved, albeit at a lower rate, thereby resulting in a slower rise in per capita consumption.

Oil Imports Share

The share of imported oil to total U.S. consumption in the late 1970s and early 1980s declined significantly, down from a high of 47.8% in 1977 to a low of 32.2% in 1985. High oil prices prompted consumers to conserve energy and to seek energy substitutes. However, the downward trend in the percentage of consumption met by imports reversed itself as oil prices dropped from $49.21 in real dollars per barrel in 1980 to $12.14 per barrel in 1998. The share of total U.S. consumption attributable to imported oil has consistently risen over the years reaching 55.6% in 1998. The rise in oil prices to $16.69 in real dollars per barrel in 1999 brought the imported share to 54.0%.

Efficiency

Increasing efficiency has spearheaded the nation's energy conservation policy. The National Appliance Energy Conservation Act of 1987 set minimum efficiency standards for 13 appliances and prohibited the sale if standards were not met. Therefore, the efficiency of appliances has increased dramatically. For instance, the efficiency of a new refrigerator, measured by volume cooled per unit of energy consumed, increased almost threefold from an average of 3.84 cubic feet kilowatt-hour per day in 1972 to 11.22 cubic feet by 1996.

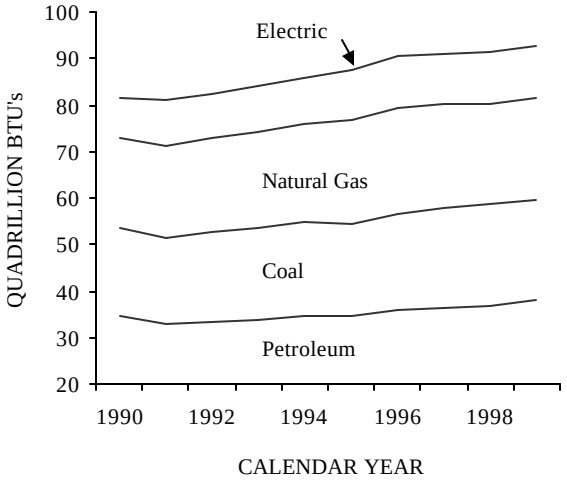
A measure of the efficiency of the overall economy in the U.S. is the amount of energy used to produce a dollar of Gross Domestic Product (GDP). The following Table and Chart compares U.S. consumption of fuel sources and illustrates the nation's improvement in energy efficiency. In 1975, it required 17.26 million BTU's of energy to produce $1 of GDP measured in 1996 dollars. This gradually fell to 10.45 million BTU's by 1999. This reflects that energy efficiency has increased at an average annual rate of 2.0% over the past 25 years. During the 10-year period between 1975 and 1985, the number of BTU's used per constant dollar of GDP declined 25.1% compared to a 10.2% reduction for the period between 1985 and 1995. The slowdown in energy efficiency reflects that improvements tend to stagnate when fuel prices decline. As oil prices fell, the incentive to conserve energy diminished. With the advancement in productivity in the economy due to innovative technologies, rapid increases in energy efficiency were revived by the end of the 1990s. The recent hike in oil prices should have less impact on the economy than it had decades ago, as the economy is more efficient and more productive.

TABLE 29
U.S. PRIMARY ENERGY CONSUMPTION & ENERGY EFFICIENCY

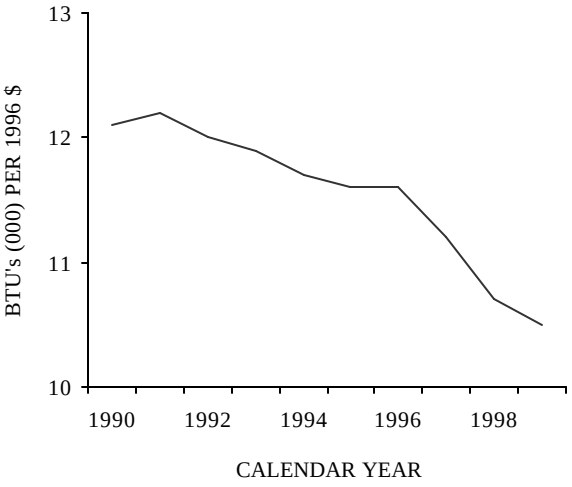
Calendar Year	U.S. Energy Consumption* Petro-leum	Coal	Nat. Gas	Others	Total	% Change	GDP Billion (96$)	Million BTU **Per 96$**	% Change
A. Five-Year Comparison									
1975	32.7	12.7	19.9	5.2	70.5		4,085	17.26	
1980	34.2	15.4	20.4	5.9	76.0	7.66	4,901	15.49	(10.27)
1985	30.9	17.5	17.8	7.7	74.0	(2.64)	5,717	12.93	(16.53)
1990	33.6	19.1	19.3	9.3	81.3	10.01	6,708	12.12	(6.24)
1995	34.6	20.0	22.2	10.8	87.6	7.70	7,544	11.61	(4.23)
1999	38.0	21.6	22.0	11.2	92.8	5.94	8,876	10.45	(9.95)
B. One-Year Comparison									
1991	32.8	18.8	19.6	9.9	81.1	(0.20)	6,676	12.15	
1992	33.5	19.2	20.1	9.7	82.4	1.63	6,880	11.98	(1.38)
1993	33.8	19.8	20.8	9.8	84.2	2.18	7,063	11.92	(0.46)
1994	34.7	20.0	21.3	10.1	86.0	2.10	7,348	11.70	(1.86)
1995	34.6	20.0	22.2	10.8	87.6	1.83	7,544	11.61	(0.82)
1996	35.8	20.9	22.6	11.1	90.4	3.26	7,813	11.57	(0.30)
1997	36.3	21.4	22.5	10.8	91.0	0.62	8,160	11.15	(3.65)
1998	36.9	21.6	21.9	10.8	91.2	0.28	8,516	10.71	(3.92)
1999	38.0	21.6	22.0	11.2	92.8	1.68	8,876	10.45	(2.44)

* Units are in quadrillion BTU's.

U.S. PRIMARY ENERGY CONSUMPTION



U.S. ENERGY EFFICIENCY



Source: U.S. Department of Energy, "*Monthly Energy Review*", August 2000

Connecticut

When compared to the national average, Connecticut residents are moderate energy consumers. Connecticut consumed 243.3 million BTU's (MBTU) of energy per person in 1997, according to Department of Energy, compared to the national average of 351.2 MBTU's. Connecticut consumed 31% less than the national average, ranking it 47th among the 50 states. These figures were far less than Alaska's consumption of 1,143.5 MBTU's and Louisiana's at 940.0 MBTU's, the largest consumers in the nation. Because Connecticut lacks indigenous energy sources, it must import virtually all the energy that it consumes. This situation affects Connecticut's energy choices. The following Table shows a breakdown of the amount and percentage share of total energy consumed in the State of Connecticut by fuel in 1997, the latest available data. Because it is more easily transported than other types of fuel, petroleum has come to supply 55% of all Connecticut's energy needs. This compares to only about 40% for the United States. Therefore, Connecticut is more susceptible to variations in imported oil's price and availability. In 1997, the shutdown of all the four nuclear plants required imports of 177.5 trillion BTU's , or 22% of total electricity needs, of energy from other states and Canada. In 1995, when these four plants were fully operational, they produced 199.8 trillion BTU's of electricity.

TABLE 30
CONNECTICUT ENERGY CONSUMPTION IN 1997

A. By Fuel and by Sector (Trillion BTU's)

Fuels	Residential	Commercial	Industrial	Transportation	Elec. Generation	Total
Natural Gas	41.7	43.8	35.5	2.6	17.1	140.7
Petroleum	82.3	26.1	28.8	214.0	88.2	439.5
Coal	0.1	0.1	0.0	0.0	27.8	28.0
Nuclear	0.0	0.0	0.0	0.0	(1.3)	(1.3)
Hydroelectric	0.0	0.0	0.7	0.0	11.1	11.8
Other	8.8	0.8	11.8	0.0	155.8	177.1
Deliv. Elec.	37.1	39.8	20.2	0.0	(97.1)	0.0
Total Demand	170.0	110.6	97.0	216.6	201.6	795.8

B. As a Percentage of Total

Fuels	Residential	Commercial	Industrial	Transportation	Elec. Generation	Total
Natural Gas	5.2	5.5	4.5	0.3	2.1	17.7
Petroleum	10.3	3.3	3.6	26.9	11.1	55.2
Coal	0.0	0.0	0.0	0.0	3.5	3.5
Nuclear	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Hydroelectric	0.0	0.0	0.1	0.0	1.4	1.5
Other	1.1	0.1	1.5	0.0	19.6	22.3
Deliv. Elec.	4.7	5.0	2.5	0.0	(12.2)	0.0
Total Demand	21.4	13.9	12.2	27.2	25.3	100.0

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, "*State Energy Data Report, 1997*", September 1999

Examination of individual sectors reveals that Connecticut is much more dependent upon petroleum based fuels in its residential and commercial sectors than the rest of the U.S. While petroleum in the U.S. residential and commercial sectors accounts for only 2.3% of total consumption, in Connecticut it accounts for 13.6%. When compared to the rest of the U.S., Connecticut consumes proportionately much less natural gas. A comparison of the U.S. and Connecticut's electric generation sectors shows additional differences in energy mixes. The U.S. is much more dependent on coal and less reliant on nuclear energy than is Connecticut.

The following Table shows Connecticut's net electricity generated by fuel type. It illustrates that most of Connecticut's electricity is generated from petroleum, which accounted for 57% in 1998. Coal and gas together contributed 16.3% of electricity generation. Connecticut has long been an electricity importer, a condition that was only further exacerbated when the nuclear plants were shut down. Generation of electricity by nuclear plants has been unstable in recent years. There were four plants located in the State, each with a generation capacity slightly over 6.0 billion kilowatt hours of electricity annually. In 1997, all four plants were shut down as two were decommissioned and the other two were not operating due to a variety of safety problems. In July of 1998, one was reopened. In 1999, joined by the other remaining plant, the nuclear plants generated 12.7 billion kilowatt hours of electricity. Connecticut generated 20,590 gigawatthours out of total electricity sales of 29,749 gigawatthours in 1999. This implies that, in 1999, the state generated only 69.2% of its demand, relying heavily on imports from other states and Canada for the balance of its need.

TABLE 31
NET ELECTRICITY GENERATED IN CONNECTICUT BY FUEL TYPE
(Million Kilowatt Hours)

Generated by	1996	% of Total	1997	% of Total	1998	% of Total	1999	% of Total	2000*	% of Total
Coal	2,368	15.0	2,558	19.3	1,482	9.8	-	0.0	-	0.0
Petroleum	5,255	33.3	8,432	63.7	8,608	56.9	5,897	28.6	1,182	12.4
Gas	959	6.1	1,546	11.7	977	6.5	1,179	5.7	328	3.5
Nuclear	6,225	39.5	(125)	(0.9)	3,243	21.4	12,675	61.6	7,490	78.9
Others	967	6.1	819	6.2	813	5.4	839	4.1	497	5.2
Total Generation	15,774	100.0	13,230	100.0	15,123	100.0	20,590	100.0	9,497	100.0
Total Sales	28,391		28,432		28,956		29,749		14,677	
Generation As a % of Total Sales	55.6%		46.5%		52.2%		69.2%		64.7%	

* First six months of 2000.

Source: U.S. Department of Energy, Energy Information Administration, *"Electricity Power Monthly"*, March 2000 and September 2000

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

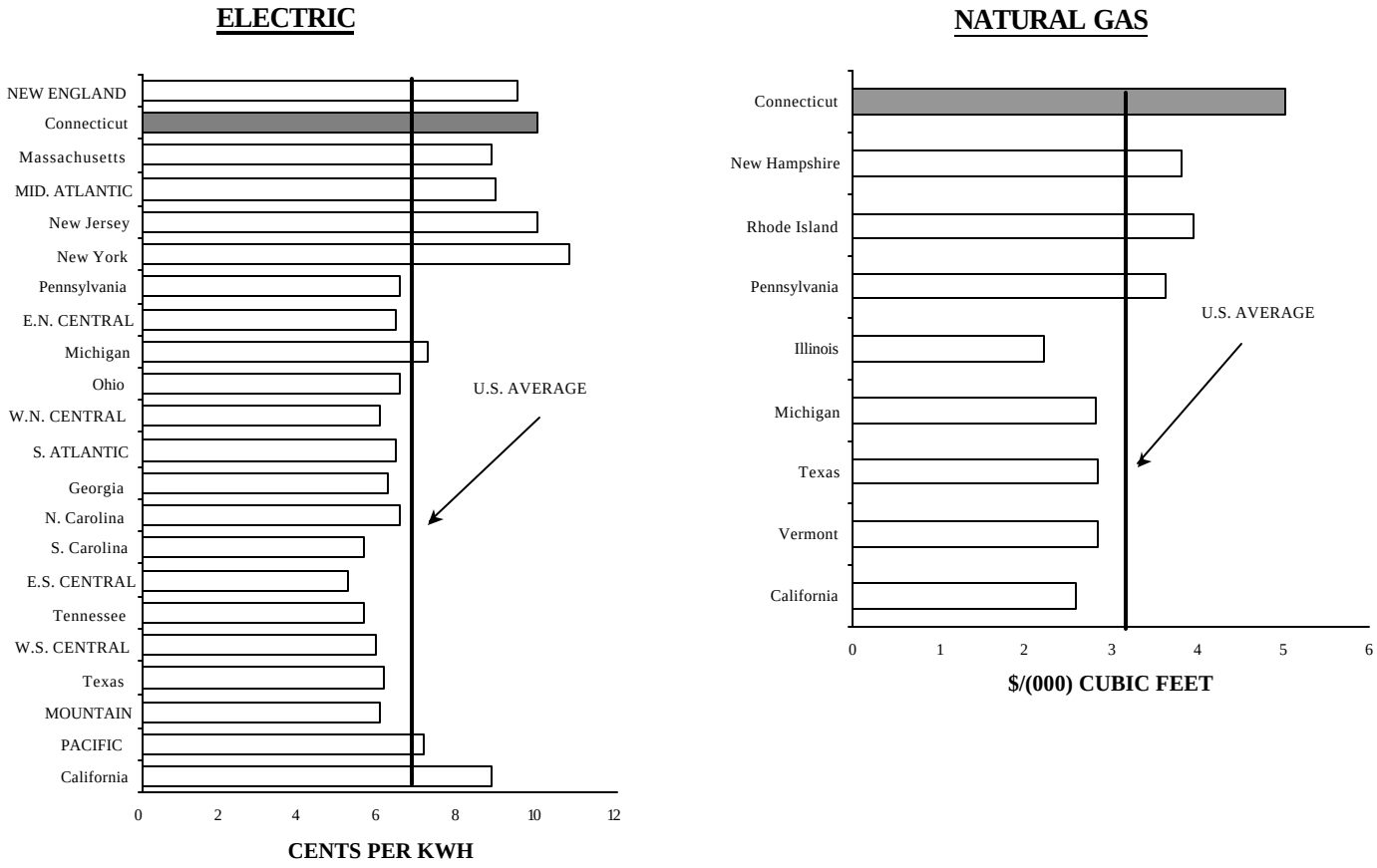
electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. As of July 2000, most consumers in the state can choose an independent electric supplier as their provider of electricity. The electricity is still delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and United Illuminating Company). Electric suppliers are not subject to rate regulation by the Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

As do most of the other northeastern states, Connecticut residents and industries pay high electric prices. The following Charts compares the state's average electric and natural gas prices for all sectors including residential, commercial, and industrial with other national regions and states for 1999. In 1999, the average cost of electricity was 10.0 cent per kilowatt hour for all end-users, compared to 6.6 cents in the nation. This is partially the result of a lack of low cost indigenous fuel sources. It also reflects higher overall costs of operating in the Northeast and the employment of less polluting electric generating processes. Public Act 98-28 authorized the restructuring of the electric industry in Connecticut. The Act allows consumers to choose their electric suppliers from among suppliers licensed by the Department of Public Utility Control, and requires electric utilities to separate their electric generation function from their transmission and distribution functions. The Act mandates a 10 percent reduction in total rates from 1996 levels, subject to specified adjustments, during the period from 2000 to 2003 for all but special contract and flexible rate customers. This "standard offer" service is available to all consumers except those that had already entered into special contracts with the electric companies. The act also provides a procedure for recovery of stranded costs, including the issuance of revenue bonds backed by part of the competitive transition assessments levied on consumers to be established by the Department of Public Utility Control.

Natural gas prices are also substantially higher in Connecticut compared with the rest of the U.S. In 1999, the average cost of natural gas was $5.03 per 1,000 cubic feet, compared to $3.11 in the nation. As with electric prices, this is partially the result of the state's lack of indigenous fuel sources. Connecticut is also situated far from sources of supply and must rely on pipelines that have capacity limitations during periods of peak demand. Natural gas service is provided to parts of the state through one municipal and three private gas distribution companies, including Yankee Gas Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past two years, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas has also been recently acquired by Northeast Utilities. Since 1996, the 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. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

COMPARATIVE UTILITY PRICES IN 1999



Source: U.S. Department of Energy, Energy, Information Administration, "*Electric Power Monthly*", March 2000; and "*Natural Gas Monthly*", August 2000

Residents will face a steep gas increase in gas prices during the winter of 2000. The average price of natural gas in the U.S. almost quadrupled at the end of 2000 from a year before as supplies and inventories were lower and demand was higher than year-ago levels. Demand for gas, once thought of mainly as a source for winter heating, has become a year-round fuel used to generate power for homeowners, refinery plants, and even computers. Chemical producers and fertilizer manufacturers use more natural gas, instead of oil, as a feedstock. The rise in gas use has not been accompanied by an equal growth in capacity, creating a supply shortage. A continuing draw down of natural gas places inventories 14% below the average level of the five previous winters. A lag between drilling and delivery takes several months to increase supplies.

Automotive Fuel Economy and Gasoline Consumption

In the United States, highway vehicles consume approximately 97% of all gasoline. Only about 3% is used for other purposes such as agriculture, aviation, industrial, commercial, construction and boating. During 1998, the latest data available, gasoline consumption in the United States totaled 128.0 billion gallons, the equivalent of 3,047 million barrels annually or 8.35 million barrels per day.

This represents a 2.1% increase from 1997 and the seventh yearly increase since 1992. It is estimated that the average American consumed 470 gallons of gasoline. Over the past twenty years, gasoline consumption has varied. Consecutive drops in gasoline consumption occurred from 1979 to 1982, the period when gasoline prices rose sharply. Before 1978, gasoline consumption had been rising at an average rate of approximately 3% per year, which is higher than the growth registered in the recent past. The following Table shows gasoline consumption during the past ten years for the Nation and Connecticut.

TABLE 32
GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT

Calendar Year	U.S. Consumption Gallons (000's)	Percent Change	Connecticut Consumption Gallons (000's)	Percent Change
1989	110,632,453	0.7	1,345,656	(1.0)
1990	110,184,150	(0.4)	1,301,715	(3.3)
1991	107,948,371	(2.0)	1,302,750	0.1
1992	110,950,359	2.8	1,311,247	0.7
1993	113,704,395	2.5	1,321,880	0.8
1994	115,007,612	1.1	1,328,585	0.5
1995	120,875,789	5.1	1,292,233	(2.7)
1996	123,326,745	2.0	1,390,385	7.6
1997	125,399,139	1.7	1,400,016	0.7
1998	127,977,505	2.1	1,425,178	1.8

Source: U. S. Department of Transportation, Office of Highway Information Management, "*Highway Statistics 1998* ", December 1999

In Connecticut, gasoline consumption totaled 1.43 billion gallons or 33.9 million barrels during 1998. This converts to consumption of 434 gallons per Connecticut resident versus 470 gallons for the nation. The lower per capita consumption may be attributable to several factors. As one of the smallest states in size in the nation, generally residents commute shorter distances to work and shop. In addition, gasoline prices in Connecticut are relatively higher than the national average, which tends to encourage conservation by the state's residents. Connecticut's small size also increases the likelihood that gasoline may be purchased outside our borders, particularly if there is incentive to do so due to price differentials.

In 1975, the U.S. Congress authorized the Department of Transportation to set and enforce automobile efficiency standards, known as Corporate Average Fuel Economy (CAFE). These regulations mandate that automobile makers achieve a fleet wide minimum for fuel efficiency. Automakers are penalized $5 per car for every one tenth of a gallon its fleet average fuel economy falls below the federal standard. The average miles per gallon (MPG) rating for automobiles and light trucks increased from 15.3 MPG in model year (MY) 1975 to 26.2 MPG in MY 1987. After MY 1988, new passenger vehicle efficiency gradually drifted down to 24.4 MPG in MY 1997 before it climbed back to 24.6 MPG in MY 1998. The increase in fuel efficiency during the 1970s and 1980s and a slowdown in the 1990s reflect the change in driver's tastes and a lower emphasis by consumers on energy conservation. During the 1970s and 1980s, more efficient engines and smaller cars were produced, with lighter and stronger vehicle components installed. During the 1990s, light trucks gained market share while sales for high-

powered cars increased, reducing the average MPG rating for new vehicles. The following Table details the CAFE standards along with fleet wide average miles per gallon by model year. Light trucks include minivans, sport utility vehicles, and small pick-up trucks that are generally less efficient than cars. As market demand for heavier and high performance passenger cars resumed, car manufacturers continued to provide larger, less fuel-efficient models. Light truck production increased from 1.9 million units in MY 1980 to 6.4 million units in 1999. In terms of market share, it increased from 16.7% of the total light vehicle fleet in MY 1980 to 43.5% in MY 1999. In MY 1999, a larger portion of products had MPGs that not only declined below MY 1998 levels, but also did not achieve their CAFE standards. Those manufacturers with underperforming products are subject to civil penalties for non-compliance. However, civil penalties might not be collected because the credits earned in earlier years may offset the shortfalls. In addition, some manufacturers may file carryback plans to demonstrate that they anticipate earning credits in future years to offset current deficits.

The following Table also shows that foreign imports generally have been getting higher than average MPG than American cars; however, the gap has continually been narrowing since 1995 with only a very small margin in MY 1999. Foreign cars continued to be imported to satisfy consumer demand for higher performance vehicles. For example, the average curb weight for the foreign produced fleet in MY 1999 increased by 108 pounds compared with only 5 pounds for the domestic produced fleet. Average engine displacement for foreign produced cars increased by 9 cubic inches compared to only 2 cubic inches for domestic cars. The average fuel efficiency of foreign produced 1999 model year passenger cars was 28.4 MPG, down from 30.0 MPG for MY 1998 and down from the high of 30.3 MPG in the 1997 model year.

TABLE 33
AUTOMOTIVE FUEL ECONOMY
Domestic vs. Imported Passenger Cars & Trucks
(Model Year, Average Miles Per Gallon)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
CAFE Standards										
Passenger Cars	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Light Trucks	20.0	20.2	20.2	20.4	20.5	20.6	20.7	20.7	20.7	20.7
Cars Produced	28.0	28.4	27.9	28.4	28.3	28.6	28.7	28.6	28.7	28.3
Domestic Cars	26.9	27.3	27.0	27.8	27.5	27.7	28.3	27.9	28.1	28.2
Import Cars	29.9	30.1	29.2	29.6	29.6	30.3	29.7	29.8	30.0	28.4
Light Trucks Produced										
(up to 8,500 lbs.)	20.8	21.3	20.8	21.0	20.7	20.5	20.7	20.4	20.9	20.7
Total Fleet	25.4	25.6	25.1	25.2	24.7	24.9	24.9	24.4	24.6	24.5

Source: U.S. Department of Transportation, National Highway Traffic Safety Administration, "*Twenty-Fourth Annual Report to Congress, Calendar Year 1999*"

As part of the Clean Air Act Amendments of 1990, certain geographic areas within the United States are required to implement strategies that will reduce emissions of ozone-forming pollutants and ultimately achieve the national air quality standards for protecting public health. Ground-level ozone,

or smog, is the state's most serious air pollution problem. It is an irritant that affects the eyes and lungs, especially in children and the elderly. It can also harm plants and some building materials. Southwestern Connecticut, along with the balance of the New York metropolitan area, is classified as a severe ozone nonattainment area with the third worst ozone problem in the nation. The rest of the state is classified as a serious ozone nonattainment area, ranking 12th worst in severity.

The US Environmental Protection Agency (EPA) requires the sale of reformulated gasoline (RFG) in metropolitan areas that do not meet federal air quality standards. Those areas include Hartford and other big cities such as Baltimore, Boston, Chicago, Dallas, Houston, Kansas City, Louisville, Milwaukee, New York, Norfolk, Philadelphia, Richmond (VA), St. Louis, and Washington D.C. California has been enforcing its own reformulated gas rule since 1996. RFG is blended to burn cleaner than conventional gasoline, producing approximately 15% to 17% less pollution. The EPA estimates RFG has an added cost of about 2 cents per gallon but engine performance and fuel economy should not be affected.

Reformulated gasoline has been sold in Connecticut since January 1, 1995. Although only required in the central and southwestern portions of Connecticut, the entire state has opted to participate in the reformulated gasoline program due to distribution logistics associated with our small geographic area.

Connecticut's State Implementation Plan (SIP) includes the following strategies to curb ozone-forming emissions from automobiles: 1) reformulated gasoline; 2) an enhanced vehicle inspection and maintenance program; and 3) vapor recovery systems for gas pumps. These strategies are cost effective when compared to the projected cost of additional controls on stationary sources. The resulting added costs to motorists' needs to be weighed against the potential impact that federal sanctions could have on the state for not meeting the rate of progress in the SIP. Sanctions can include growth-crippling 2:1 emissions offsets for new sources and/or a loss of federal highway funds. Beginning in 1998, model year 1981 and newer vehicles have been required to undergo a biennial emissions test based on a simulated drive cycle, instead of an idle tailpipe test. Vehicles of model years 1968 to 1980 undergo the same test, but on an annual basis. The enhanced test includes measurements for oxides of nitrogen, carbon dioxide, carbon monoxide, and hydrocarbons. Additionally, all vehicles are tested to ensure the integrity of their gas cap seals under pressure. Certain models continue to be checked to ensure that they have catalytic converters.

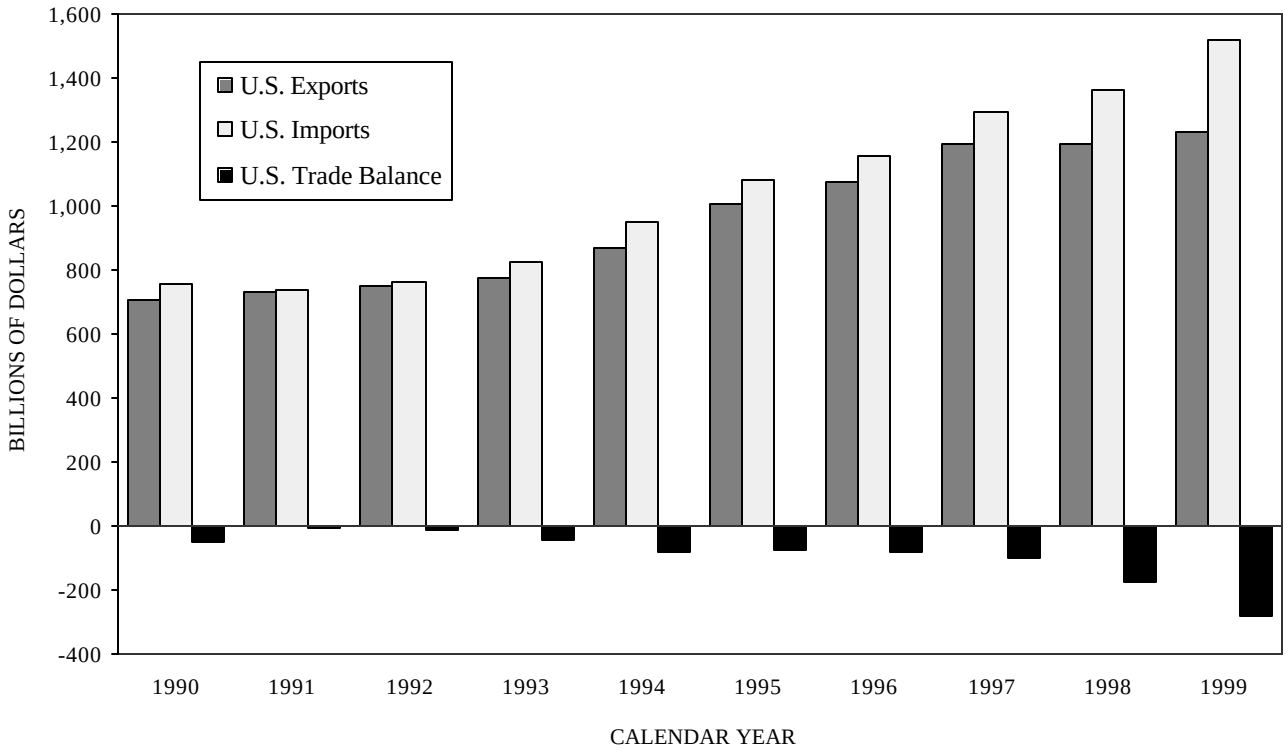
Finally, most gas stations in Connecticut are required to have in place vapor recovery systems on every pump to prevent release into the atmosphere. This typically involves a vacuum system that draws gasoline vapors out of a vehicle's fuel tank during refueling and returns them to the underground storage tank. The cost of installing and maintaining this equipment has had a negligible affect on the cost per gallon. It is through the combination of the above efforts that Connecticut's environmental authorities expect to reduce mobile source emissions of ozone-forming pollutants by significant percentages and comply with federal regulations.

Export Sector

The United States is becoming an increasingly world trade oriented economy. U.S. real exports and imports accounted for 26.9% of Gross Domestic Product (GDP) in 1999, up from 26.2% in 1998, 19.4%

in 1990, 13.8% in 1980, 12.4% in 1970, and 9.4% in 1960. Exports, and a favorable balance of payments, have traditionally been important to the growth of the United States, affecting employment, production, and income. Real exports of goods and services significantly boosted economic growth over the past decade, accounting for 11.6% of real GDP in 1999, down slightly from 11.8% in 1998 but up from 10.4% in 1990, 8.5% in 1980, and 5.6% in 1970. The Chart below illustrates the United States' trade balance for the past ten years. The trade deficit from merchandise, services and investment income reached its prior peak in 1987 at $137.4 billion, caused primarily by the relatively high value of the dollar between 1983 and 1986. In 1990, the deficit fell to $50.3 billion and further dropped to $4.1 billion by 1991. However, it bounced back, growing rapidly to $173.1 billion by 1998 and reached a new record high of $283.5 billion in 1999 due to a slowdown in exports accompanied by an acceleration in imports. A combination of strong U.S. economic growth and weakness abroad has widened the U.S. trade gap.

U.S. TRADE BALANCE
BY CALENDAR YEAR



The United States' trade balances in the past decade generally improved during recession years, and deteriorated during recovery and expansionary periods. The U.S. 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.

According to the U.S. Department of Commerce, international trade is classified into three categories: merchandise trade, service transactions, and investment income. The decline in the international trade deficit in the late 1980s resulted from an improvement in merchandise trade, enhanced balances in service transactions and a continued surplus in investment income.

However, the favorable trade situation turned around in 1991 with widening deficits in merchandise and narrowing surpluses in investment income, which were slightly offset by the continued increase in service surpluses. By 1999, however, the surplus in services leveled off, while the deficits in merchandise and investment incomes sharply deteriorated, resulting in a record trade deficit of $283.5 billion.

In 1999, while merchandise imports continued to grow rapidly, exports increased only slightly after a decline in 1998 as a result of limited real GDP growth in many industrial countries. Real GDP in 1999 for Germany, the United Kingdom, and Italy grew, 1.6%, 1.4%, and 2.2%, respectively. Japan registered a scant 0.3% recovery from a recession in 1998. In Southeast Asia, several countries such as South Korea and Thailand partially recovered from their financial problems experienced in late 1997 and 1998. Latin America collectively, excluding Mexico, saw their real GDP decline by 0.8%. The continued strong economic expansion in the U.S. fueled the increase in imports. The overall trade balance deteriorated as a result of growing deficits in merchandise goods and investment income, along with a stagnant service area. Investment income in 1999 registered an $18.5 billion deficit, deteriorating from a deficit of $6.2 billion in 1998 and a $6.2 billion surplus in 1997. A two-year listing of the detail for these three categories is broken down in the following Table.

Merchandise Trade

There are six subcategories within merchandise trade, including foods, feeds and beverages; industrial supplies and materials; capital goods excluding autos; autos; consumer goods and others. The deficit in merchandise trade grew to $345.6 billion from $246.9 billion in 1998 and $196.7 billion in 1997, compared to its recent low of $74.1 billion in 1991. Before 1991, the merchandise trade deficit had declined as exports expanded faster than imports. After 1991, however, the situation reversed itself; imports climbed faster than exports, resulting in a decline in trade balances. Exports of merchandise in 1999 increased 2.1% after a decrease of 1.4% in 1998 and an increase of 11.1% in 1997. Growth in U.S. imports increased 12.3% after increases of 4.7% in 1998 and 9.1% in 1997.

United States exports have been concentrated in two categories: capital goods and industrial supplies & materials. These categories hovered around two thirds of total merchandise exports over the past decade. In contrast, U.S. imports have been evenly distributed among four categories: industrial supplies and materials; capital goods excluding autos; autos; and consumer goods. They accounted for more than 90% of total merchandise imports over the past decade. This implies that it may take time to realize improvements in U.S. foreign trade balances as imports are evenly distributed across categories while exports are concentrated in specific categories.

Of the total deficit of $345.6 billion, consumer goods accounted for the largest portion of the deficit, reaching $158.8 billion in 1999. This category registered double-digit growth for the third consecutive year, up 15.6% in 1998, 17.9% in 1998, and 14.2% in 1997. Consumer goods consist of durables and nondurables. Durables are goods including household and kitchen appliances such as radio and stereo equipment, televisions and video receivers, bicycles, watches and clocks, toys and sporting goods. Nondurables include footwear, apparel, medical, dental and pharmaceutical preparations.

TABLE 34
U.S. TRADE DEFICIT BY CATEGORY
(In Billions of Dollars)

	1998			1999		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**1,191.4**	**1,364.5**	**(173.1)**	**1,232.4**	**1,515.9**	**(283.5)**
Merchandise	**670.3**	**917.2**	**(246.9)**	**684.4**	**1,029.9**	**(345.6)**
Foods/Beverages	46.4	41.2	5.2	45.5	43.6	2.0
Industrial Supplies & Materials	148.3	203.1	(54.8)	147.0	224.8	(77.8)
Capital Goods, Excluding Autos	300.1	269.6	30.6	311.8	297.1	14.7
Autos	73.2	149.1	(75.9)	75.8	179.4	(103.6)
Consumer Goods	79.3	216.7	(137.4)	80.8	239.6	(158.8)
Others	23.1	37.6	(14.5)	23.5	45.4	(21.9)
Services	**262.7**	**182.7**	**80.0**	**271.9**	**191.3**	**80.6**
Travel & Transportation	117.0	106.8	10.1	121.7	114.9	6.8
Royalties, License fees, etc.	128.0	63.6	64.4	133.9	62.8	71.1
Other Services	17.6	12.2	5.4	16.3	13.6	2.7
Investment Income	**258.4**	**264.7**	**(6.2)**	**276.2**	**294.6**	**(18.5)**
Receipts / Payments on Assets						
Direct Investment	106.4	38.7	67.7	118.8	56.1	62.7
Other Private Investment	146.5	127.7	18.8	152.0	135.8	16.1
U.S. Gov't Receipts / Payments	3.6	91.1	(87.5)	3.2	95.1	(91.9)
Compensation of Employees	1.9	7.1	(5.2)	2.2	7.6	(5.4)
	Percent Change From Previous Year					
Total Trade	**(0.2)**	**5.4**	**73.5**	**3.4**	**11.1**	**63.7**
Merchandise	**(1.4)**	**4.7**	**25.5**	**2.1**	**12.3**	**40.0**
Foods/Beverages	(9.9)	3.9	(56.4)	(1.9)	5.7	(62.1)
Industrial Supplies & Materials	(6.3)	(6.6)	(7.2)	(0.8)	10.7	41.9
Capital Goods, Excluding Autos	1.5	6.4	(28.0)	3.9	10.2	(52.0)
Autos	(1.2)	6.6	15.4	3.6	20.4	36.5
Consumer Goods	2.5	11.7	17.9	1.9	10.6	15.6
Others	1.4	16.4	52.3	1.7	20.9	51.6
Services	**2.1**	**9.7**	**(11.9)**	**3.5**	**4.7**	**0.8**
Travel & Transportation	(3.6)	7.8	(54.2)	4.0	7.5	(33.0)
Royalties, License fees, etc.	7.5	14.3	1.5	4.5	(1.4)	10.4
Other Services	4.7	4.6	4.8	(7.3)	11.5	(50.2)
Investment Income	**0.4**	**5.4**	**(200.4)**	**6.9**	**11.3**	**197.6**
Receipts / Payments on Assets						
Direct Investment	(7.9)	(11.3)	(5.8)	11.6	45.0	(7.4)
Other Private Investment	7.4	13.2	(20.6)	3.7	6.3	(14.0)
U.S. Gov't Receipts / Payments	1.2	3.5	3.6	(11.2)	4.4	5.0
Compensation of Employees	7.3	6.6	6.4	14.2	6.8	4.0

Note: Percent changes were derived before rounding to billions.

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2000

The second largest portion of the deficit occurred in the auto category at $103.6 billion, a 36.5% increase from 1998's deficit of $75.9 billion. While imports in automotive products boomed, exports increased slightly by 3.6% in 1999 after a decline of 1.2% in 1998. Exports to Latin America decreased as many countries in this area experienced economic difficulties. Imports of automotive products grew 20.4%, compared to increases of 6.6% in 1998 and 8.4% in 1997. Imports of parts, engines and completed autos were strong from Germany, Japan, Canada, Mexico, and South Korea. Overall, U.S. new car and light vehicle sales of imports increased 1.7 million units (MU) and 0.8 MU, respectively, to a total of 2.5 million units in 1999, up from 2.0 MU in 1998 and 1.9 MU in 1997. Imports share of U.S. market sales was 14.9%, up from 13.0% in 1998 and 13.2% in 1997.

Industrial supplies and materials including energy products, iron and steel, metal products, lumber and paper and chemicals accounted for the third highest portion of the deficit. While imports increased 10.7% to $224.8 billion, exports declined 0.8% to $147.0 billion, resulting in a $77.8 billion deficit. Imports of petroleum increased dramatically by 33.0% to $67.8 billion compared to a sharp decrease of 29.0% in 1998. The imported price of petroleum, measured by the refiner's acquisition cost of crude oil, averaged $17.41 per barrel in 1999, compared to $12.58 in 1998.

Capital goods continued to post a surplus at $14.7 billion in 1999. However, it declined 52.0%, after a reduction of 28.0% in 1998. This sector, which excludes autos, includes machine tools, telecommunications equipment, hospital and scientific instruments, industrial engines, and oil drilling and mining equipment. A faster increase in imports than exports accounted for the decrease in the 1999 surplus. Imports grew by 10.2% compared to a 3.9% increase in exports. The increase in imports was attributable to a strong demand from Internet users and from producers of communications equipment, consumer electronics, and automotive electronics. Imports of civilian aircraft, engines and parts increased slightly to $26.9 billion from $24.7 billion in 1998. Exports of civilian aircraft, engines, and parts decreased 1.1% to $52.9 billion, compared to increases of 29.2% in 1998, and 34.4% in 1997.

Over the past two decades, U.S. merchandise trade balances improved only during recessionary periods. Since the levels of merchandise imports are sufficiently greater than that of exports, exports must grow much faster than imports in order to prevent an expanding deficit. At a ratio of 1.5 imports to exports in 1999, the percentage increase in exports in 2000 should be at least 1.5 times the percentage increase in imports so that the trade gap can be narrowed. As imports for the next two years are anticipated to grow at an average rate of 10% and a growth greater than 15% for exports is unreachable, the trade deficit is not anticipated to improve in the next two years.

Service Transactions

The United States is highly competitive in the delivery of services. It is estimated that the U.S. is 20% more productive than our major foreign competitors in this area. The surplus has been generated from travel, passenger fares, royalties and license fees, as well as private services including education, finance, insurance, telecommunications, and business services. Despite the vital role the surplus in service transactions continued to play in the balance of trade, it has begun to lose ground. The surplus increased a scant 0.8% to $80.6 billion in 1999, after a decline of 11.9% in 1998, compared to increases of 5.8% in 1997 and 12.2% in 1996 and healthy increases

of 26.6% in 1992, 49.0% in 1991, and 22.9% in 1990. Spending by foreign visitors from the European Union and Asia for travel in the U.S. and transportation receipts rebounded moderately, reflecting an up tick in economic conditions in these two areas. Nonetheless, the 7.0 million visitors from Asia in 1999 were still below the record high of 7.8 million visitors in 1997 prior to the financial crisis. Receipts from Canada and Mexico increased 5% and 12%, respectively. The continued appreciation of the U.S. dollar against the Euro limited the growth in foreign visits from the European Union. Receipts from royalty and license fees were the major contributor to the surplus in services. Among the $80.6 billion of total surplus in 1999, $71.1 billion, or 88%, was attributable to royalty and license fees, rising from 81% in 1998. This reflects that the U.S. continues to lead in technology worldwide.

Investment Income

The balance in investment income descended to a deficit of $18.5 billion in 1999, expanding from a deficit of $6.2 billion in 1998 and deteriorating from the perpetual surpluses experienced over the past decades. Investment income contains two components: 1) receipts generated from U.S.-owned assets abroad including direct investments, other private securities such as the U.S. government-owned securities as well as corporate bonds and stocks, and 2) compensation receipts of workers who are 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 in contrast paid on foreign-owned assets invested in the U.S. The newly created deficit in investment income was attributable to a reduction in both direct and other private investments of U.S. assets located overseas, compounded by a simultaneous deterioration in increased U.S. government payments and compensation to foreign workers.

The surplus in direct investment income declined 7.4% to $62.7 billion. Receipts from U.S. direct investment abroad increased 11.6% compared to a 45.0% jump in payments on foreign investments in the U.S. The increase of U.S. earnings from direct investment abroad reflected an economic recovery in Western Europe and Asia and continued economic growth in Canada and the United Kingdom, along with increased earnings from manufacturing and petroleum affiliates. The rapid increase in payments on foreign investments in the U.S. reflected the strong growth in the overall U.S. economy, particularly a healthy expansion in manufacturing, wholesale trade, and petroleum industries. Foreign acquisitions continued to grow in 1998 and 1999. The deficit in the “other private income” category continued to decline, falling 14.0% to $16.1 billion as payments increased faster than receipts. Receipts from foreign financial accounts, stocks, and bonds increased only 3.7% to $152.0 billion while payments of income to foreign investors increased 6.3% to $135.8 billion. Interest rates in the U.S. rose significantly in 1999. Foreign holdings of U.S. corporate bonds and U.S. Treasury securities continued to increase substantially in 1999.

The deficit in government receipts / payments account increased as receipts declined while payments increased. U.S. government receipts declined to $3.2 billion in 1999 whereas payments on U.S. government liabilities increased to $95.1 billion, resulting in a 5.0% increase in the deficit to $91.9 billion. The deficit in compensation receipts / payments of employees increased as the increase in receipts was less than that of payments. Payments to foreign employees include those Canadian and Mexican workers who commute to work in the U.S., foreign professionals, temporary agricultural workers, and students studying in the U.S.

As described on the prior page and listed on the following Table, there are five 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.

TABLE 35
INTERNATIONAL INVESTMENT
(Millions of Dollars At Current Cost)

	1998	1999	Change	Change
A. U.S.-owned assets abroad	**5,079,063**	**5,889,028**	**809,965**	**15.9%**
U.S. official reserve assets	146,006	136,418	(9,588)	(6.6%)
U.S. government assets	86,768	84,226	(2,542)	(2.9%)
U.S. credit & long-term assets	84,850	81,657	(3,193)	(3.8%)
Currency holdings & short-term assets	1,918	2,569	651	33.9%
U.S. private assets	4,846,289	5,668,384	822,095	17.0%
Direct investment abroad	1,207,059	1,331,187	124,128	10.3%
Foreign securities	2,052,929	2,583,386	630,457	25.8%
Bonds	576,745	556,748	(19,997)	4.4%
Stocks	1,476,184	2,026,638	550,454	37.3%
Financial instruments	1,586,301	1,753,811	167,510	10.6%
B. Foreign-owned assets in the U.S.	**6,190,869**	**6,971,536**	**780,667**	**12.6%**
Foreign official assets	837,701	869,334	31,633	3.8%
Government securities	620,285	628,907	8,622	1.4%
Others	217,416	240,427	23,011	10.6%
Foreign private assets	5,353,168	6,102,202	749,034	14.0%
Direct investment	928,645	1,125,214	196,569	21.2%
Foreign securities	2,970,419	3,420,701	450,282	15.2%
Treasury securities & currency	957,988	911,379	(46,609)	(4.9%)
Corporate & Municipal Bonds	902,155	1,063,730	161,575	17.9%
Stocks	1,110,276	1,445,592	335,316	30.2%
Financial instruments	1,454,104	1,556,287	102,183	7.0%
C. Net U.S. Total Investment Position (A-B)	**(1,111,806)**	**(1,082,508)**	**29,298**	**(2.6%)**
Net U.S. private investment position	(506,879)	(433,818)	73,061	(14.4%)
Direct Investment	278,414	205,973	(72,441)	(26.0%)
Other Indirect investment	(917,490)	(837,315)	80,175	(8.7%)
Net Government liabilities and Others	(604,927)	(648,690)	(43,763)	7.2%

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2000

According to the U.S. Department of Commerce, 1999 foreign assets in the U.S., measured at current cost, increased by $780.7 billion, or 12.6%, to $6,971.5 billion, compared to an increase of $810.0 billion, or 15.9%, to $5,889.0 billion for U.S. assets abroad. This placed U.S. international investment at a net negative of $1,082.5 billion, which was slightly improved from $1,111.8 billion in 1998. The strong

increase in U.S.-owned assets abroad was mainly due to large financial outflows and a sizable price appreciation of U.S.-held foreign stocks resulting from a worldwide recovery in stock prices. The net foreign ownership of assets in the U.S. accounted for roughly 3% to 4% of the total financial wealth of all U.S. households and non-profit organizations. U.S. direct investment in assets abroad continues to exceed foreign direct investment in the United States. In 1999, the U.S.'s direct investment abroad was $1,331.2 billion, registering $206.0 billion in net investment when compared to $1,125.2 billion of foreign direct investment in the U.S. Foreign assets in the U.S. are mostly in securities such as bonds and stocks issued by the U.S. Treasury and corporations. An appreciation of U.S. stocks in 1999 helped increase foreign indirect investment.

The following Table shows U.S. trade transactions by area. Except for Australia, U.S. net trade deteriorated across all areas in 1999. Deficits with Asia & Africa were by far the largest at $144.3 billion, followed by Japan at $87.6 billion and Western Europe at $67.3 billion. Segments contributing to the deficit varied, driven by capital goods in Asia, automotive products and capital goods in Japan, and nearly all major commodities except capital goods in Western Europe. Trade with Latin America shifted to a deficit of $2.6 billion from a surplus of $17.5 billion in 1998, primarily due to the increase in petroleum imports. The increase in the deficit with Canada was due to a stronger growth in imports than exports in automotive products and in industrial supplies and materials.

TABLE 36
U.S. INTERNATIONAL TRANSACTIONS
(By Area, In Billions of Dollars)

	1997			1998			1999		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**$1,194.3**	**$1,294.0**	**($99.7)**	**$1,191.4**	**$1,364.5**	**($173.1)**	**$1,232.4**	**$1,515.9**	**($283.5)**
Western Europe	347.9	364.2	(16.3)	368.9	399.0	(30.1)	379.8	447.0	(67.3)
Canada	194.5	192.2	2.3	194.5	198.2	(3.8)	209.9	224.4	(14.5)
Japan	109.7	172.1	(62.4)	95.7	171.3	(75.6)	98.0	185.6	(87.6)
Australia	23.6	8.6	15.0	21.9	9.6	12.4	23.0	9.4	13.6
Eastern Europe	13.4	12.7	0.7	13.2	15.4	(2.2)	12.2	16.2	(4.0)
Latin America (1)	238.1	221.8	16.3	251.7	233.2	17.5	254.3	257.0	(2.6)
Asia & Africa (2)	239.6	314.4	(74.8)	214.4	326.6	(112.2)	221.7	366.0	(144.3)
Others (3)	27.4	8.1	19.3	32.1	11.3	20.8	33.5	10.2	23.2

(1) Includes Brazil, Mexico, Venezuela and other Western Hemisphere countries.
(2) Includes members of OPEC, China, Hong Kong, South Korea, New Zealand, Singapore, Taiwan and South Africa.
(3) Includes figures for International Organizations and unallocated areas.

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2000

Connecticut Exports

In Connecticut, the export sector has assumed an increasingly important role in overall economic growth. At a time when the defense industry has been pared back, manufacturing exports have been an engine for expansion in the state's economy and have helped boost

personal income. State exports of goods for the past five years averaged 5.5% of the State's Gross State Product (GSP).

According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER) to capture a greater percent of indirect exports, Connecticut exports of commodities totaled $7,877.7 million in 1999. 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.

Exports of services of approximately $3.1 billion and income receipts of approximately $3.4 billion on Connecticut direct investment abroad also play a vital role in Connecticut. These bring Connecticut's total export related receipts to $14.4 billion, or approximately 10% of the State's GSP. Exports of services include foreign transactions generated from travel, royalties and license fees, as well as private services including education and business services. Income receipts on Connecticut investment abroad include profits, interest, dividends and capital gains generated from direct investment and securities owned by the state's citizens or companies. As a high-tech state with excellent institutes of higher education and growing entertainment attractions, along with superior expertise in finance and insurance, Connecticut's service exports and investment income are estimated to be relatively higher than the national average.

Exports of education services also play an important role in the state's economy. The number of foreign students studying in Connecticut educational institutions continues to increase. There were 7,110 foreign students attending Connecticut colleges in the 1999-00 school year, up 5.3% from 1998-99 and compared to the national increase of 4.8%, according to the *Chronicle of Higher Education.* It is estimated that this total would rise to 8,000 foreign students if those who are attending secondary and middle schools are included. It is estimated foreign students spend $230 million on tuition, room and board, and the other incidentals of everyday life. Tourism receipts have also steadily increased. It is estimated that 200,000 people from other countries visit Connecticut and spend $300 million annually, partially as a result of casino related businesses.

Connecticut industries that rely most heavily on exports are transportation equipment (SIC 37), instruments (SIC 38), nonelectrical machinery (SIC 35), electrical equipment (SIC 36) and chemicals (SIC 28). These five industries account for about four-fifths of Connecticut's foreign sales. The following Table shows the breakdown of major products by SIC code for the past six years. In 1999, transportation equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters, etc. accounted for 35.1% of total exports, followed by instruments at 12.8%, nonelectrical equipment at 12.3%, electrical equipment at 7.5%, and chemicals (SIC 28) at 7.2%. In terms of average annual growth for the products for this period, primary metals posted the strongest growth at 12.0%, followed by increases of 8.9% in transportation, 8.6% in instruments, and 8.5% in nonelectrical equipment.

TABLE 37

COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT
(In Millions of Dollars)

	1994	1995	1996	1997	1998	1999	% of 1999 Total	Average Growth 94-99
A. Commodity								
SIC 28 Chemicals	843.4	753.4	679.5	594.5	588.7	570.5	7.2%	(7.4%)
SIC 33 Primary Metals	202.6	278.4	226.6	390.5	244.5	259.7	3.3%	12.0%
SIC 34 Fabricated	274.1	301.9	355.7	333.9	291.9	318.5	4.0%	3.7%
SIC 35 Nonelectrical	670.7	825.0	783.7	994.7	954.1	972.1	12.3%	8.5%
SIC 36 Electrical	579.3	669.9	710.6	747.6	615.1	593.4	7.5%	1.1%
SIC 37 Transportation	1,910.5	1,712.5	1,907.0	2,261.2	3,002.1	2,761.9	35.1%	8.9%
SIC 38 Instruments	675.2	667.9	754.6	919.1	940.9	1,008.2	12.8%	8.6%
SIC 91 Waste & Scrap	145.6	119.0	136.9	152.8	127.4	93.9	1.2%	(6.9%)
SIC 99 Others	1,087.7	1,217.1	1,274.9	1,390.1	1,347.6	1,299.5	16.5%	3.8%
Total Commodity Exports	6,389.1	6,545.1	6,829.5	7,784.4	8,112.3	7,877.7	100.0%	4.4%
% Growth	1.0%	2.4%	4.3%	14.0%	4.2%	(2.9)%		
B. Coefficient of Variation	0.77	0.68	0.73	0.75	0.98	0.92		
C. Gross State Product (a)(b) **(b)$)***	112.6	119.0	124.7	134.8	142.1	150.9		6.0%
% Growth	4.8%	5.3%	4.6%	8.5%	6.8%	6.2%		
Exports as a % of GSP	5.7%	5.5%	5.5%	5.8%	5.7%	5.2%		

(a) In billion of dollars.
(b) GSP for 1999 is estimated to grow at the same rate as wage income derived from the manufacturing sector, estimated by the U.S. Department of Commerce, Bureau of Economic Analysis.

Source: U.S. Department of Commerce, & University of Massachusetts (MISER)

Overall growth in exports of commodities for the past five years averaged 4.4%, gradually expanding from 4.2% of Gross State Product in 1987 to a high of 5.9% in 1993, then edging down to hover between 5.2% and 5.8% for the past six years. Commodities, or goods, exports which include products in the manufacturing, agricultural, and mining industries in Connecticut have improved since the late 1980s. However, exports of commodities grew more or less proportionately with overall goods production as measured by the Gross State Product (GSP), resulting in a fairly stable percentage of exported goods relative to GSP.

Column four in the following Table shows that Connecticut's exported commodities as a percentage of total goods production increased from 25.1% in 1990 to 33.1% in 1998, and then slipped to 30.8% in 1999. To mitigate the annual fluctuations for better analysis, a 2-year moving average of commodity exports is used. For the period between 1990 and 1999, Connecticut's manufacturing exports grew 66% relative to an 80% increase for the nation. Connecticut's commodity exports share as a percentage of the U.S. total dropped to 1.18% in 1999 from 1.29% in 1990, after reaching a recent high of 1.35% in calendar 1991. The following Table compares Connecticut's exports with the performance of the nation.

TABLE 38
COMMODITY EXPORTS AND MANUFACTURING PRODUCTS IN CONNECTICUT
(In Millions of Dollars)

Cal. Year	CT Commodity Exports	CT Goods* Products	CT Exports As A % Of Goods Products	CT Exports 2-year Moving Average	1990 =100	U.S. Comm. Exports	U.S. Exports 2-year Moving Average	1990 =100	CT % Share Of U.S. Exports
1990	5,186.9	20,699	25.1%	4,829.9	100	389,307	375,714	100	1.29
1991	5,699.2	20,599	27.7%	5,443.1	113	416,913	403,110	107	1.35
1992	5,710.7	20,215	28.2%	5,705.0	118	440,352	428,633	114	1.33
1993	6,325.1	19,273	32.8%	6,017.9	125	456,832	448,592	119	1.34
1994	6,389.1	19,800	32.3%	6,357.1	132	502,398	479,615	128	1.33
1995	6,545.1	20,813	31.4%	6,467.1	134	575,845	539,122	143	1.20
1996	6,829.5	22,095	30.9%	6,687.3	138	612,057	593,951	158	1.13
1997	7,784.4	23,522	33.1%	7,307.0	151	679,702	645,880	172	1.13
1998	8,112.3	24,496	33.1%	7,948.4	165	670,324	675,013	180	1.18
1999	7,877.9	25,566	30.8%	7,995.1	166	684,358	677,341	180	1.18

* Goods products, including those in manufacturing, agricultural, and mining industries, for 1990 through 1998 are from Gross State Product while 1999 is assumed to grow at the same rate as wage income derived from the manufacturing sector, estimated by the U.S. Department of Commerce, Bureau of Economic Analysis.

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2000
University of Massachusetts (MISER)

Despite that fact that Connecticut's share of exports relative to the U.S.'s total continued to decline over the past decade, this does not necessarily imply that Connecticut's exports are losing their international competitiveness. As the U.S recovered from the recession experienced in the early 1990s, the employment mix also continued to shift from commodity-producing industries to service-producing industries. Mirroring the national trend, Connecticut has been shifting away from goods producing employment. The following Table shows that the state's employment in goods declined 16% between 1990 and 1999 versus only a 3% reduction for the nation. Commodity exports, however, increased 52% for Connecticut as compared to a 76% increase for the nation during the same period. Exports per goods producing employee for both the U.S. and Connecticut grew at approximately the same rate of 81%. The last column demonstrates that Connecticut's exports per goods producing employee are below the national average by 10% to 15%. As Connecticut has more corporate headquarters, the employment number for the goods producing industry may contain a high percentage of administrative employees, resulting in smaller exports per employee. Individual Connecticut firms with the highest export sales include General Electric, United Technologies, Union Carbide, Xerox, Champion, Perkin & Elmer, Pitney Bowes, and the Stanley Works.

TABLE 39
COMPARISON OF COMMODITY EXPORTS BETWEEN CONNECTICUT & THE U.S.
(In Millions of Dollars)

Cal. Year	CT Commodity Exports ($)	CT Employment In Goods Industry (000's)	CT Exports Per Employee ($)	1998 =100	U.S. Commodity Exports ($)	U.S. Empl. In Goods Industry (000's)	U.S. Exports Per Employee ($)	1998 =100	Relative Exports Per Employee CT/US%
1990	5,186.9	359.1	14,443	100	389,307	23,010	16,919	100	85.4
1991	5,699.2	348.4	16,357	113	416,913	22,355	18,649	110	87.7
1992	5,710.7	332.4	17,181	119	440,352	21,988	20,027	118	85.8
1993	6,325.1	322.8	19,595	136	456,832	21,807	20,949	124	93.5
1994	6,389.1	314.9	20,292	140	502,398	22,341	22,488	133	90.2
1995	6,545.1	309.0	21,183	147	575,845	22,548	25,539	151	82.9
1996	6,829.5	305.7	22,338	155	612,057	22,524	27,174	161	82.9
1997	7,784.4	308.1	25,266	175	679,702	22,672	29,979	177	84.3
1998	8,112.3	309.4	26,218	182	670,324	22,770	29,439	174	89.1
1999	7,877.9	302.0	26,089	181	684,358	22,360	30,606	181	85.2
% Change (From '90 to '99)	52%	(16%)	81%		76%	(3%)	81%		

Source: U.S. Department of Commerce, University of Massachusetts (MISER)
U.S. Department of Labor & Connecticut Labor Department

The bulk of Connecticut's exports are shipped by air from Bradley International Airport and by sea from our leading port of New Haven. In 1999, exports originating from Connecticut totaled $7,877.9 million, with 55.6% of the total being shipped by air, 16.0% being delivered by sea, and the remaining 28.4% 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 $4,488.2 million in 1990. This reflects that while the demand for meeting just-in-time inventory requirements mount, the majority of goods produced are transported by air as it provides more frequent departures and faster transit times.

The following Table shows the 10 major foreign countries to which state firms export their products. In 1999, Canada remained by far the largest destination country at 24.1%, followed by France, Japan, the United Kingdom, and Germany. These five countries accounted for 55.1% of total state exports in 1999. Exports to Canada benefited from proximity, similar cultural backgrounds, and the North American Free Trade Agreement (NAFTA). Exports to Canada accounted for only 17.9% of Connecticut's total exports in 1988, the year before NAFTA. The extension of NAFTA to include Mexico in 1994, however, seems not to have yielded a noticeable benefit to the State due to in part the geographical distance. The share of the state's exports to Mexico continued to decline, down from 6.6% in 1994 to 5.4% in 1996, and 4.7% in 1999, compared to a steady rise to 12.7% in 1999, up from 11.7% in 1998, 10.5% in 1997, and 10.1% in 1994 for the nation.

TABLE 40
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY COUNTRY
(In Millions of Dollars)

Destination	1999 Rank	1994	1995	1996	1997	1998	1999	% of 1999 Total	1994-99 Average Growth Rate
Canada	1	1,549.6	1,739.6	1,662.5	1,855.0	1,895.2	1,901.9	24.1%	4.4%
France	2	565.0	307.2	306.8	400.8	937.2	1,006.7	12.8%	25.2%
Japan	4	552.5	519.9	540.4	563.9	487.6	540.5	6.9%	(0.1%)
United Kingdom	5	424.7	449.6	532.0	653.8	468.9	463.8	5.9%	3.5%
Germany	3	337.6	346.9	398.7	468.2	496.5	430.5	5.5%	5.6%
South Korea	7	125.3	224.9	176.3	377.4	285.3	394.8	5.0%	37.2%
Mexico	6	420.8	331.3	366.3	364.6	332.0	369.4	4.7%	(1.8%)
Turkey	8	72.2	31.3	29.9	18.9	19.4	197.0	2.5%	164.0%
Singapore	9	258.6	245.2	218.8	245.0	246.5	189.9	2.4%	(5.3%)
Netherlands	10	134.8	134.7	197.7	187.9	174.8	186.2	2.4%	8.3%
Other Areas		1,948.0	2,214.5	2,400.1	2,648.9	2,768.9	2,197.0	27.9%	3.3%
TOTAL		6,389.1	6,545.1	6,829.5	7,784.4	8,112.3	7,877.7	100.0%	4.4%

Source: Connecticut Department of Economic Development

The state's total exports for the first three quarters of 2000 rose 7.4% to $6.21 billion from $5.78 billion for the comparable period in 1999, brought about by a broad based increase, most notably in electronic & electrical products (30.3%), primary metals (23.1%), industrial machinery (22.7%), and transportation equipment (10.9%). Exports to our major trade partners registered an increase, including Germany (27.1%), and France (11.3%) in Western Europe; Taiwan (122.9%), Malaysia (31.0%), Hong Kong (23.0%), and Singapore (17.0%) in Pacific Asia; and Brazil (60.9%) and Mexico (29.3%) in the Americas. Exports to Canada, Japan, and the United Kingdom moderated.

Connecticut's exports have also experienced a geographical diversification. Connecticut's trade area has expanded from traditional big partners such as Canada, the United Kingdom, and Japan to emerging markets in Southern and Central America, Eastern Europe and the Middle East. Connecticut's firms exported to approximately 200 countries worldwide in 1999.

In recent years, Connecticut companies have been putting forth extra efforts to boost their exports with many small firms becoming actively engaged in exporting. Effective endeavors undertaken include streamlining efforts to cut costs, increasing efficiency in order to boost international competitiveness as well as aggressive commitments to improve quality. Increased exports play an important role in the State's employment growth. As export related employment sustained its growth and manufacturing employment continued its downward trend, the export sector became increasingly vital to the State's economy. According to the U.S. Department of Commerce, through the development of an input-output modeling analysis, each additional one million in 1992 dollars of output in Connecticut creates an additional 15.1 jobs in the instrument industry, an additional 16.9 jobs in transportation equipment, and an additional 10.8 jobs in the chemical industry. In 1999, Connecticut had an estimated 123,600 jobs directly related to exports that comprised approximately 46% of the state's work force in the goods sector. These jobs, which were directly involved in

exporting, in turn, generated an estimated 86,600 jobs in the service sector in areas such as transportation, communication, retail sales, as well as banking and financial services, bringing the total to 210,200 jobs that are directly or indirectly associated with exports. This implies that, in Connecticut, 146 out of every 1,000 private sector workers were employed in export related jobs in 1999, up from 134 in 1995 and 96 in 1990.

In an effort to create jobs and investment, the Department of Economic and Community Development has been working with a number of foreign companies regarding the establishment of branches in Connecticut. As a result of this work, foreign countries continually invest and own firms in Connecticut. This foreign investment is an important stimulant for Connecticut's economic growth and future productivity. As of 1998, there were 802 manufacturing and non-manufacturing foreign affiliates in Connecticut, employing 98,100 workers with $9.74 billion of investment. This compares to 777 foreign affiliates employing 83,800 workers with $8.70 billion of investment in 1997. A foreign affiliate is defined as a single foreign person owning or controlling, directly or indirectly, 10% or more of the voting securities.

In 1998, Germany comprised 24.8% of total foreign investment at $2.42 billion, followed by the United Kingdom, the Netherlands, Japan, and Switzerland at an approximately equal amount of $1.00 billion (10.0%). While overall foreign investment in Connecticut continued to grow, changes in direct investment among major trade partners varied. Canadian firms have been taking advantage of the integrating markets established by the NAFTA agreement. The Canadian firms, through economies of scale or comparative advantage, increased Canadian production of goods to be sold in the U.S. As a result, two-way trade continued to expand while investment declined. Canadian investment in Connecticut declined to $627 million in 1998 from a peak of $1,270 million in 1992.

In order to increase global competitiveness and sustain the state's economic growth and prosperity by expanding the state's international business and investment, the Connecticut Department of Economic and Community Development launched an international trade initiative and set up foreign trade representatives in Africa, Argentina, Brazil, China, Israel, and Mexico. The state also provides several specific services to aid in the overall effort to increase exports. For further information regarding assistance, services, or publications, please contact:

State of Connecticut
Department of Economic and Community Development
505 Hudson Street
Hartford, Connecticut 06106
(860) 270-8166, or 270-8067 and 270-8068

Or visit their web-site, http://www.state.ct.us/ecd/international/index.html for more details.

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 affected by the volume of defense contracts awarded or subcontracted to Connecticut firms. A survey conducted in 1991, by the

Connecticut Department of Economic Development, estimated that approximately 1,500 firms, or 32% of total manufacturing establishments employing five laborers or more, were involved with defense-related business. These defense-related employees comprised about 6% of total nonagricultural employment in that year. As a result of the cuts in defense expenditures, defense related employees were estimated to be approximately 3.4% of total employment in 1996.

In FFY 1999, according to information supplied by the U.S. Department of Defense, Connecticut received $3.17 billion in defense-related prime contract awards. This was down 7.0% from the $3.41 billion received in awards for FFY 1998, and was down 47.9% from the peak of $6.08 billion in FFY 1989. The following Table shows the breakdown by type and value of contracts since FFY 1990. Connecticut's total defense awards have declined at an average annual rate of 3.2% during this time. This compares to an average decline of only 0.6% for the nation. This is because Connecticut is much more dependent on supply contracts than is the nation as a whole, and they declined at an average annual rate of 3.4%. Supply contracts, which include procurement of aircraft, ships, weapons, and equipment, etc., accounted for an average of 73.8% of Connecticut's total awards over the period, falling from 83.3% in FFY 1990 to 61.0% in FFY 1997, and rebounding to 81.4% in FFY 1999. Civil Function contracts experienced the greatest growth nationally during this period, but only accounted for an average of 0.5% of the state's total. Given the constraints on the defense budget, defense policy strategies have shifted from a focus on the threat of global conflict to regional contingencies. Procurement practices have shifted from an emphasis on full production of new systems to the development of prototypes; therefore, defense procurement has been falling at a faster rate than overall defense spending, although the military is actively lobbying for a reversal.

This analysis of contract awards shows that, in spite of the upturn in 1998, Connecticut's defense industry has been especially vulnerable to recent contractions in defense spending because of its particular dollar distribution or mix of awards. The state has relied too heavily on supply contracts which experienced a sharp decline while those contracts that experienced relative stability accounted for only a small portion of Connecticut's total. This particular composition had a detrimental impact on the state's economy in the earlier part of the last decade.

In FFY 1999, contractors in the state were awarded $3.2 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. Of the total awarded, $2.7 billion, or 85.7%, went to the following five companies primarily for the described areas of work:

1. General Dynamics Corp. $1,834,271,000 Submarines
2. United Technologies Corp. $778,653,000 Aircraft Rotary Wing
3. Azimuth Technologies Inc. $41,775,000 Engineering Technical Services
4. CTS Corporation $31,265,000 Generators, Electrical
5. Dynamic Gunver Technologies $29,588,000 Gas Turbines and Jet Engines, Aircraft

TABLE 41
CONNECTICUT PRIME CONTRACT AWARDS
(In Thousands of Dollars)

Type of Contract	Supply	R&D*	Service	Construction	Civil Function	Total
FFY 1990	3,533,226	179,817	525,089	873	2,205	4,241,210
(% of Total)	83.3	4.2	12.4	0.0	0.1	100.0
FFY 1991	4,051,026	153,857	738,533	30,455	4,723	4,978,594
(% of Total)	81.4	3.1	14.8	0.6	0.1	100.0
FFY 1992	2,291,285	163,054	631,135	9,744	4,226	3,099,444
(% of Total)	73.9	5.3	20.4	0.3	0.1	100.0
FFY 1993	2,243,995	181,214	458,044	6,629	4,755	2,894,637
(% of Total)	77.5	6.3	15.8	0.2	0.2	100.0
FFY 1994	1,721,722	234,234	465,955	18,143	10,015	2,450,069
(% of Total)	70.3	9.6	19.0	0.7	0.4	100.0
FFY 1995	2,049,584	203,244	442,984	2,931	19,278	2,718,021
(% of Total)	75.4	7.5	16.3	0.1	0.7	100.0
FFY 1996	1,736,339	457,348	390,336	1,009	53,228	2,638,260
(% of Total)	65.8	17.3	14.8	0.0	2.0	100.0
FFY 1997	1,547,402	551,643	380,827	25,629	30,480	2,535,981
(% of Total)	61.0	21.8	15.0	1.0	1.2	100.0
FFY 1998	2,320,505	753,632	310,177	17,824	6,582	3,408,719
(% of Total)	68.1	22.1	9.1	0.5	0.2	100.0
FFY 1999	2,581,519	245,473	328,573	8,137	5,692	3,169,394
(% of Total)	81.4	7.7	10.4	0.3	0.2	100.0
Average % of Total	73.8	10.5	14.8	0.4	0.5	100.0
Average** Growth (FFY 1990-99)	(5.9)	7.7	(8.5)	3.3	21.2	(5.0)
U.S. FFY 1999	49,538,554	19,124,019	39,626,509	3,861,623	2,724,434	114,875,139
(% of Total)	43.1	16.6	14.5	3.4	2.4	100.0

* Denotes Research & Development

** Average annual growth rate of 3 year moving average trend

Source: U.S. Department of Defense, "Atlas/Data Abstract for the U. S. and Selected Areas"

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; and d) there often exists a time lag between awarding the contract and having the necessary funding become available. Although employment is affected by the defense budget, the state's economic activity is not immediately impacted by fluctuations in defense contracts. The following Table compares defense contract awards with employment in Connecticut's transportation equipment sector.

TABLE 42
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 '92 Dollars (000's)	% Growth
1989-90	4,241,210	(30.3)	81.59	0.7	4,552,730	(33.8)
1990-91	4,978,594	17.4	79.78	(2.2)	5,128,464	12.6
1991-92	3,099,444	(37.7)	74.57	(6.5)	3,099,444	(39.6)
1992-93	2,894,638	(6.6)	66.69	(10.6)	2,810,503	(9.3)
1993-94	2,450,069	(15.4)	59.43	(10.9)	2,319,465	(17.5)
1994-95	2,718,021	10.9	54.72	(7.9)	2,502,220	7.9
1995-96	2,638,260	(2.9)	51.32	(6.2)	2,359,132	(5.7)
1996-97	2,535,981	(3.9)	50.22	(2.1)	2,216,549	(6.0)
1997-98	3,408,719	34.4	50.20	(0.0)	2,934,008	32.4
1998-99	3,169,394	(7.0)	49.83	(0.7)	2,669,063	(9.0)
Coefficient of Variation	0.253		0.212		0.323	

Sources: U.S. Department of Defense, Bureau of Labor Statistics, & Department of Labor

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 prior Table shows that the coefficient of variation for Connecticut's real defense contract awards, over the past decade, was 0.323 compared with only 0.212 for transportation equipment employment. This implies that, in general, the fluctuations in employment are much milder than the fluctuations in defense contract awards. Since 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. The short-term outlook for transportation equipment employment is not favorable. As a result of increased productivity, transportation employment is expected to continue to decline. Additionally, further slow growth in the defense budget would be likely to cause reductions in the defense backlog and limit future activity. This should provide impetus for additional industry restructuring and consolidation. Despite a more favorable outlook for commercial engines, competitive cost pressures should restrain employment gains.

The prior Table also shows real contract awards for the past decade by taking into account the erosion of the dollar by adjusting contracts for inflation. From $4.6 billion in FFY 1990, real defense contract awards declined to $2.2 billion in FFY 1997, rebounding to $2.7 billion in FFY 1999. This represents an

average decline of 9.8% per year from FFY 1990 to FFY 1997, and an average increase from FFY 1997 to FFY 1999 of 9.7%. Although there was a small decrease in 1999, it is possible that the decline may have bottomed out.

State defense contract awards have become extremely volatile since the late 1980s and are much less stable when compared with other states or the nation as a whole. The following Table shows the coefficient of variation for Connecticut, over the past decade, was 0.253, compared to 0.050 for the U.S., reflecting the fluctuations in the state's annual levels of defense contract awards.

TABLE 43
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
1989-90	4,241	(30.3)	5,078	(4.9)	121,254	1.1	122,313	(3.2)
1990-91	4,979	17.4	5,101	0.4	124,119	2.4	121,763	(0.4)
1991-92	3,099	(37.7)	4,106	(19.5)	112,285	(9.5)	119,219	(2.1)
1992-93	2,895	(6.6)	3,658	(10.9)	114,145	1.7	116,850	(2.0)
1993-94	2,450	(15.4)	2,815	(23.0)	110,316	(3.4)	112,249	(3.9)
1994-95	2,718	10.9	2,688	(4.5)	109,005	(1.2)	111,155	(1.0)
1995-96	2,638	(2.9)	2,602	(3.2)	109,408	0.4	109,576	(1.4)
1996-97	2,536	(3.9)	2,631	1.1	106,561	(2.6)	108,325	(1.1)
1997-98	3,409	34.4	2,861	8.8	109,386	2.7	108,452	0.1
1998-99	3,169	(7.0)	3,038	6.2	114,875	5.0	110,274	1.7
Coefficient of Variation	0.253				0.050			

Source: United States Department of Defense

As defense contract awards normally take several years to complete, one can use the 3-year moving average method to better reflect actual production activities. The prior Table shows that overall defense cuts in Connecticut have been more severe and more volatile than the national average. Both of these factors have had increasingly 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. In addition, a severe loss in market share could result in the deterioration of the fundamental industrial base and erosion of the competitive edge established in the past. The loss of defense jobs also has a profound implication on both the state's income and employment mix. Based on a three-year moving average, awards reached a low point in 1997, and have begun to show a small sign of reversal and positive growth in the last two years.

Over the last few years, defense contract projects have become fewer in number, larger in size and the market is much more competitive than it has been historically. For example, a new Seawolf submarine involves a budget of $2.4 billion and it accounted for approximately 50% of Connecticut's

total annual awards in 1991. The lack of continuity in full funding for new submarine awards, coupled with acceleration in defense cuts, has dramatically increased the volatility of Connecticut's awards.

Over the last ten years, the relative share of defense related production activities, measured by the size of the moving average of defense contract awards compared to GSP, has been drifting down from 5.1% in FFY 1990 to 2.0% in FFY 1997, and remained at that level. This decline, shown in the following Table, has been the result of dwindling defense contract awards, increasingly competitive defense markets as well as an expansion in the nonmanufacturing sector.

TABLE 44
CONNECTICUT DEFENSE CONTRACT AWARDS AND GSP

Federal Fiscal Year	Connecticut Defense Contract Awards (Millions)	U.S. Defense Contract Awards (Millions)	% of CT to U.S.	Cal. Year CT GSP Current Dollars (Millions)	3-year Average CT Awards (Millions)	CT Awards as % of CT GSP
1989-90	4,241	121,254	3.5	98,914	5,078	5.1
1990-91	4,979	124,119	4.0	100,373	5,101	5.1
1991-92	3,099	112,285	2.8	103,766	4,106	4.0
1992-93	2,895	114,145	2.5	107,993	3,658	3.4
1993-94	2,450	110,316	2.2	112,588	2,815	2.5
1994-95	2,718	109,005	2.5	118,973	2,688	2.3
1995-96	2,638	109,408	2.4	124,693	2,602	2.1
1996-97	2,536	106,561	2.4	134,792	2,631	2.0
1997-98	3,409	109,386	3.1	142,099	2,861	2.0
1998-99	3,169	114,875	2.8	150,938	3,038	2.0
Coefficient of Variation	0.253	0.050				

Note: GSP for 1999 is assumed to grow at the same rate as income derived from wages and salaries estimated by the U.S. Department of Commerce, Bureau of Economic Analysis.

Source: United States Department of Defense and Department of Commerce

In federal fiscal 1999, while Connecticut ranked twelfth in total defense contracts awarded, it ranked fourth in per capita defense dollars awarded with a figure of $966. This figure was more than two times the national average of $421.

Defense budgets for the foreseeable future had been expected to be leaner than ten years ago. With previously awarded contracts and ongoing construction contracts for aircraft engines, helicopters and submarines, production activity in Connecticut will extend into the next few years. In the 2000 presidential election campaign, however, both major candidates advocated increased defense spending. The new Administration is not likely to continue the declining trend seen over most of the last decade.

The following Table shows, by state, federal fiscal 1999 total awards, per capita awards and their corresponding rank.

TABLE 45
COMPARISON OF STATE PRIME CONTRACT AWARDS
Federal Fiscal Year 1999

State	Prime Contract Awards $ (000)	Rank	Per Capita Prime Contract Awards	Rank	State	Prime Contract Awards $ (000)	Rank	Per Capita Prime Contract Awards	Rank
Virginia	12,240,574	2	1,781	1	Rhode Island	312,188	38	315	26
Maryland	5,466,503	5	1,057	2	New Hampsh.	359,908	37	300	27
Alaska	609,981	34	985	3	Indiana	1,648,347	18	277	28
Connecticut	3,169,394	12	966	4	Minnesota	1,212,290	23	254	29
Arizona	4,171,941	8	873	5	Utah	532,907	35	250	30
Missouri	4,602,626	7	842	6	North Dakota	149,100	45	235	31
Hawaii	984,848	28	831	7	Ohio	2,592,555	15	230	32
Massachusetts	4,714,940	6	764	8	S. Carolina	868,545	30	224	33
Alabama	2,676,744	14	613	9	Tennessee	1,092,566	26	199	34
Colorado	2,441,790	16	602	10	New York	3,289,419	11	181	35
Mississippi	1,537,890	19	555	11	Nevada	276,131	40	153	36
Maine	686,365	31	548	12	Iowa	419,387	36	146	37
Georgia	4,112,571	9	528	13	N. Carolina	1,039,620	27	136	38
California	17,371,556	1	524	14	Nebraska	225,884	42	136	39
Florida	6,806,055	4	450	15	Wyoming	62,038	50	129	40
Texas	8,666,460	3	432	16	S. Dakota	93,948	48	128	41
Washington	2,296,094	17	399	17	Idaho	155,987	44	125	42
Vermont	213,552	43	360	18	Wisconsin	644,454	32	123	43
New Mexico	614,173	33	353	19	Delaware	91,748	49	122	44
Kentucky	1,386,787	21	350	20	Michigan	1,167,863	24	118	45
New Jersey	2,850,761	13	350	21	Montana	98,005	47	111	46
Oklahoma	1,139,932	25	339	22	Illinois	1,315,580	22	108	47
Kansas	887,380	29	334	23	Arkansas	246,055	41	96	48
Louisiana	1,441,712	20	330	24	Oregon	304,321	39	92	49
Pennsylvania	3,864,542	10	322	25	West Virginia	109,156	46	60	50
U.S. Total	114,875,139		$421						

Source: U.S. Department of Defense, "Atlas/Data Abstract for the United States and Selected Areas" U.S. Department of Commerce, Bureau of the Census

The following Table summarizes the programs of particular interest to Connecticut contained in the Department of Defense Budget for 2001. In addition to the awards listed in the table, General Dynamics' Electric Boat has only recently been notified of an award of $77.8 million for lead-yard services for design, research and development of the planned new Virginia-class submarine. There are 30 Virginia-class ships planned, with delivery of the first expected in 2004. Electric Boat has already announced plans to fill 800 new positions within the next 24 months for this program. A $4.2 billion contract is being developed to build the first four ships in the class.

TABLE 46
SAMPLE OF U.S. DEFENSE PROGRAMS OF INTEREST TO CONNECTICUT

Item	Contractor	Component	Budget FFY 2000 ($M)	Proposed 2001 by DoD ($M)	Quantity	
RAH-66 Commanche Helicopter	Sikorsky Aircraft	Airframe and avionics systems development	$463.1	$614.0	N/A	(a)
UH-60 Blackhawk Hel.	Sikorsky Aircraft	Prime Contractor for production	$225.7	$116.7	19 in 2000 & 6 in 2001	
CH-60 Helicopter	Sikorsky Aircraft	Prime Contractor for production	$410.9	$270.7	17 in 2000 & 15 in 2001	(b)
SH-60R Helicopter	Sikorsky Aircraft	Prime Contractor for airframe	$348.9	$246.8	7 in 2000 & 4 in 2001	(b)
C-17 Airlift Aircraft	Pratt & Whitney	Engine production	$3,540.0	$3,081.0	15 in 2000 & 12 in 2001	(b) (c)
E-8C Joint STARS Radar System	CT. Subsidiary of Northrup-Grumman	Prime Contractor for production & development	$507.4	$427.3	1 in 2000 & 1 in 2001	(b)
F-16 Falcon Fighter	Pratt & Whitney	Contin. engine development	$422.1	$149.2	10 in 2000	(d)
F-22 Advanced Tactical Fighter	Pratt & Whitney	Engine production	$2,225.6	$3,957.9	10 in 2001	(e)
Joint Strike Fighter	Pratt & Whitney	Engine develop. and evaluation	$489.0	$856.7	N/A	(f)
NSSN New Attack Submarine	Electric Boat Div. of General Dynamics	Prime Contractor, design, joint production	$1,118.6	$2,031.6	1 in 2001	(g)

a) Currently in development phase. Joint venture with Boeing.
b) Includes research, development, testing and evaluation.
c) Total of 134 planned. Replacement for C-141.
d) To be replaced by Joint Strike Fighter.
e) To replace F-15 aircraft.
f) Delivery beginning FFY2008 or 2010 to replace F-16, AV-8B & F/A-18.
g) Will replace retiring submarines.

Source: U.S. Department of Defense

Moreover, the following Table displays a number of fairly recent contract awards made to state firms by the Defense Department in areas other than transportation manufacturing.

TABLE 47
SAMPLE OF RECENT DEFENSE CONTRACTS AWARDED TO STATE FIRMS NOT RELATED TO TRANSPORTATION EQUIPMENT MANUFACTURING

Contractor	Work Location	Date of Award	Amount ($Mill.)	Type of Work	Completion
The Nutmeg Companies, Inc. of Norwich, jointly w/others	Ten-State Region, incl. CT and RI	5/00	$250.0	Family housing design, construction and repairs for various naval facilities	5/2005
Fermont, a subsidiary of Engineered Support Systems of Bridgeport, jointly w/General Dynamics	Bridgeport, CT	3/00	$73.7	Production of prototypes for 100 and 200-Kilowatt Tactical Quiet Generators (TQG's) to replace current MIL-STD generators	3/2004
Fuji Medical of Stamford, Philips Medical of Shelton, Trex Medical Corp. of Danbury	Stamford, Shelton, Danbury, CT	8/00, 9/00	$50.0 Max. Each	Produce indefinite number of X-ray systems and components	9/2001
The Nutmeg Companies, Inc. of Norwich, jointly w/others	Various New England states	3/00	$30.0	Misc. construction and design/build projects for renovation and repair of various naval facilities	3/2005
Sikorski Aircraft Corp. of Stratford	Stratford, CT	5/00	$30.0	Development/test support of airborne mine counter measures	5/2005
Philips Medical of Shelton	Shelton, CT, The Netherlands	8/00	$20.0 Max.	Produce indefinite number of magnetic resonance imaging (MRI) systems	8/2001
FuelCell Energy, Inc. of Danbury	Danbury, Torrington, CT	5/00	$16.4	Design/develop fuel cell to increase generator efficiency, reduce maint. and emissions	5/2003
Van Ommeren Shipping LLC of Stamford	Various international locations	4/00	$13.3	Provide ocean and intermodal transport of defense-related cargo	5/2003

Source: U.S. Department of Defense

The defense industry has reacted to defense cutbacks in various ways. With fewer contracts to compete for, companies have consolidated, leaving fewer companies to compete for a shrinking pie. As the federal budget experiences slower growth and the defense industry consolidates through mergers and acquisitions, Connecticut has continued to experience additional job losses, similar to other states in the northeast region. However, the pace of job reductions has slowed down as the largest defense cuts have probably already occurred and the industry further diversifies into commercial markets. Former prime contractors have now become subcontractors. Companies have also engaged in aggressive cost cutting measures. These moves have led to severe downward pressure on employment in these industries. The transportation equipment and instrument industries have continued to lead the employment declines over the last few years. With the concentration within the state of major contractors by geographic location, certain areas within the state have been harder hit than others. Amid rounds of cuts in employment among major defense companies, a spirit of cooperation and coordination between unions and employers as well as between the private sector and government is helping mitigate the impact of the cuts on the state. To aid the defense industry as well as boost the overall business climate, the state has enacted some innovative legislation in the form of tax credits, exemptions, and reductions for both specific industries and businesses in general. These changes are expected to create a more friendly business climate, provide long-term economic benefit, and aid in the revitalization of the economy. These companies have responded further by developing new technologies, new products, and new markets at home and abroad. Again, however, the new Administration in Washington has stated a commitment to increased defense spending.

The prior Table demonstrates that there is defense-related activity occurring in the state outside of the transportation equipment manufacturing industry. Larger firms, as well as a number of smaller firms, are still finding ways to do business with the government. This non-weapons-systems approach could play an important and vital role in the future of the state's economy.

Retail Trade in Connecticut

Consumer spending on goods and services, ranging from pencils to refrigerators to haircuts to electricity, accounts for two-thirds of the state’s gross product (GSP). According to statistics, approximately half of economic spending is done through retail stores, implying that retail trade constitutes approximately one third of the state’s economic activity. During the last decade, variations in retail trade closely matched variations in GSP growth, making retail trade an important barometer of economic health.

The Standard Industrial Classification Manual, 1987 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 Standard Industrial Classification (SIC) codes for retail trade are from SIC 52 to SIC 59. 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 SIC code as well as the state’s retail trade history for the past five fiscal years. (Retail Trade was redefined by the new North American Industry Classification System (NAICS) in 1997. The state is in the process of converting from the SIC system to the NAIC system. Data based on NAICS is expected to be available by 2002.)

TABLE 48
RETAIL TRADE IN CONNECTICUT
(In Millions of Dollars)

SIC		FY 1996	% of Total	FY 1997	FY 1998	FY 1999	FY 2000	% of Total
A. Amounts of Retail Trade								
52	Hardware Stores	1,371	4.1%	1,436	1,512	2,320	2,418	5.7%
53	General Merchandise	3,618	10.9%	3,636	3,793	3,742	3,744	8.8%
54	Food Products	6,128	18.5%	6,127	6,479	6,922	7,139	16.7%
55	Automotive Products	6,935	20.9%	7,488	7,654	7,963	8,712	20.4%
56	Apparel & Accessory	1,586	4.8%	1,696	1,896	2,047	2,195	5.1%
57	Furniture & Appliances	3,156	9.5%	3,724	4,333	4,011	4,299	10.1%
58	Eating & Drinking	2,546	7.7%	2,685	2,799	2,966	3,148	7.4%
59	**Misc. Shopping Stores**	7,857	23.7%	8,579	9,425	9,865	10,975	25.7%
	Total	33,197	100.0%	35,371	37,891	39,836	42,630	100.0%
Durable (SIC 52,55,57)		11,462	34.5%	12,648	13,499	14,294	15,429	36.2%
Nondurables (All Other SIC)		21,735	65.5%	22,723	24,392	25,542	27,201	63.8%
B. Change from Previous Year				FY '96 -				
FY 2000								
52	Hardware Stores	(3.5%)		4.7%	5.3%	53.4%	4.2%	76.4%
55	Automotive Products	3.5%		8.0%	2.2%	4.0%	9.4%	25.6%
57	Furniture & Appliances	12.3%		18.0%	16.4%	(7.4%)	7.2%	36.2%
Durables (SIC 52,55,57)		4.8%		10.3%	6.7%	5.9%	7.9%	34.6%
53	General Merchandise	5.8%		0.5%	4.3%	(1.3%)	0.0%	3.5%
54	Food Products	4.8%		(0.0%)	5.8%	6.8%	3.1%	16.5%
56	Apparel & Accessory	(2.0%)		7.0%	11.8%	7.9%	7.2%	38.4%
58	Eating & Drinking	2.4%		5.5%	4.2%	6.0%	6.1%	23.7%
59	Misc. Shopping Stores	6.5%		9.2%	9.9%	4.7%	11.3%	39.7%
Nondurables (All Other SICs)		4.7%		4.5%	7.3%	27.4%	6.5%	25.1%
Total		4.8%		6.5%	7.1%	5.1%	7.0%	28.4%

Source: Connecticut Department of Revenue Services

Personal income is an inclusive measure of the flow of purchasing power to households and is a major indicator of the probable trend in retail markets. Although sharp short-term changes in retail spending may occur, in the long run, fluctuations closely track changes in personal income. After personal income growth during the 1980s that was consistently higher than the national average, income growth in Connecticut slowed during the first half of the 1990s and then rebounded during the second half. The overall retail trade figures have mirrored this trend. The income elasticity of retail sales is estimated at 1.38, implying that an increase of 1% in personal income will lead to a 1.38% increase in retail sales. The prior Table demonstrates the fluctuating pattern of retail sales in Connecticut. Connecticut retail trade in fiscal 2000 totaled $42.6 billion, an increase of 7.0% from fiscal 1999. This rise followed increases of between 4.8% and 7.1% during fiscal 1995 and fiscal 1999, an anemic growth of 0.8% in fiscal 1993, and an actual decline of 2.5% in fiscal 1992 when the State's economy was experiencing a recession.

The continued increase in retail sales in fiscal 2000 reflects the lengthy expansion in the State's economy, handsome capital gains in the equity markets, affordable consumer goods, and favorable price levels. As of December 2000, the current expansion has lasted 117 months, an expansion unprecedented in its duration. The longest expansion since 1854 was the 106-month period of continuous growth that occurred between February 1961 and December 1969. The growth in retail sales for fiscal 2001 is anticipated to continue to expand, albeit at a slower pace.

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 such items as automobiles, furniture, and appliances. Nondurable goods have a shorter life span and include such items as food, gas, apparel, and other miscellaneous products. In fiscal 2000, durable sales accounted for 36.2% of total retail trade, rising gradually from 34.5% in fiscal 1996 and 30.0% in fiscal 1992, a recessionary year. Durables are normally big-ticket items that are sensitive to interest rates and the overall economic climate. Purchases of durable goods drop off when interest rates increase or individuals become concerned about future employment and income stream prospects.

Sales of durable goods experienced faster growth with greater fluctuations than sales of nondurable goods over the period. The above Table shows that Connecticut sales of durable goods grew 34.6% from fiscal 1996 to fiscal 2000, with an average annual growth rate of 7.7% for this period. Nondurables, in contrast, grew only 25.1% during the same period with an average annual growth rate of 5.8%. 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 in terms of price variations. Necessities include such items as food, footwear, clothing, gasoline, as well as drugs.

The five fastest growing categories in Connecticut were hardware stores, furniture & appliances, and miscellaneous shopping stores. Sales at hardware stores (SIC 52) grew 76.4% between fiscal 1996 and fiscal 2000, followed by a 39.7% increase in miscellaneous shopping stores (SIC 59), a 38.4% increase in apparel and accessories (SIC 56), a 36.2% increase in home furniture and appliance stores (SIC 57), and a 25.6% increase in automotive products, as compared to a 28.4% increase for total retail sales.

Sales by hardware stores, which include establishments selling lumber and building materials, paint, wallpaper, and hardware registered $2.4 billion in fiscal 2000. As the State's economy has been growing for several years and mortgage interest rates as well as inflation remain relatively low, the demand for new housing and home improvements such as expansion and remodeling has increased substantially. This healthy demand in turn induces a sizeable need for building materials and the like. Growth, however, for fiscal 2000 only rose 4.2% after a torrid 53.4% increase in fiscal 1999. This reflects a short-term pause in growth in housing starts in Connecticut, which outpaced that of the U.S. and New England for the previous three years (Please see Housing Section In General Characteristics).

Sales by miscellaneous shopping stores were $11.0 billion in fiscal 2000, up 11.3% from fiscal 1999. With the exception of fiscal 1999, sales growth for this type of retail establishment has been growing at

an increasing rate since fiscal 1994. Miscellaneous shopping stores include a wide range of stores such as drugs, liquor & cigar, sporting goods, books and stationery, jewelry, gifts and souvenirs, catalog and mail order, optical goods, and other miscellaneous retail in arts, pet foods, and telephones, etc. Particularly rapid sales growth in fiscal 2000 was registered in camera & photo supply, jewelry, and optical products. Sales by fuel dealers increased a strong 15% as a result of higher prices. Items sold by direct selling organizations such as Amway increased by 11.7% to $261 million while items sold by mail order houses decreased by 7.6% to $1,380 million.

Sales by apparel and accessory stores were $2.2 billion in fiscal 2000, up 7.2% from fiscal 1999. Apparel and accessory stores include establishments for men's & boys' clothing, women's clothing and women's accessory & specialty goods, children's & infants' wear, family clothing, and shoes. Sales in fiscal 2000 increased some 10% for family clothing and shoe stores, but dropped 13.7% for women's accessory & specialty stores.

Sales by home furniture and appliance stores registered $4.3 billion in fiscal 2000, up 7.2% from $4.0 billion in fiscal 1999. These establishments are comprised of computer and software stores, furniture stores, and home furnishing stores. The sharp increase in furniture and appliance sales was due to the long, vigorous economic expansion accompanied by moderate interest rates as well as continued changes in consumer lifestyles. Sales by floor covering stores, drapery stores, household appliance stores, record and musical instrument retailers, as well as computer and software retailers experienced double-digit growth in fiscal 2000. Home furniture specifically designed to house big-screen TVs, audio equipment and speakers in a package or provide storage for videotapes, audiotapes, and compact disks were popular. Driven by a strong demand for upgrades and innovative products, sales of computers and software, as well as consumer digital electronics such as cameras, toys and games, handheld devices & players, radios, televisions, and communication devices increased dramatically. Personal computers have been highly sought after as they become more powerful, cheaper, and include more attractive functions. Boosted by supercomputers and high-speed networking systems, the integration of entertainment features with information and education has been evolving into mammoth "infotainment" and "edutainment" markets. The increasing usage of the Internet for transacting business through online services also creates a massive demand for these types of electronics.

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 direct purchases. They are mail and on-line order sales. While mail order sales have been around for a century they became much more popular in the past three decades. As computer technology advances rapidly, so do on-line sales through the Internet. The revolutionary on-line transactions provide sufficient product information and often offer favorable discounts. In addition, they are convenient to access, virtually open around the clock and involve no travel. As more merchants find that opening a store on the Internet is more cost effective or more attractive than opening a store in a mall, transactions through the Internet are expected to increase rapidly. These direct purchases primarily include personal computers, electronic gadgets, furniture, books, music, and apparel, etc. from other states. The U.S. Department of Commerce estimates these e-commerce transactions and includes them in its monthly national retail sales survey. The estimate of U.S. retail e-commerce sales in the 3rd quarter of 2000 was $6.37 billion, which accounted for 0.78% of total

retail sales of $812.01 billion. This compares to an estimated e-commerce sales of $5.53 billion in the 2nd quarter of 2000, which accounted for 0.68% of total retail sales of $815.68 billion. The estimate of e-commerce sales does not include travel agencies, financial services, manufacturers, and wholesalers.

In 1994, the Advisory Commission on Intergovernmental Relations (ACIR) estimated $1.4 billion of mail order activity from Connecticut residents and businesses. It is estimated these mail order sales increased to $6.4 billion in fiscal 2000. While Internet sales were estimated only at $3.2 billion in fiscal 2000, they are expected to catch up with mail order sales by the second half of 2001 and annualize to $6.5 billion. The passage of the federal Internet Tax Freedom Act in October 1998, which prohibits the imposition of certain state and local taxes on on-line computer services and electronic commerce for three years, will only accelerate these types of transactions. The rapid increase in on-line businesses, accompanied with a stepped up competition among national electronic retailers, is anticipated to have a detrimental impact on the state's main street retailers. Also, the adaptation of on-line sales by giant discount-chain stores that allow customers to return their purchases at their local branches will alter the State's retail business landscape. In order to retain customers, local malls and stores may modify their retailing format to add more features such as entertainment to their core business, creating more "shoppertainment" stores.

Automotive product stores play an important role in the retail industry, generating over 20% of total retail trade. Sales growth by automotive product stores increased healthily in fiscal 2000, up 9.4% to a total of $8.7 billion. This compared to scant increases of 4.0% and 2.2% in fiscal 1999 and 1998, respectively, and rapid increases of 8.0% in fiscal 1997 and approximately 9.5% in fiscal 1994 and 1995. Auto dealers (SIC 55) include new and used passenger cars, light trucks, and other vehicles such as boats, motorcycles, as well as recreational trailers and campers. New car registrations in Connecticut reached an all-time high of 233,764 units for fiscal year 2000, up from 1999's 224,614 units and 1998's 187,227 units. Several favorable factors contributed to these healthy sales. These included a) a continued growing economy, b) a considerable appreciation in wealth as a result of rising stock market prices, c) enhanced competitiveness of foreign products, d) a low inflationary environment, e) discounts on optional equipment, and f) incentive programs that offered rebates or below market-rate financing which were extended to cover vehicles which had previously been excluded.

Increased demand for minivans and light trucks, which offer both recreational and utility features with increased capacities for passengers, load-carrying, towing, and four-wheel driving functions, continued to help boost new car sales. Minivans and light trucks, which have gained popularity at the expense of station wagons and sedans, are estimated to account for 48.2% of 2000 total sales, compared to 46.8% for 1998 and 35.3% in 1997. Sales of new cars consistently declined from 9.0 million units (MU) in 1994 to 8.2 MU in 1998, but bounced back to 8.7 MU in 2000. Truck sales have shifted toward upscale models that provide more power, luxury, space, and options. There are some 35 major domestic and foreign manufacturers providing approximately 350 models of passenger cars and 150 models of light trucks. As vehicles become more reliable, consumers are able to hold onto their cars longer, thereby extending the replacement cycle. Before the Federal Reserve began raising

the federal funds rate starting on June 30, 1999, Connecticut's retail trade benefited from lower interest rates that enabled homeowners to refinance their mortgages and save hundreds of dollars monthly on payments, leaving more discretionary income.

Retail trade as a percentage of disposable income has been increasing. The increase reflects a faster growth in the demand for goods, and to a lesser extent for services, than disposable income. Changes in residents' consumption behavior, continued economic growth, and a favorable financial environment account for this trend. In 1999, retail trade in Connecticut was estimated to constitute 39.6% of disposable income compared to a national average of 45.1%. This lower percentage was attributable to Connecticut's higher disposable income and a higher proportion of income being spent on services, which is only partially included in the retail trade figures. Connecticut's per capita disposable income of $31,697 in 1999 was 30% above the national average of $24,322. In 1999, Connecticut per capita retail trade was estimated at $12,563, which was 14% higher than the national average of $10,977. The state's above average spending is primarily related to our higher income levels and our overall standard of living. 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, which affect the level of expenditures, can include tax burden, consumer confidence, economic climate as well as the condition of a household's balance sheet.

According to the 1997 economic census on retail sales conducted by the U.S. Department of Commerce, Connecticut had $34.9 billion of retail sales, up from $27.8 billion in 1992. Retail sales varied among the state's eight counties with most sales concentrated in Fairfield, Hartford, and New Haven. These three counties accounted for 80.5% of total sales, with the remaining 19.5% spread among the other five counties. The following Table shows retail sales activity by county. Growth in sales also varied among counties. Between 1992 and 1997, Fairfield increased the fastest at 34.5%, followed by Litchfield at 34.2%, compared to a less-than-20% growth for Hartford, Tolland, and Windham. As a result, the share of total sales in Fairfield and Litchfield rose while Hartford, Tolland, and Windham declined.

Although the retail trade sector is one of the major sources of jobs in the Connecticut economy, the role it plays in the economy in terms of the number of establishments and employment has become less important. In 1997, the sector had 14,574 establishments that employed 186,935 persons. Establishments were down from 21,012 in 1992 and 21,688 in 1987 while employment was down from 240,885 in 1992 and 267,611 in 1987. This downward trend in establishments and employment reflects an overall change in the economic structure, operational management, and technology revolution in this sector. With the implementation of just-in-time inventory strategy assisted by advancements in computer management aids, job hiring was suppressed. As mega-sized discount and chain stores continued to grow and on-line order accessibility increased, markets became more competitive, forcing average sized retailers out of business. Aside from the expansion of catalog marketing, electronic retailing has exploded, shifting sales away from in-state retailers and putting downward pressure on job growth. The greater availability of electronic devices that provide more efficient market information and offer convenient shopping alternatives only exerts mounting pressure on the local "main street" businesses. This sector is expected to undergo continual evolution and encounter profound competition in the future. As the economy becomes more global, competition will

continue to heighten and require revisions in strategies to prevent declining market shares and falling profit margins. As transformations in demographics occur, such as more young adults living alone and persons per household declining, domestic retailers shall have to reassess and adjust their traditional selling strategies to fit these new consumption patterns.

TABLE 49
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. 1992 Census								
Fairfield	8,599.2	31.0%	63,773	134.8	11.3	5,652	1,076.5	31.1%
Hartford	7,476.0	26.9%	69,508	107.6	13.0	5,351	952.2	27.5%
Litchfield	1,200.5	4.3%	10,222	117.4	8.8	1,158	145.5	4.2%
Middlesex	1,075.0	3.9%	9,555	112.5	10.3	932	134.9	3.9%
New Haven	6,241.3	22.5%	56,078	111.3	11.2	4,997	756.3	21.8%
New London	1,906.2	6.9%	18,742	101.7	10.8	1,740	239.6	6.9%
Tolland	659.3	2.4%	7,126	92.5	11.8	604	85.4	2.5%
Windham	596.3	2.1%	5,881	101.4	10.2	578	73.8	2.1%
Total	27,753.8	100.0%	240,885	115.2	11.5	21,012	3,464.2	100.0%
B. 1997 Census								
Fairfield	11,563.9	33.1%	54,012	214.1	13.5	4,008	1,218.0	33.5%
Hartford	8,829.0	25.3%	51,121	172.7	13.9	3,683	943.6	26.0%
Litchfield	1,611.0	4.6%	8,193	196.6	10.0	816	158.0	4.3%
Middlesex	1,345.0	3.8%	8,050	167.1	10.8	742	143.1	3.9%
New Haven	7,725.2	22.1%	41,942	184.2	12.6	3,335	775.9	21.3%
New London	2,405.0	6.9%	13,923	172.7	11.8	1,182	240.3	6.6%
Tolland	763.9	2.2%	5,028	151.9	11.7	428	81.8	2.3%
Windham	695.8	2.0%	4,666	149.1	12.3	380	73.6	2.0%
Total	34,938.8	100.0%	186,935	186.9	12.8	14,574	3,634.3	100.0%
C. Growth (%) from 1992 to 1997								
Fairfield	34.5		(15.3)	58.8	19.3	(29.1)	13.1	
Hartford	18.1		(26.5)	60.5	6.8	(31.2)	(0.9)	
Litchfield	34.2		(19.8)	67.5	14.1	(29.5)	8.6	
Middlesex	25.1		(15.8)	48.5	5.3	(20.4)	6.1	
New Haven	23.8		(25.2)	65.5	12.3	(33.3)	2.6	
New London	26.2		(25.7)	69.8	9.1	(32.1)	0.3	
Tolland	15.9		(29.4)	64.2	(0.4)	(29.1)	(4.2)	
Windham	16.7		(20.7)	47.1	20.4	(34.3)	(0.3)	
Total	25.9		(22.4)	62.2	11.5	(30.6)	4.9	

Source: U.S. Department of Commerce, "Census of Retail Trade, Connecticut"

The following Table compares retail sales with personal income growth and changes in population. Slower sales growth in Hartford reflects below average growth in income and a decline in population while the healthy sales growth in Fairfield reflects continued strong economic growth due to the gains in the stock market and the high concentration of income derived from those types of sources.

TABLE 50
RETAIL SALES, INCOME AND POPULATION BY COUNTY

	Retail Sales	Personal Income ($B)			Population (000's)		
	% Change			% Change			% Change
	'92 to '97	1992	1997	'92 to '97	1992	1997	'92 to '97
Fairfield	34.5%	31.46	42.05	33.6%	825.5	834.0	1.0%
Hartford	18.1%	22.73	27.28	20.0%	845.1	827.1	(2.1%)
Litchfield	34.2%	4.49	5.58	24.3%	176.4	180.6	2.3%
Middlesex	25.1%	3.74	4.67	24.9%	144.0	148.8	3.3%
New Haven	23.8%	19.73	24.51	24.2%	801.7	792.4	(1.2%)
New London	26.2%	5.71	7.08	24.1%	247.7	248.8	0.4%
Tolland	15.9%	2.84	3.50	23.2%	128.5	130.8	1.8%
Windham	16.7%	2.04	2.49	21.9%	103.2	104.8	1.6%
Connecticut	25.9%	92.75	117.17	26.3%	3,272.2	3,267.2	(0.2%)

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

Small Business in Connecticut

Small businesses in the nation, as well as in Connecticut, have been playing an increasingly important role in overall economic activity. Small businesses are often cited as the major labor generators, the important job providers, and the primary technological innovators. Studies have shown that small businesses have contributed the majority of the scientific and technological advances and developments in this 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 social well-being and standard of living.

Structurally, small business tends mostly to be sole proprietorships and partnerships, and, to a lesser extent, corporations. These organizations range from "mom & pop" stores to high-tech instrument laboratories and cover businesses from garage operations to legal and business services. The definition of a small business, however, is prolific and controversial, varying among government agencies, private organizations, and researchers. The definition may even change by the same entity as time goes by, depending upon the entity's focus on either policy or operation.

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 a range of 500 to 1,500 employees for manufacturing, annual receipts not over $14.5 million for retail sales, and up to 100 employees for wholesale trade. The definition of small business varies from state to state based on their comparative size in the regional economy, industrial structure, and policy emphasis. In New York, for example, small business is commonly defined as a firm with 100 or fewer employees, while in Washington, 50 or fewer employees.

According to Connecticut General Statutes, Chapter 588r, a small business is a firm with an employee size of 500 or less. It includes 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 the classification of 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, rather than identifying them by specific size, simply lists all employment classes for comparison.

In 1998, the latest year for which data is available, among the total 92,362 firms employing 1,493,964 persons in Connecticut, small businesses with fewer than 100 employees accounted for 97.5% of total establishments and 51.6% of the total labor force.

The following Table shows the breakdown of employment for manufacturing and non-manufacturing sectors and the distribution statistics for establishments and employment by business size in Connecticut. This Table demonstrates that small businesses constitute a major part of the state's employment and have generated new jobs for the overall economy, especially during and since the mid-1990's.

The following Table also shows that small business firms played a more important role in the nonmanufacturing sector. Businesses with more than 500 employees accounted for only 20.3% of total employment in nonmanufacturing, compared to 32.2% in manufacturing. This lower percentage is indicative of the concentration of small business in service activities where substitutions are uncommon and services are inherently specialized while goods production occurs in larger firms with economies of scale in both labor and capital. The following Table also depicts the distribution of Connecticut's establishments and employment according to the size of business for 1998. The share of employment by size of business firm ranges from 5.9% in firms with 1-4 employees to 22.2% for businesses with 500 or more employees. Determining whether small or large businesses create more jobs depends upon the point in the economic cycle when the assessment begins. This section compares the changes in employment between 1989 and 1998. The data reveals that those firms with fewer than 500 employees created all the jobs. During this period, small businesses with 50 to 249 employees were the only establishments experiencing any positive job growth. Splitting this time into two separate periods, however, shows how vigorous smaller businesses have really become.

TABLE 51
SMALL BUSINESS EMPLOYMENT IN CONNECTICUT
(Size of Employment in Thousands)

Calendar Year	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500&up	Total
A. Employment									
Manufacturing Employment									
1989	3.9	7.8	14.4	35.4	37.8	69.3	54.9	149.8	373.4
1995	3.8	7.2	13.9	30.1	35.8	53.3	40.8	103.3	288.2
1998	3.8	7.1	13.4	30.5	29.9	50.2	32.1	79.2	246.1
(# Change, 89-98)	(0.1)	(0.8)	(1.0)	(5.0)	(7.9)	(19.0)	(22.9)	(70.6)	(127.3)
(% Growth, 89-98)	(3.0%)	(9.7%)	(7.2%)	(14.0%)	(20.8%)	(27.5%)	(41.6%)	(47.1%)	(34.1%)
(% Growth, 89-95)	(2.6%)	(8.2%)	(3.4%)	(15.0%)	(5.3%)	(23.1%	(25.7%)	(31.1%)	(22.8%)
(% Growth, 95-98)	(0.4%)	(1.6%)	(4.0%)	1.2%	(16.4%)	(5.7%)	(21.4%)	(23.3%)	(14.6%)
Nonmanufacturing Employment									
1989	85.9	116.4	141.5	191.8	141.5	166.0	89.4	191.7	1,124.1
1995	83.7	110.7	134.7	181.1	134.6	178.2	91.7	212.4	1,127.2
1998	84.0	113.1	140.5	195.3	152.7	204.2	105.2	252.8	1,247.8
(# Change, 89-98)	(1.9)	(3.2)	(1.0)	3.5	11.2	38.2	15.8	61.2	123.8
(% Growth, 89-98)	(2.2%)	(2.8%)	(0.7%)	1.8%	7.9%	23.0%	17.7%	31.9%	11.0%
(% Growth, 89-95)	(2.5%)	(4.8%)	(4.8%)	(5.6%)	(4.8%)	7.3%	2.6%	10.8%	0.3%
(% Growth, 95-98)	0.3%	2.2%	4.3%	7.8%	13.4%	14.6%	14.8%	19.0%	10.7%
Total Employment									
1989	89.8	124.2	155.9	227.2	179.3	235.3	144.3	341.5	1,497.5
1995	87.6	117.9	148.6	211.1	170.4	231.5	132.5	315.7	1,415.4
1998	87.8	120.2	153.9	225.7	182.6	254.5	137.3	332.0	1,494.0
(# Change, 89-98)	(2.0)	(4.0)	(2.0)	(1.5)	3.3	19.2	(7.0)	(9.5)	(3.5)
(% Growth, 89-98)	(2.3%)	(3.2%)	(1.3%)	(0.6%)	1.8%	8.1%	(4.9%)	(2.8%)	(0.2%)
(% Growth, 89-95)	(2.5%)	(5.1%)	(4.6%)	(7.1%)	(4.9%)	(1.6%)	(8.2%)	(7.5%)	(5.5%)
(% Growth, 95-98)	0.3%	1.9%	3.5%	6.6%	7.1%	9.9%	3.6%	5.2%	5.6%
B. Total Establishments, 1998									
	50.3	18.2	11.4	7.5	2.7	1.7	0.4	0.2	92.4
C. Distribution of Establishments and Employment, 1998									
Establishments	54.5%	19.7%	12.4%	8.1%	2.9%	1.8%	0.4%	0.2%	100.0%
Cumulative	54.5%	74.2%	86.6%	94.6%	97.5%	99.3%	99.8%	100.0%	
Total Employment	5.9%	8.0%	10.3%	15.1%	12.2%	17.0%	9.2%	22.2%	100.0%
Cumulative	5.9%	13.9%	24.2%	39.3%	51.6%	68.6%	77.8%	100.0%	
Nonmfg Employment	6.7%	9.1%	11.3%	15.6%	12.2%	16.4%	8.4%	20.3%	100.0%
Cumulative	6.7%	15.8%	27.1%	42.7%	54.9%	71.3%	79.7%	100.0%	

Source: U.S. Department of Commerce, Bureau of the Census, “County Business Patterns”

Small businesses in Connecticut fared better in job creation when the economy was expanding. Relative to larger firms, they also were less vulnerable when the economy weakened. During the 1995-98 period of economic expansion, total employment grew by 5.6%. While employment in the large firms with 500 employees or more grew 5.2%, smaller firms with 500 employees or less collectively grew by 5.7%. Job growth was particularly strong in small businesses with 20 to 249 employees.

A dissection of total employment into manufacturing and nonmanufacturing sectors reflects different growth patterns for various firm sizes. As the prior Table shows, during the 1989-98 period, the employment increase was solely in the nonmanufacturing sector which continually absorbed the outflow from the manufacturing sector, further shifting the economic activity of the state toward services.

Manufacturing employment in Connecticut has continued on a downward trend through 1998 since its peak in 1984. The loss of manufacturing employment occurred across the board with the smallest decrease in firms employing 1-4 persons. Business firms with fewer than 4 employees are not as susceptible to the vagaries of the economy. They are generally less capitalized and managed by family owners or by a joint venture operated by closely related members. These businesses are more self-sustaining and are willing to bear greater cost pressures, making them relatively recession proof and less mobile geographically. However, employment gains in this "smallest" of small business category may not be entirely positive economic news as many of the individuals comprising these firms were probably previously employed by larger establishments. Large manufacturing businesses have been more responsive to economic conditions by adjusting their workforce size or moving out of the State. The downward trend is a common phenomenon for states in the Northeast because of unique regional economic factors. The decline has been more rapid recently, spurred by globalization, deregulation, technology improvements, and budget cuts. These factors create more competition in the already fiercely competitive marketplace, resulting in lower employment in the manufacturing sector.

Negative factors affecting small businesses include higher operating costs, tighter credit availability, and less price flexibility. Material purchases and transaction costs for small business firms are normally not large enough to take advantage of volume discounts, creating a cost disadvantage. Small business firms may lack financial strength or enough assets to be used as collateral for financing purposes. Without name recognition and long track records, obtaining credit can be constrained, thereby limiting a firm's growth potential. Major corporate loans are normally negotiated at the prime rate while small sized businesses are charged additional points above prime. When costs increase, small business firms are generally unable to adjust prices to fully recover their costs from customers, thereby reducing profit margins. Larger firms generally can exert control over costs and prices as well as increase their economic power by expanding market share.

Small businesses are constantly facing operational difficulties and at the same time confronting competition with 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
Rocky Hill, CT 06067
1-(800)-392-2122

Connecticut Department of Economic & Community Development
Research Division
505 Hudson Street
Hartford, CT 06106
1-(860)-270-8165

Industry Clusters in Connecticut

In February 1997, the state launched the “Industry Cluster Initiative” project. Although facilitated by state government, this project has been driven by the private sector and aims to achieve global competitiveness for Connecticut. Governor Rowland recruited senior executives from private industry throughout the state to form a set of Industry Cluster Advisory Boards to help prepare the State of Connecticut to compete in the global market. In early 1998, these industry leaders presented a report to the Governor titled "Partnership for Growth," which included recommendations for future action. Later in 1998, the Advisory Boards identified the need for and implemented methods to facilitate an international outlook and provide for markets in a number of foreign countries. Also, the legislature passed a bill which enacted critically important tax changes, including broader applicability of the 6% tax credit to smaller companies and allowance of a Research and Experimentation tax credit carryforward for 15 years. Moreover, funds to implement a number of the "Partnership for Growth" recommendations have been included in the enacted budget each year since then.

Work has continued on the cluster initiative. New clusters have been formally activated and a number of employees of small businesses have received workforce development services to help compete on a global basis. In addition, further development of Bradley International Airport is continuing. Work has also begun on a multi-faceted urban development initiative while a less cumbersome regulatory environment for small businesses is already being developed. Efforts are also underway to promote the state as a good place to do business as well as to develop contacts to promote international commerce. State funding for continuation of the cluster initiative remains a vital component of the Governor’s plans to insure a brighter and more prosperous future for the state.

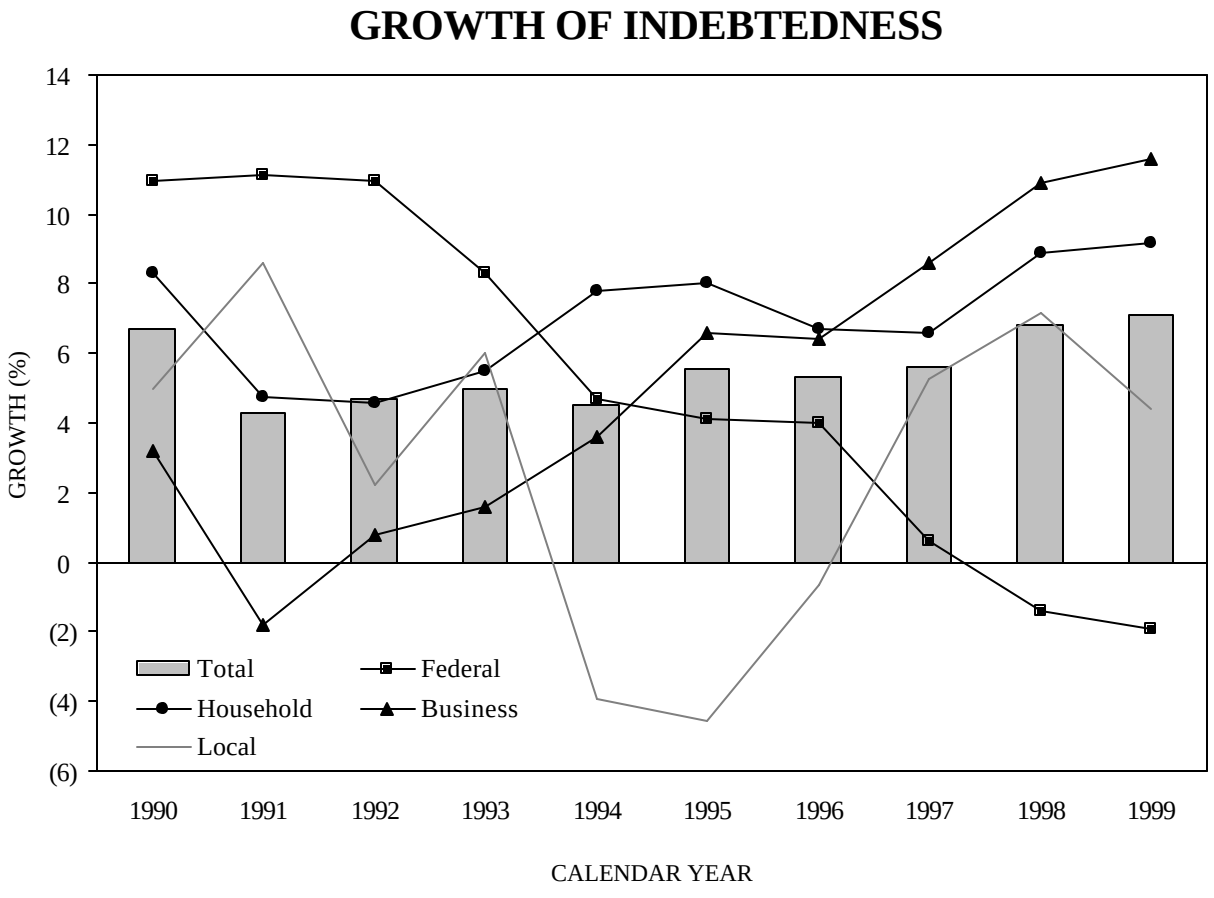
For further information regarding publications or the status of the project, please contact:

Connecticut Department of Economic & Community Development
505 Hudson Street
Hartford, CT 06106
1-(860)-270-8065

Nonfinancial Debt

For many years, national attention has centered on the issue of the federal budget and trade deficits, as well as the debts created by 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, Domestic Nonfinancial Debt is compiled quarterly by the Federal Reserve.

The following Chart depicts the 10-year growth history for total DNFD and each of its components. Growth in total DNFD, which registered double-digit growth rates in the mid 1980s, has slowed to between 4.0% and 7.0% for the decade of the 1990s. It registered growth of 7.1% in 1999. Among the four components, the growth in debt outstanding for the federal government has shown a downward trend since 1992 while conversely both nonfinancial businesses and the household sectors continued to take on debt at a brisk pace. Growth in state and local government's debt financings fluctuated, reviving in 1996 as interest rates declined, but subsiding in 1999 as tax receipts bulged permitting large debt retirements and a reduction in refundings. Details for each sector are described beginning on the next page.



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

In 1999, according to the Federal Reserve, the seasonally adjusted year-end total domestic nonfinancial debt outstanding was $17,445.5 billion for its four major components: households, nonfinancial businesses, the federal government, and state and local governments. Of the total debt, households accounted for 37.1% of the total, followed by nonfinancial businesses at 34.6%, the federal government at 21.1%, and state and local governments at 7.2%. Prior to 1991, household borrowings trailed those of businesses; however, since 1992, faster growth in home mortgages helped catapult household borrowings to the top. Following 1998, rapid growth of debt in the household and nonfinancial business sectors was accompanied by a paydown of federal government debt.

Total DNFD has consistently been growing faster than Gross Domestic Product (GDP). In 1999, total DNFD grew by 6.1%, compared to 5.8% for nominal GDP. The cumulative effect of faster DNFD growth has resulted in DNFD levels roughly twice that of GDP. The DNFD-to-GDP ratio stood at 182.5%, edging down from 185.6% in 1990 but up from 140.9% in 1980. Of the total, households accounted for 67.7%, followed by nonfinancial businesses at 63.2%, the federal government at 38.5%, and state and local governments at 13.1%. The total DNFD-to-GDP ratio reached 190% in the late 1980s as a result of deregulation in the financial markets, which allowed non-bank financial institutions to funnel funds more freely between the suppliers of capital and its consumers and created a more competitive and efficient market. The recent decline in the ratio can be attributed to a decline in federal debt accompanied by more robust GDP growth.

Household Borrowing

Household borrowings, which accounted for two-thirds of total non-financial debt, include home mortgages, consumer credit, and other miscellaneous items. Overall growth in household borrowings accelerated to an annual average rate of 7.9% for the six years between 1994 and 1999. That growth surpassed the preceding three years' average of 4.4%. The chart shows that until the last three years, the growth in household borrowings surpassed that of business. Growth in household borrowings is closely related to economic conditions. When employment and income expand, it nurtures consumer spending and confidence, and then sustains consumer spending and borrowings. During the second half of the 1980s, a buildup of wealth, generated by increases in income and appreciation of real estate and stocks, as well as innovations in the financial market and remarkably low interest rates created a borrowing binge.

This contrasts with the early 1990s, as sluggish income growth, the depressed value of real estate, an uncertain economy, and increased health insurance and educational costs made consumers more cautious. Household borrowings nonetheless revived in the past six years as a result of the continued strong economy, a healthy growth in income from wages, capital gains, and an appreciation in home values, climbing to $6.47 trillion at the end of 1999 from $5.92 trillion in 1998 and $5.44 trillion in 1997. Substantial increases in wealth and real income have driven up household spending and borrowing. The wealth effect created from the appreciation of stocks alone, measured by the ratio of the Wilshire 5000 to disposable personal income, doubled within 5 years, up from a ratio of 1 in late 1995 to 2 in late 1999. Annual gains in household net worth have averaged 11.3% since 1995. A wider definition of the wealth effect, measured by the ratio of household net worth to disposable personal income, increased from a ratio of 5.1 in late 1995 to 6.4 in late 1999. Additionally, consumer

confidence was strong as inflation remained subdued and employment and real wages continued to grow. Among total household borrowings of $6.47 trillion in 1999, home mortgage loans accounted for $4.62 trillion, or 71.4%, followed by consumer credit at $1.43 trillion, or 22.0%, with the remainder in other miscellaneous items. The resurgence of household borrowings reflects strength in both home mortgages and consumer credit as the economy continued to grow while interest rates remained low. In 1999, home mortgages outstanding reached $4.62 trillion, an increase from $4.05 trillion in 1998, a 14.1% growth. Demand for single-family homes remained brisk, supported by ongoing gains in jobs, income, and wealth. Higher housing turnover rates have accelerated one-time purchases of investment type spending such as home furniture, appliances, tools, and others. Research findings show that rising home prices have a bigger influence on credit creation and spending than that of rising equity prices. Home value appreciation is perceived more permanent and consistent by consumers relative to gains in the stock market that are volatile and ephemeral in nature. New job creation often induces job-related needs such as auto and furniture purchases. Consumer credit not secured by real estate, including automobile loans, personal loans, and revolving credit (which includes credit card debt and store charges), helped finance a large expansion in spending for consumer durables.

Credit card debt continues to increase at a rapid pace. This sector not only offers “teaser” rates as low as a 1.9% annual rate to lure new clients but is also making inroads in the purchase of goods and services that have not been traditionally acceptable. Use of credit cards for groceries, college expenses, medical and dental expenses, and government taxes and fees have risen sharply. The frequent flyer mileage and hotel discount programs, as well as credits or reimbursements toward the purchase of commodities, also contributed to an increase in credit card debt. Business use of credit cards has also increased rapidly. Due to the convenience of credit cards, more small businesses use them as one of the ways to finance their operations, including leasing of items such as vehicles and computer equipment. Small-business suppliers, wholesalers, and distributors are also increasingly accepting credit cards. Credit card usage has even gained widespread penetration at the college level. Research shows that 60 percent of college students have at least one credit card and carry an average balance of more than $1,800.

Rapid growth in consumer spending relative to personal income is not currently regarded as a cause for major concern as delinquency rates on household loans remain low, and the outlook for income, employment, and net wealth are favorable. However, consumer debt as a percentage of disposable income grew from less than 17% in 1993 to 21.5% in 1999, increasing the likelihood of consumer defaults if the economy slows. Debt in margin accounts, a household liability that is not included in credit market debt, may have a potential detrimental impact on the economy if downward fluctuations occur in the financial market. Historically, growth in personal income has surpassed that of consumer spending, yielding net savings for the economy. However, starting in the early 1980s, trends reversed; increases in consumer spending exceeded personal income, resulting in a deterioration in personal savings. Saving rates, the ratio of personal savings to disposable personal income, reached a high of 9.4% in 1981, then gradually edged down to 4.2% in 1998 and descended to 2.2% in 1999. National monthly net savings actually dropped into negative territory in August 1998, and has recently become a more frequent occurrence. When the final figures for calendar 2000 are tallied, the savings rate is estimated to fall below 1%. Continued financing of increased spending by reducing savings is not sustainable and could undermine the economy.

Business Borrowing

Business borrowing includes debts owed by corporations, nonfarm noncorporations and farms. Total borrowing grew by 8.8% to $6.04 trillion at the end of 1999. The bulk of the debts are owed by corporations that account for 71% of total. Corporate borrowings rapidly grew by 13.6% to $4.30 trillion at the end of 1999, the highest growth since 1986. Borrowing instruments include corporate bonds, commercial paper, municipal securities, bank loans, mortgages, and others. Corporate bonds comprised the major portion of the total, accounting for 39.5%, followed by mortgages at 32.2% and bank loans at 22.3%. Both corporate bonds and mortgages grew substantially as the spreads over Treasury security yields remained low and commercial vacancy rates reached historical lows. Financing through nontraditional channels such as mutual funds, venture capital, and initial public offers has also increased. The rapid increase in corporate debt was attributed to new capital investment which was underpinned by a vigorous business expansion, widespread use of computer and telecommunication technologies, and easy access to the credit and equity markets. Business borrowings for inventory purposes picked up toward year end to ward against possible Y2K disruptions. Borrowings related to mergers and acquisitions have been experiencing an upward trend since the latter half of the 1980s.

Continued borrowings for new investment in equipment and software may set the stage for a new age economy that demonstrates rapid economic growth with only modest inflation due to an acceleration in productivity. Electronic business related investments such as computers and those for information processing purposes have been playing a vital role in the economy. Equipment and software investments in real terms in 1999 are estimated to account for 11% of GDP or 34% of the increase in GDP compared to only 7.4% of GDP or 20% of the increase in GDP for 1994.

Government Borrowing

In the 1970s, the federal deficit surged. To mitigate the recessions experienced in the early 1980s, the federal administration applied an expansionary fiscal policy to stimulate aggregate demand. At the same time, a tax cut was implemented in an attempt to sacrifice a short-term loss in revenue for a long-term gain by reducing spending and increasing revenues through more rapid economic growth. This expectation, however, was not realized and deficits persisted during the mid 1980s when the economy was booming.

In fiscal 1992, the federal deficit reached its zenith at $290.2 billion as a result of the recession that occurred between July 1990 and March 1991. It fell to $107.3 billion in fiscal 1996 and then plummeted to $22.6 billion in fiscal 1997. The situation has ameliorated dramatically since then, resulting in a surplus of $70.1 billion in fiscal 1998, the first surplus since 1969, and has continued with a surplus of $231.9 billion in fiscal 2000. Amid the decay in personal savings, the shift of the federal budget from a deficit to surplus has helped total national savings.

The realization of a surplus was due to a combination of events. Receipts from personal income, corporate income, and social insurance taxes were higher than expected due to strong and continued economic growth and a booming stock market. Spending was moderated as a result of a tightly controlled budget, lower interest and transfer payments. Transfer payments accounted for nearly half

of total federal outlays. As annual operating results have improved, the growth in outstanding federal debt has stabilized. By the end of fiscal 2000, gross debt outstanding registered $5,674.2 billion after reaching a high of $5,776.1 billion at the end of calendar 1999, up only $12.9 billion from $5,656.3 billion at the end of fiscal 1999, compared to an increase of $130.1 billion in fiscal 1998. Growth in federal gross debt has been moderating to low single digit rates from the double-digit rates experienced in the late 1980s and early 1990s. Gross debt outstanding as a percentage of GDP also declined to an estimated 56.5% for the federal fiscal year 2000, down from 60.6% in 1999 and 62.6% in 1998.

Total state and local government's debt outstanding has recently leveled off. State and local government includes states, counties, municipalities and other local entities. It totaled $1.25 trillion at the end of 1999, a 4.4% growth after 7.2% and 5.3% increases in 1998 and 1997, respectively, and three prior consecutive yearly declines. This compares with its peak increase of 32.0% in 1985. State coffers continued to build up as the increase in current receipts exceeded the increase in current expenditures. Current receipts registered $1,140.2 billion versus $1,089.2 billion for expenditures, yielding a surplus of $51.0 billion for 1999. This surplus was up from $41.7 billion in 1998 and $27.5 billion in 1997. Increases in receipts are mostly from personal income tax, property tax, and federal grants-in-aid.

According to the U.S. Department of Commerce's "State Government Finances," Connecticut state government's debt outstanding from all obligations at the end of fiscal 1998 totaled $17.73 billion, up from $17.05 billion in 1997 and $16.42 billion in 1996. Per capita state debt was $5,414 in fiscal 1998, up from $5,214 in fiscal 1997, and $5,013 in fiscal 1996, compared to the national average of $1,791 in fiscal 1998, $1,706 in fiscal 1997, and $1,690 in fiscal 1996.

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. These statistics will indicate the relative economic performance of the entities showing both their strong and weak points.

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. Formerly, GNP was generally used as a measure of a nation's economic performance, tracking the cyclical ups and downs of the economy. However, GNP reflects more than domestic activity as 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. However, 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 had 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 introduced a chained-type inflation index based on 1992, and has since revised the base year to 1996.

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 1998, the State of Connecticut produced $142.1 billion worth of goods and services and $138.1 billion worth of goods and services in 1996 chained type dollars. The following Table provides a ten-year comparison of nominal and real gross products for Connecticut, the New England Region and the Nation as a whole.

Table Number 53, which provides real gross product by source in 1998, shows Connecticut’s production concentrated in three areas: finance, insurance and real estate (FIRE) which contributed $39.8 billion or 28.0%; services which contributed $31.2 billion or 22.0%; and manufacturing which contributed $23.5 billion or 16.5% to total production. Production in these three industries accounted for 66.5% of total production in Connecticut compared to 56.6% for the nation and was up from 62.1% in 1989. This demonstrates that Connecticut’s economy is more heavily concentrated in a few industries than the nation as a whole and this concentration also increased over the decade.

TABLE 52
GROSS PRODUCT

Calendar	United States *		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
			A. Millions of Current Dollars			
1989	5,411,353	6.3	333,670	5.2	95,016	5.9
1990	5,706,658	5.5	339,573	1.8	98,914	4.1
1991	5,895,430	3.3	343,923	1.3	100,373	1.5
1992	6,209,096	5.3	357,024	3.8	103,766	3.4
1993	6,513,026	4.9	373,192	4.5	107,993	4.1
1994	6,930,791	6.4	394,281	5.7	112,588	4.3
1995	7,309,516	5.5	416,073	5.5	118,973	5.7
1996	7,715,901	5.6	439,550	5.6	124,693	4.8
1997	8,240,312	6.8	471,712	7.3	134,792	8.1
1998	8,745,219	6.1	501,809	6.4	142,099	5.4
% Increase ('89 to '98)		61.6		50.4		49.6
B. Constant Dollars**						
1989	6,538,634	2.4	407,133	1.4	117,339	1.8
1990	6,630,742	1.4	398,250	(2.2)	117,268	(0.0)
1991	6,615,685	(0.2)	388,451	(2.5)	114,555	(2.3)
1992	6,774,505	2.4	391,240	0.7	114,803	0.2
1993	6,918,389	2.1	397,345	1.6	115,803	0.9
1994	7,203,002	4.1	409,864	3.2	117,689	1.6
1995	7,433,965	3.2	422,407	3.1	121,117	2.9
1996	7,715,901	3.8	439,550	4.1	124,693	3.0
1997	8,120,854	5.2	464,268	5.6	132,534	6.3
1998	8,537,669	5.1	488,566	5.2	138,053	4.2
% Increase ('89 to '98)		30.6		20.0		17.7

* Sum of State's Gross State Products.

** 1996 chained dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100.

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

The output contribution of manufacturing, however, has been declining over time as the contributions of finance, insurance and real estate and services have been rapidly increasing. The share of production from the manufacturing sector decreased, caused by increased competition with foreign countries and other states as well

as declining defense expenditures. The broadly defined services in the private sector, which includes industries in transportation & utilities, trade, FIRE and other services, have increased to 70.8% of total GSP in 1998 from 65.0% in 1989. The shift toward services in Connecticut has been moving faster than the Nation. During the past decade cited, the share of service production increased 5.8 percentage points (8.9%) in Connecticut versus only 4.6 percentage points (7.6%) for the Nation. The increasing share of service production may help smooth the business cycle, prolonging the length of expansion and reducing the span and depth of recession. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and less vulnerable to foreign competition. Therefore, this shift to the service sectors should smooth output fluctuations.

TABLE 53
GROSS PRODUCT BY SOURCE
(In Billions of Current Dollars)

	------ Calendar 1989 ------				-------- Calendar 1998 --------			
Industry	U.S.	%	**CT**	%	U.S.	%	**CT**	%
Agriculture, Forest & Fisheries	102.0	1.9	0.613	0.7	125.2	1.4	0.923	0.7
Mining	97.1	1.8	0.090	0.0	105.9	1.2	0.060	0.0
Construction	245.8	4.6	4.997	5.3	373.2	4.3	4.957	3.5
Manufacturing	1,017.7	18.8	18.547	19.5	1,432.8	16.4	23.513	16.5
Transportation & Utilities	468.7	8.7	6.022	6.4	759.1	8.7	9.138	6.4
Wholesale Trade	364.7	6.7	6.660	7.0	613.8	7.0	9.776	6.9
Retail Trade	492.7	9.1	8.674	9.1	781.9	8.9	10.595	7.5
Finance, Insurance, Real Estate	954.5	17.6	23.014	24.2	1,674.2	19.1	39.841	28.0
Services	976.0	18.0	17.404	18.3	1,841.3	21.1	31.206	22.0
Government	692.2	12.8	8.996	9.5	1,037.9	11.9	12.089	8.5
Total	5,411.4	100.0	95.016	100.0	8,745.2	100.0	142.099	100.0
Sum of Three Major Industries		54.5		62.1		56.6		66.5
Broadly Defined Services		60.2		65.0		64.8		70.8
CT as a % of U.S. Total GSP			1.76				1.62	

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; however, 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. The following Table provides a comparison of annual nominal and real per capita output for the United States, the New England Region and Connecticut.

TABLE 54
PER CAPITA GROSS PRODUCT

A. In Current Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
1989	21,925	5.3	25,313	4.4	28,942	5.5	132
1990	22,876	4.3	25,686	1.5	30,074	3.9	131
1991	23,380	2.2	26,053	1.4	30,518	1.5	131
1992	24,347	4.1	27,072	3.9	31,684	3.8	131
1993	25,266	3.8	28,238	4.3	33,005	4.2	131
1994	26,623	5.4	29,773	5.4	34,452	4.4	129
1995	27,814	4.5	31,324	5.2	36,439	5.8	131
1996	29,091	4.6	32,977	5.3	38,167	4.7	131
1997	30,772	5.8	35,260	6.9	41,233	8.0	134
1998	32,360	5.2	37,368	6.0	43,416	5.3	134
% Increase	('89 to '98)	47.6		47.6		50.0	

B. In 1996 Chained Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
1989	26,491	1.4	30,894	0.6	35,741	1.4	135
1990	26,580	0.3	30,125	(2.5)	35,655	(0.2)	134
1991	26,237	(1.3)	29,426	(2.3)	34,830	(2.3)	133
1992	26,564	1.2	29,666	0.8	35,054	0.6	132
1993	26,838	1.0	30,065	1.3	35,392	1.0	132
1994	27,669	3.1	30,949	2.9	36,013	1.8	131
1995	28,287	2.2	31,801	2.8	37,096	3.0	131
1996	29,091	2.8	32,977	3.7	38,167	2.9	131
1997	30,326	4.2	34,704	5.2	40,543	6.2	134
1998	31,592	4.2	36,381	4.8	42,179	4.0	134
% Increase	('89 to '98)	19.3		17.8		18.0	

Source: U.S. Department of Commerce, Bureaus of Economic Analysis and of the Census

During the 1980s, both real per capita output levels and nominal rates of growth in Connecticut exceeded those for the nation. Growth in Connecticut dropped in 1990 and 1991, reflecting a synchronized but deeper recession when compared with the United States. Overall, Connecticut, has fared slightly better than the New England Region for the past decade, due primarily to the strong growth of the pre-recession years, rather than the growth experienced since the recession. The ratio of Connecticut's real per capita output relative to the United States changed from 135% in 1989 to 134% in 1998 after reaching a low point of 131% in 1994. This suggests that, although the recession in Connecticut was deeper, overall productivity in the state since the recession increased faster than the U.S. average. The latest data shows that, between 1993 and 1998, Connecticut's real per capita output increased 19.2%, compared to 17.7% nationally for the same period, and is exhibiting greater strength

coming out of the recession than originally thought. The absolute higher per capita gross state product in Connecticut is attributed to several factors: a high concentration of "high-tech" industries, a better educational and financial environment, more progressive technology and faster improvements in the quality of labor and capital.

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 following Table, 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 $41.2 in 1988 to $70.9 in 1997, a 72.1% increase in output per hour over the decade compared to only a 35.7% increase in the Consumer Price Index.

TABLE 55
CONNECTICUT'S MANUFACTURING LABOR PRODUCTIVITY

Cal. Year	GSP (Million)	Production Workhours (Million)	Hourly Production (Output Per Hour)	Total Wages (Million)	Average Hourly Wages	Unit Labor Cost (¢ Per $1 Output)
1988	$18,095	439.3	$41.2	$4,926.5	$11.2	27.2
1989	18,449	398.4	46.3	4,674.2	11.7	25.3
1990	19,760	385.7	51.2	4,696.4	12.2	23.8
1991	19,603	363.4	53.9	4,654.0	12.8	23.7
1992	19,171	352.1	54.4	4,751.8	13.5	24.8
1993	18,176	336.5	54.0	4,555.0	13.5	25.1
1994	19,056	328.0	58.1	4,596.4	13.8	24.1
1995	19,888	328.2	60.6	4,603.7	14.0	23.1
1996	20,712	321.3	64.5	4,699.1	14.6	22.7
1997	22,510	317.5	70.9	4,895.3	15.4	21.7
% Increase ('88-'97)			72.1		37.5	(20.2)

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

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 entitled Unit Labor Cost shows the money cost which is equal to the average hourly wages of each worker divided by productivity. Connecticut continues to enjoy a downward trend in labor costs when productivity is factored in. Per $1 of output costs, the unit labor cost has declined from 27.2 cents in 1988 to 21.7 cents in 1997, a 20.2% reduction over the decade.

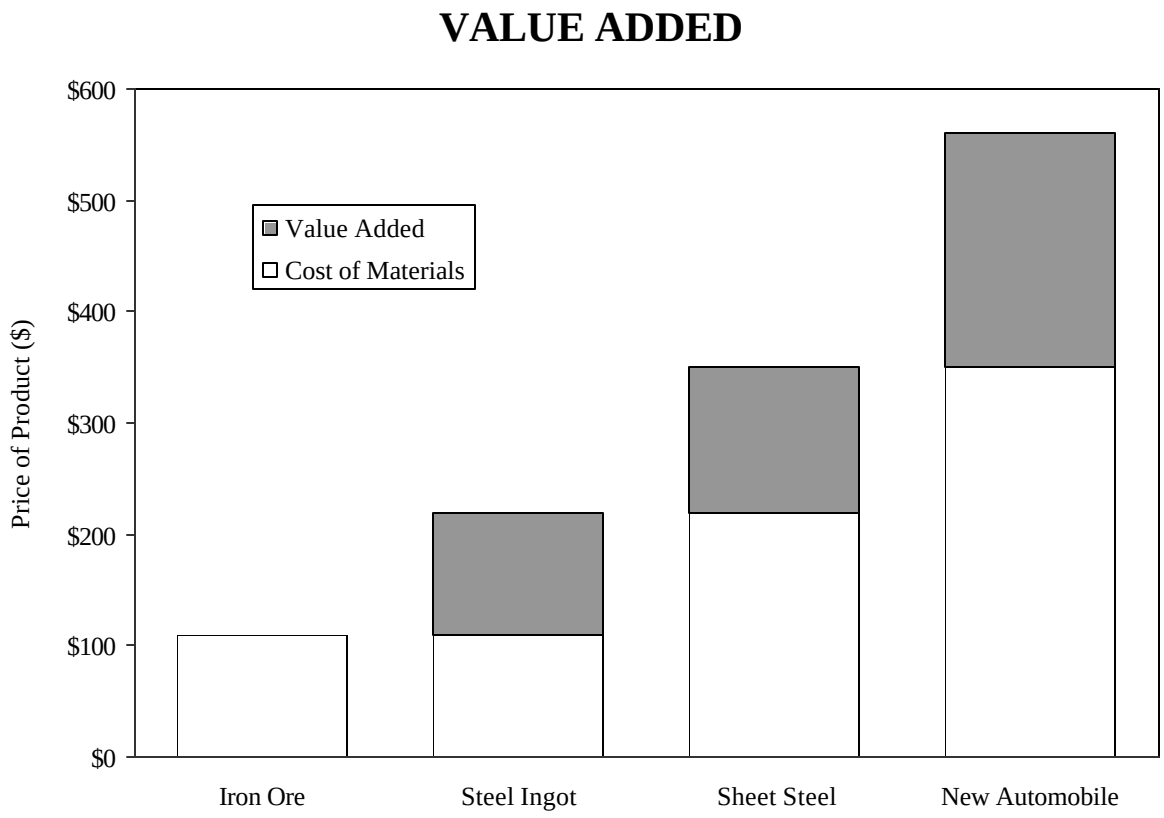
Overall, productivity depends upon a broad range of factors. Other than wages, the quality of management as well as the size of and quantity of capital stock invested in the form of plant, machinery & equipment, and the employment of new technologies impact productivity. Any increase in labor productivity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

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 has lost 129,800 manufacturing jobs between calendar year 1977 and 1998, this is being 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 Chart illustrates the value added concept as raw materials are transformed into a new automobile.



The following Table lists value added per production worker for Connecticut and the United States. Connecticut's value added per production worker has steadily increased over every period covered in the table. Moreover, by 1998, Connecticut's value added per production worker was 118% of the national average, up from 101% in 1982.

TABLE 56
VALUE ADDED PER PRODUCTION WORKER
(In Current Dollars)

Cal. Year	Conn.	United States	% Change From Prior Period Conn.	% Change From Prior Period U.S.	Cumulative % Change From 1992 Conn.	Cumulative % Change From 1992 U.S.	Ratio of CT Value Added to U.S.
1977	42,828	42,741	61.9	63.3			1.002
1982	66,830	66,458	56.0	55.5			1.006
1987	103,228	94,927	54.5	42.8			1.087
1992	143,074	122,387	38.6	28.9			1.169
1993	143,940	126,474	0.6	3.3	0.6	3.3	1.138
1994	151,101	134,424	5.0	6.3	5.6	9.8	1.124
1995	159,262	139,674	5.4	3.9	11.3	14.1	1.140
1996	161,484	143,794	1.4	2.9	12.9	17.5	1.123
1997	178,582	151,011	10.6	5.0	24.8	23.4	1.183
1998	183,095	154,706	2.5	2.4	28.0	26.4	1.184

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"

The following Table lists value added after removing the effects of inflation for both the United States and Connecticut. In 1997 and 1998, Connecticut's value added per production worker exceeded the growth in inflation as measured by the GDP deflator.

TABLE 57
VALUE ADDED PER PRODUCTION WORKER
(In Constant Dollars, 1996 = 100)

Cal. Year	Conn.	United States	% Change From Prior Period Conn.	% Change From Prior Period U.S.	Cumulative % Change From 1992 Conn.	Cumulative % Change From 1992 U.S.	Ratio of CT Value Added to U.S.
1977	95,151	94,959					1.002
1982	100,861	100,299	6.0	5.6			1.006
1987	133,077	122,376	31.9	22.0			1.087
1992	155,787	133,262	17.1	8.9			1.169
1993	153,063	134,489	(1.7)	0.9	(1.7)	0.9	1.138
1994	157,396	140,025	2.8	4.1	1.0	5.1	1.124
1995	162,347	142,379	3.1	1.7	4.2	6.8	1.140
1996	161,484	143,794	(0.5)	1.0	3.7	7.9	1.123
1997	175,184	148,138	8.5	3.0	12.5	11.2	1.183
1998	177,384	149,880	1.3	1.2	13.9	12.5	1.184

Note: Value Added Per Production Worker = $\frac{\text{Total Value Added by Manufacture}}{\text{GDP Deflator X Production Workers}}$

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 for an industry, the volume of production and the prevailing markup or profit on a product. The following Table segments value added per production worker by industry in Connecticut for calendar year 1997 and 1998.

TABLE 58
VALUE ADDED PER PRODUCTION WORKER IN CONNECTICUT
(In Current Dollars)

Industry	1997	1998	% Change
Manufacturing	178,582	183,095	2.5
Food	162,158	166,298	2.6
Printing	107,865	113,155	4.9
Paper	213,872	221,152	3.4
Chemical	717,396	688,259	(4.1)
Plastics & Rubber	110,177	107,878	(2.1)
Primary Metals	139,128	136,500	(1.9)
Fabricated Metals	114,469	127,799	11.6
Machinery	221,859	201,750	(9.1)
Computer & Electronic	188,077	195,554	4.0
Electrical Equipment	155,022	145,357	(6.2)
Transportation Equipment	206,081	207,938	0.9

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 to implement environmental and safety technology. According to the Annual Survey of Manufactures, for the past 10 years, the level of capital expenditures within Connecticut has remained well above the one billion dollar figure. Although capital expenditure figures tend to fluctuate substantially each calendar year, the levels sustained during the past ten years were the highest ever recorded since the U.S. Department of Commerce began tracking such data in 1955. The following Table details capital expenditures in Connecticut.

To further promote the expansion of manufacturing firms in Connecticut, the Legislature passed and the Governor signed into law, the Manufacturing Assistance Act of 1990 and the Manufacturing Recovery Act of 1992. These laws provide substantial incentives for manufacturers to make capital expenditures within Connecticut. The main tenet of the acts is a five year alleviation of local property taxes on all new or newly acquired machinery used in the production process. The machinery must be of the type classified by the Internal Revenue Service as five or

seven year property. Effectively the machinery is exempt from local taxation for a period of five years, however, municipalities in Connecticut do not bear the costs of the program since the State fully reimburses the towns for any foregone revenue. As a result of this program, in fiscal year 2000 the state reimbursed municipalities $70.5 million and is projected to reimburse them $79.0 million in fiscal year 2001.

TABLE 59
TOTAL CAPITAL EXPENDITURES IN CONNECTICUT
(In Millions of Dollars)

Calendar Year	Connecticut Capital Expenditures	Percent Change
1989	1,374.7	11.0
1990	1,441.2	4.8
1991	1,358.6	(5.7)
1992	1,513.6	11.4
1993	1,642.0	8.5
1994	1,586.6	(3.5)
1995	1,517.1	(4.4)
1996	1,768.9	16.6
1997	1,867.8	5.6
1998	1,900.9	1.8

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 good 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 proprietor's income, etc.; and a part of agricultural activity via farm properties' income. Personal income is roughly 83% 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 to private pension and private welfare funds, including privately administered workers' compensation funds. Other items included are directors' fees, compensation to prison inmates and judicial fees.

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 state's performances. A comparison of growth rates in personal income is a good indicator of a state's present and future performance.

According to figures provided by the U.S. Bureau of Economic Analysis, personal income to Connecticut residents during fiscal year 2000 was $132.6 billion, a 5.5% increase over fiscal 1999. Total personal income in Connecticut increased 50.2% from fiscal 1991 to 2000. For the United States, total personal income increased 60.8%, and in the New England Region, the increase for the identical period was 57.2%.

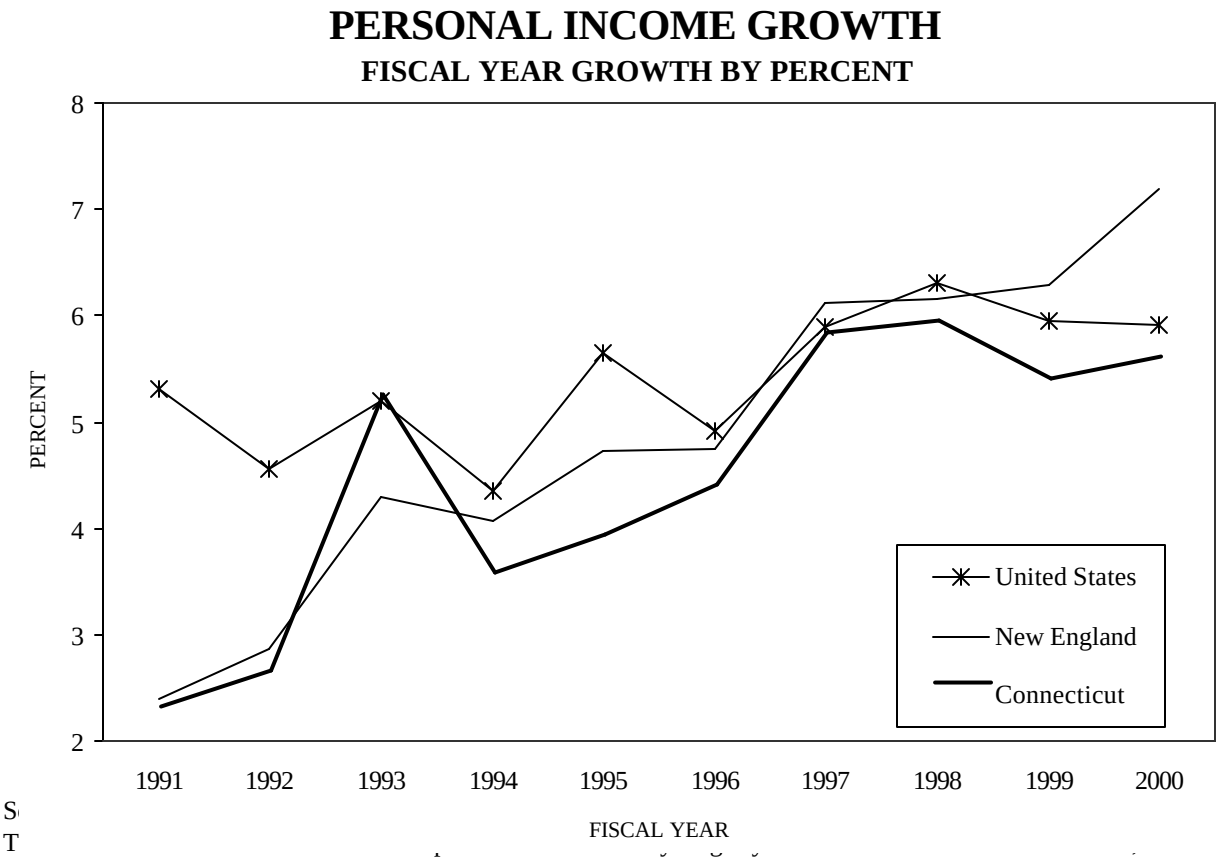
The following Table shows personal income for the United States, the New England Region and Connecticut.

TABLE 60
PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1990-91	4,999,200	5.31	304,865	2.39	88,268	2.21
1991-92	5,226,625	4.55	313,599	2.87	90,518	2.55
1992-93	5,498,400	5.20	327,049	4.29	95,182	5.15
1993-94	5,738,325	4.36	340,361	4.07	98,488	3.47
1994-95	6,062,725	5.65	356,463	4.73	102,264	3.83
1995-96	6,361,250	4.92	373,373	4.74	106,652	4.29
1996-97	6,736,625	5.90	396,202	6.11	112,754	5.72
1997-98	7,161,675	6.31	420,627	6.16	119,336	5.84
1998-99	7,587,875	5.95	447,085	6.29	125,659	5.30
1999-00	8,037,175	5.92	479,247	7.19	132,569	5.50

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

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



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T ages and employee salaries accounting for approximately 61% of total personal income compared to roughly 57% for the nation. The following Table shows a comparative study of the sources of personal income for the United States and Connecticut for a two fiscal year period.

TABLE 61
SOURCES OF PERSONAL INCOME
(In Billions of Dollars)

	FISCAL YEAR 1998-99				FISCAL YEAR 1999-00			
	U.S.	%	CT	%	U.S.	%	CT	%
Manufacturing Salaries & Wages	767.3	10.1	16.3	13.0	800.0	9.9	16.3	12.3
Nonmanufacturing Salaries & Wages	3,562.5	47.0	59.8	47.6	3,821.5	47.5	64.6	48.7
Proprietors Income	642.0	8.5	9.9	7.9	688.2	8.6	10.7	8.1
Property Income	1,452.1	19.1	23.1	18.4	1,525.9	19.0	24.1	18.2
Other Labor Income	493.0	6.5	7.9	6.3	511.2	6.4	8.1	6.1
Transfer Payments Less Payments to Social Insurance	671.1	8.8	8.7	6.8	690.4	8.6	8.8	6.6
Total	7,587.9	100.0	125.7	100.0	8,037.2	100.0	132.6	100.0

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

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 50.2% from fiscal 1991 to 2000, compared to a National increase of 47.3% and a New England Region increase of 53.1%.

Per capita personal income in Connecticut, for the most recent fiscal year, was 14.1% higher than for the New England Region and 38.1% 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 and major corporate headquarters within the state.

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 following the Table provides a graphic representation of the growth rates in per capita personal income for the three entities over a ten year fiscal period.

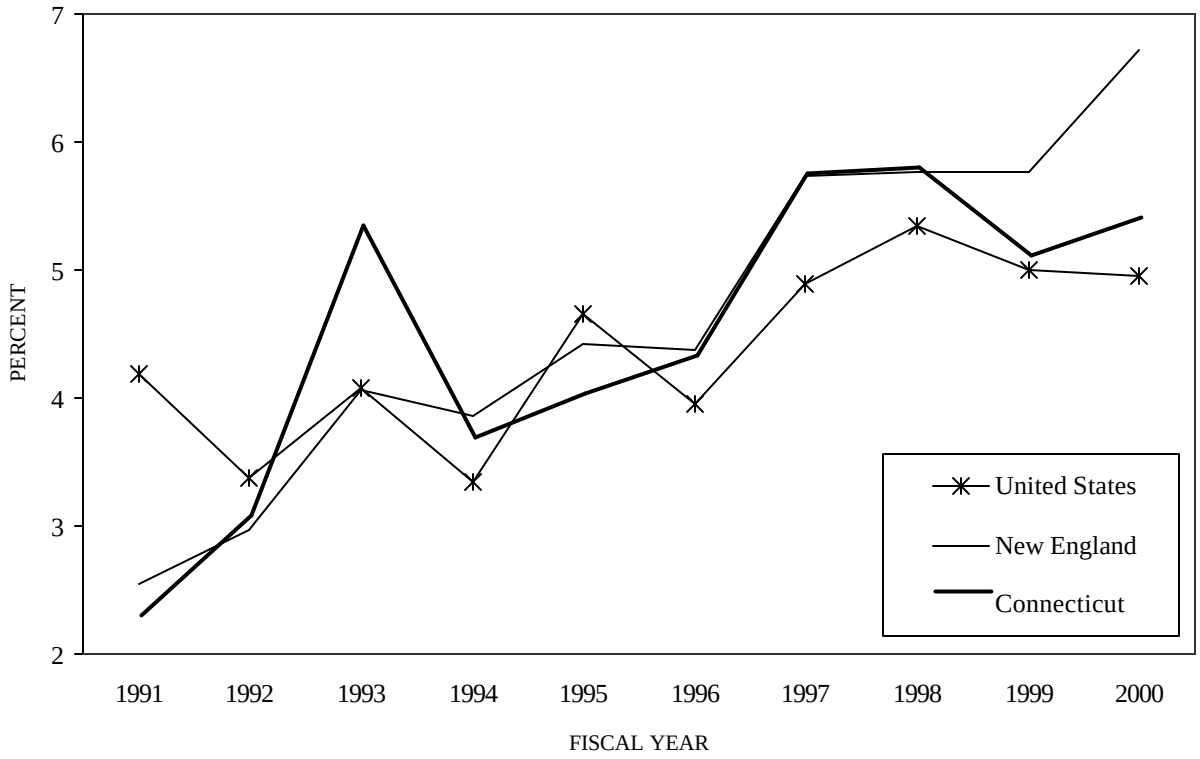
TABLE 62
PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1990-91	19,826	4.19	23,094	2.54	26,837	2.21
1991-92	20,494	3.37	23,779	2.97	27,639	2.99
1992-93	21,330	4.08	24,746	4.07	29,090	5.25
1993-94	22,043	3.34	25,701	3.86	30,137	3.60
1994-95	23,069	4.66	26,836	4.42	31,321	3.93
1995-96	23,984	3.96	28,012	4.38	32,645	4.23
1996-97	25,157	4.89	29,616	5.73	34,492	5.66
1997-98	26,500	5.34	31,322	5.76	36,461	5.71
1998-99	27,826	5.00	33,127	5.76	38,287	5.01
1999-00	29,206	4.96	35,353	6.72	40,319	5.31

(e) – Mid year population figures for 2000 were unavailable at the time of publication. Therefore, the population figures used to derive the above table were estimated by the Office of Policy & Management as follows: U.S. – 275,191,000; New England – 13,556,000; Conn. – 3,288,000.

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

PER CAPITA PERSONAL INCOME
FISCAL YEAR GROWTH BY PERCENT



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 1999. In 1999, the $38,287 figure for Connecticut per capita personal income remained approximately 38% higher than the national average.

TABLE 63
PER CAPITA PERSONAL INCOME BY STATE
(Fiscal 1999)

State	Per Capita Income	Rank	State	Per Capita Income	Rank
Connecticut	$38,287	1	Kansas	$26,148	26
New Jersey	34,845	2	Texas	26,122	27
Massachusetts	34,290	3	Missouri	25,848	28
New York	33,053	4	North Carolina	25,635	29
Maryland	31,529	5	Indiana	25,614	30
Illinois	30,527	6	Wyoming	25,587	31
Colorado	30,246	7	Vermont	25,237	32
New Hampshire	30,230	8	Iowa	25,216	33
Nevada	29,967	9	Tennessee	24,947	34
Minnesota	29,964	10	Arizona	24,370	35
Delaware	29,912	11	South Dakota	24,309	36
Washington	29,213	12	Maine	23,979	37
Virginia	28,956	13	North Dakota	23,115	38
California	28,851	14	South Carolina	22,946	39
Rhode Island	28,596	15	Kentucky	22,704	40
Alaska	28,061	16	Utah	22,616	41
Pennsylvania	27,964	17	Louisiana	22,594	42
Michigan	27,326	18	Alabama	22,512	43
Florida	27,174	19	Oklahoma	22,506	44
Hawaii	27,083	20	Idaho	22,146	45
Wisconsin	26,730	21	Arkansas	21,724	46
Ohio	26,642	22	Montana	21,664	47
Georgia	26,543	23	New Mexico	21,429	48
Nebraska	26,380	24	West Virginia	20,610	49
Oregon	26,275	25	Mississippi	20,140	50
U.S. Average	$27,826				

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 1999.

TABLE 64
PER CAPITA DISPOSABLE PERSONAL INCOME BY STATE
(Fiscal 1999)

State	Per Capita Disposable Income	Rank	State	Per Capita Disposable Income	Rank
Connecticut	$30,972	1	Kansas	$22,309	26
New Jersey	29,500	2	Oregon	22,276	27
Massachusetts	28,382	3	Missouri	22,026	28
New York	27,297	4	Tennessee	22,015	29
New Hampshire	25,982	5	North Carolina	21,962	30
Maryland	25,963	6	Iowa	21,849	31
Illinois	25,901	7	South Dakota	21,832	32
Colorado	25,761	8	Indiana	21,823	33
Nevada	25,344	9	Vermont	21,685	34
Washington	25,290	10	Wyoming	21,474	35
Minnesota	25,190	11	Arizona	21,161	36
Rhode Island	24,995	12	Maine	20,853	37
Delaware	24,923	13	North Dakota	20,788	38
Alaska	24,513	14	South Carolina	19,915	39
Virginia	24,359	15	Louisiana	19,757	40
California	24,271	16	Idaho	19,677	41
Pennsylvania	24,012	17	Alabama	19,663	42
Hawaii	23,794	18	Kentucky	19,469	43
Florida	23,581	19	Utah	19,412	44
Michigan	23,201	20	Oklahoma	19,367	45
Nebraska	23,121	21	Montana	19,157	46
Wisconsin	22,661	22	Arkansas	18,994	47
Ohio	22,600	23	New Mexico	18,956	48
Texas	22,545	24	West Virginia	18,075	49
Georgia	22,504	25	Mississippi	17,769	50

U.S. Average $23,757

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

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

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 for certain services such as education and hospitals.

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. 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 year fiscal period.

TABLE 65
THE U.S. CONSUMER PRICE INDEX
(1982-84=100)

Fiscal Year	C.P.I.	% Growth
1990-91	134.0	5.49
1991-92	138.3	3.19
1992-93	142.6	3.12
1993-94	146.3	2.62
1994-95	150.5	2.85
1995-96	154.6	2.74
1996-97	159.0	2.83
1997-98	161.9	1.79
1998-99	164.7	1.74
1999-00	169.4	2.87

Source: U.S. Bureau of Labor Statistics

The CPI is based on prices of food, clothing, shelter, fuels, transportation fares, and charges for doctors' and dentists' services, drugs, and the other goods that people buy for day-to-day living. 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 effected by the level of the index in relation to its base period while percent 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 66
REAL PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1990-91	3,730,468	(0.17)	227,494	(2.94)	65,867	(3.11)
1991-92	3,779,672	1.32	226,782	(0.31)	65,459	(0.62)
1992-93	3,856,091	2.02	229,363	1.14	66,752	1.98
1993-94	3,921,429	1.69	232,594	1.41	67,304	0.83
1994-95	4,028,121	2.72	236,837	1.82	67,945	0.95
1995-96	4,113,719	2.13	241,454	1.95	68,970	1.51
1996-97	4,236,471	2.98	249,160	3.19	70,908	2.81
1997-98	4,424,406	4.44	259,859	4.29	73,724	3.97
1998-99	4,607,718	4.14	271,491	4.48	76,306	3.50
1999-00	4,744,565	2.97	282,912	4.21	78,259	2.56

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

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

It is necessary to point out that there exists 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 year fiscal period.

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.

The following Table shows the growth in real per capita personal income for the United States, the New England Region and Connecticut. The Chart following the Table provides a graphic presentation of the growth in real per capita personal income for the three entities over a ten year fiscal period.

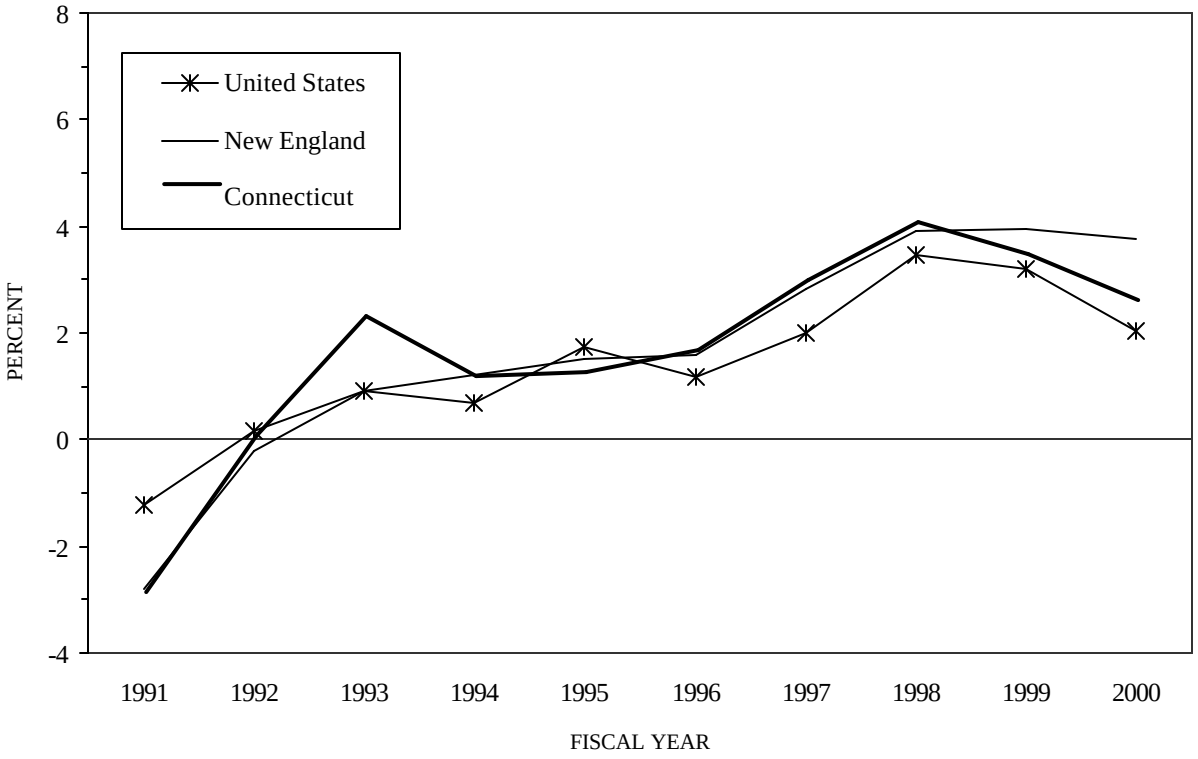
TABLE 67
REAL PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1990-91	14,794	(1.24)	17,233	(2.80)	20,026	(3.11)
1991-92	14,820	0.18	17,196	(0.21)	19,987	(0.19)
1992-93	14,959	0.93	17,355	0.92	20,401	2.07
1993-94	15,063	0.70	17,564	1.20	20,595	0.95
1994-95	15,328	1.75	17,830	1.52	20,810	1.04
1995-96	15,510	1.19	18,115	1.60	21,111	1.45
1996-97	15,820	2.00	18,625	2.81	21,691	2.75
1997-98	16,372	3.48	19,351	3.90	22,525	3.85
1998-99	16,897	3.21	20,116	3.96	23,250	3.22
1999-00 (e)	17,241	2.04	20,870	3.75	23,801	2.37

(e) – Mid year population figures for 2000 were unavailable at the time of publication. Therefore, the population figures used to derive the above table were estimated by the Office of Policy & Management as follows: U.S. – 275,191,000; New England – 13,556,000; Conn. – 3,288,000.

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

REAL PER CAPITA INCOME
FISCAL YEAR GROWTH BY PERCENT



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

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. The inflation index is used to measure purchasing power relative to its historical past, 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 relative price level of consumer goods and services for a specific area relative to other jurisdictions at a given time.

The Cost of Living Index, produced by the American Chamber of Commerce Research Association (ACCRA), is utilized by the U.S. Department of Commerce and is regularly included in its publication, *The Statistical Abstract of The United States.* A Cost of Living Index is available for approximately 300 Metropolitan Statistical Areas (MSAs). An MSA is a statistical area defined by the U.S. Office of Management and Budget (OMB). The Primary Metropolitan Statistical Area (PMSA) is a component area of the MSA. In Connecticut, the New Haven-Meriden PMSA is included in the survey. The New Haven-Meriden PMSA area, which includes New Haven and Middlesex Counties, accounts for 16% of the state's total population.

The Cost of Living Composite Index for each MSA/PMSA is weighed by a "market basket" of 59 goods and services for the typical mid-management household. It is further broken down into six categories including grocery items, housing, utilities, transportation, health care, and other. The index for the New Haven area for the second quarter of 2000 was 121.7 compared to the national average of 100. This index demonstrates that the overall living cost in the New Haven-Meriden PSMA area was higher than the national average by 21.7%. For the six categories, the utility index category registered the highest level at 158.2, followed by the housing index at 142.1, the health care index at 115.2, the miscellaneous goods and services index at 109.7, grocery items at 106.4, and the transportation index at 102.9. In other words, among the six categories, utility cost in the New Haven-Meriden PMSA area was the most expensive item, a full 58.2% higher than the national average, while the transportation category is approximately on par with the national average, only higher by 2.9%. The index, updated quarterly, does not measure tax differentials.

The following Table shows the cost of living comparison for three neighboring cities: Boston, New Haven, and New York in the second quarter of 2000.

TABLE 68
COMPARISON OF COST OF LIVING

2nd Quarter 2000 MSA/PMSA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.
Boston, MA	**131.3**	**112.3**	**176.5**	**128.8**	**109.8**	**130.4**	**109.5**
New Haven, CT	121.7	106.4	142.1	158.2	102.9	115.2	109.7
New York, NY	**251.9**	**142.4**	**536.5**	**165.6**	**120.8**	**178.1**	**135.2**
Index Weights	100%	16%	28%	8%	10%	5%	33%

Source: The American Chamber of Commerce Research Association, "ACCRA Cost of Living Index", Second Quarter 2000

In the second quarter of 2000, numerous cities had a relatively higher cost of living than the New Haven-Meriden area. These include, for example, New York City (Manhattan) at 251.9; Kodiak, Alaska at 136.1; Boston, Massachusetts at 131.3; and San Diego and Los Angeles, California at 123.7 and 148.1, respectively. The cost of living in the New Haven-Meriden area was collectively on par with the Philadelphia area, which registered at 120.8. This cost of living index can provide very useful information for relocation decisions. If someone is contemplating a job offer in a certain area, he or she may use this index as a guide to evaluate the financial merits of the move. For example, if a New Haven resident is considering a move to the Los Angeles area and, at the same time, wants to maintain their current mid-management lifestyle, other things being equal, his or her after-tax income level has to increase by 21.7%, (148.1-121.7)/121.7, in order to compensate for the higher cost of living.

The cost of living for metropolitan areas within Connecticut also varies. ACCRA recorded the Hartford MSA area's cost of living at 118.8 for the fourth quarter of 1999 compared to 125.0 for the New Haven-Meriden PMSA, reflecting higher costs in utilities and housing.

The following Table demonstrates the relative index of the components for these two Connecticut cities.

COMPARISON OF COST OF LIVING
New Haven PMSA & Hartford MSA

4th Quarter 1999 MSA/PMSA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	**Misc.**
New Haven PMSA	125.0	113.9	147.6	167.6	104.7	122.0	107.4
Hartford MSA	**118.8**	**113.4**	**128.7**	**142.6**	**113.0**	**136.5**	**106.6**

THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT

In fiscal 2000, Connecticut derived 74 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 1999. The Table shows overall state tax collections as a percentage of personal income. In the Table, note that Connecticut ranks 13th signifying that in 12 other states a greater percentage of an individual's income is going for state taxes than in Connecticut.

TABLE 69
STATE TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 1999

State	Percentage	Rank	State	Percentage	Rank
Hawaii	9.87	1	Kansas	6.61	26
New Mexico	9.34	2	South Carolina	6.53	27
Delaware	9.00	3	Arizona	6.48	28
Minnesota	8.72	4	Pennsylvania	6.44	29
Michigan	8.66	5	New York	6.43	30
Maine	8.46	6	Indiana	6.40	31
West Virginia	8.45	7	Nevada	6.33	32
Arkansas	8.32	8	Alabama	6.13	33
Wisconsin	8.29	9	Oregon	6.13	34
Kentucky	8.18	10	Louisiana	6.10	35
Mississippi	8.14	11	Ohio	6.06	36
Idaho	7.83	12	Missouri	6.06	37
Connecticut	7.66	13	Nebraska	6.06	38
California	7.57	14	Georgia	6.03	39
Utah	7.57	15	New Jersey	5.97	40
North Dakota	7.55	16	Maryland	5.81	41
North Carolina	7.36	17	Virginia	5.81	42
Washington	7.34	18	Florida	5.79	43
Oklahoma	7.17	19	Illinois	5.73	44
Montana	7.14	20	Tennessee	5.26	45
Massachusetts	6.96	21	Alaska	5.20	46
Vermont	6.75	22	Texas	4.90	47
Iowa	6.73	23	Colorado	4.88	48
Rhode Island	6.69	24	South Dakota	4.87	49
Wyoming	6.62	25	New Hampshire	2.95	50
U.S. Average	6.59				

Source: U.S. Department of Commerce, "State Government Finances, 1999"

Following is a discussion of the major revenue raising 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. 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 $12,500 to $24,000 are available to taxpayers, with such exemptions phased out at certain higher income levels. Legislation enacted in 1999 increases the exemption amount for single filers over an eight-year period 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 72 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 increased to $215 for income year 1997, $350 for income year 1998, $425 for income year 1999, and to $500 thereafter, with amounts above the initial $100 phased-out at higher income levels.

The Personal Income Tax generated $4,238.2 million in fiscal year 1999-2000, $3,820.8 million in fiscal year 1998-99, and $3,596.2 million in fiscal year 1997-98. In fiscal year 1999-2000, this tax accounted for 37.8% of total revenue and 47.2% of total tax collections while in fiscal 1998-99, it accounted for 36.0% of total revenue and 45.2% of total tax collections.

TABLE 70
TAXABLE INCOME AMOUNTS SUBJECT TO THE 3% RATE WITH THE REMAINDER SUBJECT TO THE 4.5% RATE

Income Year	Single	Joint	Head of Household
1996	$ 2,250	$ 4,500	$ 3,500
1997	$ 6,250	$12,500	$10,000
1998	$ 7,500	$15,000	$12,000
1999 & Thereafter	$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 1999.

TABLE 71
STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 1999

State	Percentage	Rank	State	Percentage	Rank
Oregon	4.26	1	Vermont	2.56	23
Massachusetts	3.80	2	Montana	2.53	24
Minnesota	3.71	3	West Virginia	2.47	25
Wisconsin	3.68	4	Kansas	2.44	26
New York	3.42	5	Nebraska	2.44	27
Delaware	3.42	6	Indiana	2.43	28
Maine	3.39	7	Ohio	2.40	29
North Carolina	3.36	8	Iowa	2.37	30
Hawaii	3.33	9	Colorado	2.29	31
California	3.21	10	New Jersey	2.23	32
Virginia	3.06	11	South Carolina	2.23	33
Idaho	3.05	12	New Mexico	2.17	34
Utah	3.03	13	Illinois	1.96	35
Connecticut	2.87	14	Alabama	1.94	36
Kentucky	2.82	15	Pennsylvania	1.91	37
Georgia	2.76	16	Arizona	1.80	38
Michigan	2.74	17	Mississippi	1.75	39
Oklahoma	2.74	18	Louisiana	1.55	40
Rhode Island	2.69	19	North Dakota	1.24	41
Arkansas	2.59	20	New Hampshire	0.17	42
Missouri	2.57	21	Tennessee	0.11	43
Maryland	2.56	22			
U.S. Average	2.27				

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

Source: U.S. Department of Commerce, "State Government Finances, 1999"

The following Table shows Connecticut personal income tax exemptions ranging from $12,500 $24,000 including the phase out as income levels rise depending on adjusted gross income for each income tax filing status.

TABLE 72
CONNECTICUT PERSONAL INCOME TAX CREDITS & EXEMPTIONS
Income Year 2001

Single			Married Filing Jointly			Head of Household		
Exemption: $12,500			Exemption: $24,000			Exemption: $19,000		
Phase Out: $1K of exemption for each $1K from $25.0K to $37.0K			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
$12,500	$15,600	75%	$24,000	$30,000	75%	$19,000	$24,000	75%
$15,600	$16,100	70%	$30,000	$30,500	70%	$24,000	$24,500	70%
$16,100	$16,600	65%	$30,500	$31,000	65%	$24,500	$25,000	65%
$16,600	$17,100	60%	$31,000	$31,500	60%	$25,000	$25,500	60%
$17,100	$17,600	55%	$31,500	$32,000	55%	$25,500	$26,000	55%
$17,600	$18,100	50%	$32,000	$32,500	50%	$26,000	$26,500	50%
$18,100	$18,600	45%	$32,500	$33,000	45%	$26,500	$27,000	45%
$18,600	$19,100	40%	$33,000	$33,500	40%	$27,000	$27,500	40%
$19,100	$20,800	35%	$33,500	$40,000	35%	$27,500	$34,000	35%
$20,800	$21,300	30%	$40,000	$40,500	30%	$34,000	$34,500	30%
$21,300	$21,800	25%	$40,500	$41,000	25%	$34,500	$35,000	25%
$21,800	$22,300	20%	$41,000	$41,500	20%	$35,000	$35,500	20%
$22,300	$26,000	15%	$41,500	$50,000	15%	$35,500	$44,000	15%
$26,000	$26,500	14%	$50,000	$50,500	14%	$44,000	$44,500	14%
$26,500	$27,000	13%	$50,500	$51,000	13%	$44,500	$45,000	13%
$27,000	$27,500	12%	$51,000	$51,500	12%	$45,000	$45,500	12%
$27,500	$28,000	11%	$51,500	$52,000	11%	$45,500	$46,000	11%
$28,000	$50,000	10%	$52,000	$96,000	10%	$46,000	$74,000	10%
$50,000	$50,500	9%	$96,000	$96,500	9%	$74,000	$74,500	9%
$50,500	$51,000	8%	$96,500	$97,000	8%	$74,500	$75,000	8%
$51,000	$51,500	7%	$97,000	$97,500	7%	$75,000	$75,500	7%
$51,500	$52,000	6%	$97,500	$98,000	6%	$75,500	$76,000	6%
$52,000	$52,500	5%	$98,000	$98,500	5%	$76,000	$76,500	5%
$52,500	$53,000	4%	$98,500	$99,000	4%	$76,500	$77,000	4%
$53,000	$53,500	3%	$99,000	$99,500	3%	$77,000	$77,500	3%
$53,500	$54,000	2%	$99,500	$100,000	2%	$77,500	$78,000	2%
$54,000	$54,500	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 73
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	E	T
Arizona	E	T	Nevada (no tax)		
Arkansas	E	T	New Hampshire	E	E
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	T	T	North Dakota	E	T
Georgia	E	T	Ohio	E	E
Hawaii	E	T	Oklahoma	T (2)	T
Idaho	E	T	Oregon	E	T
Illinois	T (1)	T	Pennsylvania	E	T
Indiana	E	E	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	E	E
Maine	E	T	Utah	T	T
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 (1)
Missouri	E	T	Wyoming (no tax)		

T = Taxable / E = Exempt

(1) Interest earned from some qualified obligations is exempt from the tax.
(2) Some bonds may be exempt by state law.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

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

TABLE 74
PERSONAL INCOME TAX BY STATE*

State	Low Bracket Rate	Low Bracket To Net Income	High Bracket Rate	High Bracket From Net Income	State	Low Bracket Rate	Low Bracket To Net Income	High Bracket Rate	High Bracket From Net Income
Alabama (2)	2.0	1,000	5.0	6,000	Missouri (1)	1.5	1,000	6.0	9,000
Arizona (1)	2.9	20,000	5.1	300,001	Montana (1)	2.0	2,000	11.0	70,400
Arkansas (4)	1.0	2,999	7.0	25,000	Nebraska (1)	2.51	4,000	6.68	46,750
California (1)	1.0	10,528	9.3	69,096	N. Hampshire	(b)			
Colorado (2)	4.75	All			New Jersey (4)	1.4	20,000	6.37	150,000
Connecticut (1)	3.0	20,000	4.5	20,000	New Mexico (1)	1.7	8,000	8.2	100,000
Delaware (1)	2.6	5,000	6.4	60,000	New York (1)	4.0	16,000	6.85	40,000
Georgia (1)	1.0	1,000	6.0	10,000	N. Carolina (2)	6.0	21,250	7.75	100,000
Hawaii (2)	1.6	4,000	8.75	80,000	N. Dakota (1)	2.67	3,000	12.0	50,000
Idaho (2)	2.0	1,000	8.2	20,000	Ohio (1)	0.72	5,000	7.23	200,000
Illinois (1)	3.0	All			Oklahoma (1)	0.5	2,000	6.75	21,000
Indiana (1)	3.4	All			Oregon (2)	5.0	2,350	9.0	5,850
Iowa (1)	0.36	1,148	8.98	51,660	Pennsylvania	2.8	All		
Kansas (1)	3.5	30,000	6.45	60,000	Rhode Island (3)	26.5	All		
Kentucky (1)	2.0	3,000	6.0	8,000	S. Carolina (2)	2.5	2,340	7.0	11,701
Louisiana (2)	2.0	10,000	6.0	50,000	Tennessee	(b)			
Maine (1)	2.0	4,150	8.5	16,500	Utah (1)	2.3	1,500	7.0	7,500
Maryland (1)	2.0	1,000	4.9	3,000	Vermont (3)	25.0	All		
Massachusetts (1)	5.95	All	(a)		Virginia (1)	2.0	3,000	5.75	17,000
Michigan (1)	4.4	All			W. Virginia (1)	3.0	10,000	6.5	60,000
Minnesota (2)	5.5	25,220	8.0	100,200	Wisconsin (1)	4.77	10,160	6.77	20,321
Mississippi (4)	3.0	5,000	5.0	10,000	Dist. of Col. (1)	6.0	10,000	9.5	20,000

*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) – Federal Tax Liability
(4) – State's Individual Definition of Taxable Income

(a) The rate is 12% for interest, dividends, and net capital gains.
(b) Income taxes are limited to interest and dividends: 5.0% in New Hampshire and 6.0% in Tennessee.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

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, fabrication, 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 or 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 six percent. 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. Hotel rooms are taxed at 12%, with a portion of the tax collections distributed to the tourism districts for the promotion of tourism activities.

The sales and use tax is an important source of revenue for the State of Connecticut. In fiscal 1999-2000, sales and use taxes accounted for 27.6% of total revenue and 37.4% of total tax collections, compared to 27.6% and 37.5%, respectively, in fiscal 1998-99.

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.

In an attempt to provide a more relevant comparison of the 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 following Table shows sales tax collections as a percentage of personal income and the corresponding ranking of the states. Note that Connecticut's tax burden is significantly less than several other states. The comparison is based on 1999 data. From fiscal 1991 to fiscal 1999, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% with a rank of ninth to 2.56% with a rank of 16th. This change was primarily due to the reduction in Connecticut's sales tax rate from 8% to 6% and an expansion of the exemptions on certain services.

The second study provides an analysis of major sales tax exemptions by state. Connecticut excludes from its sales tax such major items as food, drugs, clothing up to $75, machinery, professional services, residential utilities and motor fuels. From Table Number 76 it can be concluded that Connecticut's sales tax base is relatively narrow. From these studies an important fact emerges. In conjunction with Connecticut's relatively narrow base and its high level of personal income, we have a relatively small portion of personal income going to the sales tax. Further, it can be concluded that the burden of the sales tax to the residents of Connecticut is less than it is to residents of many other states.

TABLE 75
SALES TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 1999

State	Sales Tax Rates	%	Rank	State	Sales Tax Rates	%	Rank
Hawaii	4.0*	4.51	1	Kentucky	6.0*	2.32	24
Washington	6.5*	4.31	2	Louisiana	4.0*	2.29	25
Mississippi	7.0	3.97	3	Iowa	5.0*	2.28	26
New Mexico	5.0	3.89	4	North Dakota	5.0*	2.27	27
Florida	6.0*	3.38	5	Indiana	5.0	2.17	28
Nevada	6.5**	3.38	6	Georgia	4.0*	2.10	29
Tennessee	6.0*	3.08	7	Pennsylvania	6.0*	1.99	30
Michigan	6.0	3.08	8	Rhode Island	7.0	1.98	31
Arkansas	4.625*	2.89	9	Ohio	5.0*	1.96	32
Utah	4.75*	2.86	10	Nebraska	4.5*	1.95	33
Arizona	5.0*	2.84	11	Missouri	4.225*	1.92	34
Wyoming	4.0*	2.83	12	Oklahoma	4.5*	1.82	35
Maine	5.5	2.76	13	New Jersey	6.0	1.78	36
South Carolina	5.0*	2.63	14	North Carolina	4.0*	1.70	37
South Dakota	4.0*	2.59	15	Alabama	4.0*	1.68	38
Connecticut	6.0	2.56	16	Illinois	6.25*	1.61	39
Idaho	5.0	2.53	17	Massachusetts	5.0	1.54	40
Texas	6.25*	2.50	18	Maryland	5.0	1.41	41
Kansas	4.9*	2.43	19	Colorado	3.0*	1.39	42
West Virginia	6.0	2.41	20	Vermont	5.0	1.37	43
Minnesota	6.5*	2.38	21	New York	4.0*	1.33	44
California	6.0*	2.37	22	Virginia	3.5*	1.20	45
Wisconsin	5.0*	2.33	23				
U.S. Average		2.18					

* Local tax rates are additional.

** Tax rate includes a composite of a 2% state rate plus a 4.5% state-mandated county rate.

Note: Alaska, Delaware, Montana, New Hampshire, and Oregon do not levy a sales tax. The state of Delaware imposes a merchants' and manufacturers' license tax and a use tax on leases.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition
U.S. Department of Commerce, "State Government Finances", 1999

TABLE 76
MAJOR SALES TAX EXEMPTIONS BY STATE

State	Food	Prescription Drugs	Motor Fuels	Services	Clothes	Cig's	Computer Software (Canned)	Computer Software (Custom)
Alabama	T	E	E	E	T	T	T	E
Arizona	E	E	E	T	T	T	T	E
Arkansas	T	E	E	T	T	T	T	T
California	E	E	T	E	T	T	T	E
Colorado	E	E	E	E	T	T	T	E
Connecticut	E	E	E	T	E (2)	T	T	T
Florida	E	E	T	T	T	T	T	E
Georgia	E	E	T (1)	E	T	T	T	E
Hawaii	T	E	T	T	T	T	T	T
Idaho	T	E	E	E	T	T	T	E
Illinois	T (1)	T (1)	T	E	T	T	T	E
Indiana	E	E	T	E	T	T	T	E
Iowa	E	E	E	T	T	T	T	E
Kansas	T	E	T	T	T	T	T	E
Kentucky	E	E	E	E	T	T	T	E
Louisiana	T	E	E	E	T	T	T	T
Maine	E	E	E	T	T	T	T	E
Maryland	T	E	E	T	E (3)	T	T	E
Massachusetts	E	E	E	E	E (4)	T	T	E
Michigan	E	E	T	E	T	T	T	E
Minnesota	E	E	T	E	E	T	T	E
Mississippi	T	E	E	T	T	T	T	T
Missouri	T (1)	E	E	E	T	T	T	E
Nebraska	E	E	E	E	T	T	T	T
Nevada	E	E	E	E	T	T	T	E
New Jersey	E	E	T	E	E	T	T	E
New Mexico	T	E	E	T	T	T	T	T
New York	E	E	T	T	E (5)	T	T	E
North Carolina	T	E	E	E	T	T	T	E
North Dakota	E	E	E	E	T	T	T	E
Ohio	E	E	E	T	T	T	T	T (6)
Oklahoma	T	E	E	T	T	T	T	E
Pennsylvania	E	E	E	T	E	T	T	E
Rhode Island	E	E	E	E	E	T	T	E
South Carolina	T	E	E	E	T	T	T	T
South Dakota	T	E	E	T	T	T	T	T
Tennessee	T	E	E	E	T	T	T	T
Texas	E	E	E	T	T	T	T	T
Utah	T	E	E	T	T	T	T	E
Vermont	E	E	E	T	E (5)	T	T	E
Virginia	T	E	E	E	T	T	T	E
Washington	E	E	T	T	T	T	T	E
West Virginia	T	E	T	T	T	T	T	T
Wisconsin	E	E	E	T	T	T	T	E
Wyoming	T	E	E	E	T	T	T	E
Dist. of Columbia	E	E	E	T	T	T	T	T
Total Taxable	20	1	13	23	37	46	46	14

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 $75 per item. (3) Up to a sales price of $100 per item. (4) Up to a sales price of $175 per item. (5) Up to a sales price of $110 per item. (6) Custom systems software sold to a business is taxable, but custom application software is not taxable.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

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. 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. In fiscal 1999-2000 the Corporation Business Tax accounted for 5.2% of total revenue and 6.5% of total tax collections, while in fiscal 1998-99 they were 5.8% and 7.3% respectively.

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 seven and one half percent.

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 situs within the state. Real estate investment trusts and regulated investment companies are exempted from the additional tax for income years commencing on or after January 1, 1993. 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 following Table provides a comparison of the assessed rates for the corporation business tax for the fifty states and the District of Columbia.

TABLE 77
CORPORATION TAX BY STATE

	Low Bracket		High Bracket			Low Bracket		High Bracket	
	%	To Net	%	From Net		%	To Net	%	From Net
State	Rate	Income	Rate	Income	State	Rate	Income	Rate	Income
Alabama	5.0	All			Mississippi	3.0	5,000	5.0	10,000
Alaska	1.0	10,000	9.4	90,000	Missouri	6.25	All		
Arizona	8.0	All			Montana	6.75	All		
Arkansas	1.0	3,000	6.5	100,000	Nebraska	5.58	50,000	7.81	50,000
California (1)	8.84	All			N. Hampshire	8.0	All		
Colorado	4.75	All			New Jersey (6)	9.0	All		
Connecticut	7.5	All			New Mexico	4.8	500,000	7.6	1.0M
Delaware	8.7	All			New York	9.0	All		
Florida (1)	5.5	All			N. Carolina	6.9	All		
Georgia	6.0	All			N. Dakota	3.0	3,000	10.5	50,000
Hawaii	4.4	25,000	6.4	100,000	Ohio	5.1	50,000	8.5	50,001
Idaho (2)	8.0	All			Oklahoma	6.0	All		
Illinois (3)	4.8	All			Oregon	6.6	All		
Indiana (4)	3.4	All			Pennsylvania	9.99	All		
Iowa	6.0	25,000	12.0	250,000	Rhode Island	9.0	All		
Kansas (5)	4.0	All			S. Carolina	5.0	All		
Kentucky	4.0	25,000	8.25	250,000	Tennessee (7)	6.0	All		
Louisiana	4.0	25,000	8.0	200,000	Utah	5.0	All		
Maine	3.5	25,000	8.93	250,000	Vermont	7.0	10,000	9.75	250,000
Maryland	7.0	All			Virginia	6.0	All		
Massachusetts (4)	8.33	All			West Virginia	9.0	All		
Michigan	2.2	All			Wisconsin (4)	7.9	All		
Minnesota	9.8	All			District of Col.	9.98	All		

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, Texas, Washington & Wyoming. The following states require a minimum tax: Arizona $50; California $800; Connecticut $250; Idaho $20; Massachusetts $400; Montana $50; New Jersey $200; New York $325-$1,500; Ohio $50; Oregon $10; Utah $100; Rhode Island $250; and Vermont $250.

(1) An alternative minimum tax imposed: 6.65% in California and 3.3% in Florida.

(2) Plus an additional $10.00 on each corporation filing a return.

(3) Additional personal property replacement tax is imposed at the rate of 2.5% of net income.

(4) A surtax is imposed: Indiana 4.5% on net income, 14% in Massachusetts on tax liability, and in Wisconsin the surcharge rate is set annually.

(5) A surtax of 3.35% on taxable incomes in excess of $50,000 is imposed.

(6) Foreign corporations with income from New Jersey sources are subject to the corporation income tax at a rate of 7.25% on entire net income allocable to New Jersey.

(7) Corporations are also subject to the tax on interest and dividends.

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

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: (i) passenger vehicles seating more than nine persons; (ii) road tractors or tractor trucks; or (iii) 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 twenty-five cents per gallon while the tax on gasohol is twenty-four cents per gallon. The Special Fuels and Motor Carrier Taxes are eighteen cents per gallon. The 1983 session of the General Assembly enacted a Special Transportation Fund for highway construction and maintenance and 1¢ 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.

In future years, consumption of motor fuels will continue to be affected by the Conservation Act of 1975 (see section on "Automotive Fuel Economy") which required motor companies to drastically increase the miles per gallon that each motor vehicle attains and by the Clean Air Act of 1990 which requires metropolitan areas to significantly reduce noxious emissions from automobiles. These two factors, when combined with the availability and price of motor fuels, are likely to result in at most only modest growth in gasoline consumption.

The following Table shows the comparative rates for Motor Fuel Taxes for the 50 states.

TABLE 78
MOTOR FUEL TAXES BY STATE

State	Excise Tax	Sales Tax	Total Tax*	State	Excise Tax	Sales Tax	Total Tax*
Alabama	16.0¢	-%	16.0¢	Montana	27.0¢	-%	27.0¢
Alaska	8.0	-	8.0	Nebraska (d)	23.9	-	23.9
Arizona	18.0	-	18.0	Nevada	23.0	-	23.0
Arkansas	20.5	-	20.5	New Hampshire	18.0	-	18.0
California	18.0	6.00	26.7	New Jersey	10.5	6.00	19.2
Colorado	22.0	-	22.0	New Mexico	17.0	-	17.0
Connecticut	25.0	-	25.0	New York	8.0	4.00	13.8
Delaware	23.0	-	23.0	North Carolina (e)	23.1	-	23.1
Florida	13.3	6.00	22.0	North Dakota	21.0	-	21.0
Georgia (a)	7.5	3.00	11.9	Ohio (f)	22.0	-	22.0
Hawaii (b)	28.08	4.00	33.9	Oklahoma (g)	16.0	-	16.0
Idaho	25.0	-	25.0	Oregon	24.0	-	24.0
Illinois	19.0	6.25	28.1	Pennsylvania	12.0	-	12.0
Indiana	15.0	5.00	22.3	Rhode Island (h)	28.0	-	28.0
Iowa	20.0	-	20.0	South Carolina	16.0	-	16.0
Kansas	20.0	4.90	27.1	South Dakota	22.0	-	22.0
Kentucky (c)	15.0	-	15.0	Tennessee	20.0	-	20.0
Louisiana	20.0	-	20.0	Texas	20.0	-	20.0
Maine	22.0	-	22.0	Utah (i)	24.5	-	24.5
Maryland	23.5	-	23.5	Vermont	20.0	-	20.0
Massachusetts	21.0	-	21.0	Virginia	17.5	-	17.5
Michigan	19.0	6.00	27.0	Washington	23.0	6.50	32.4
Minnesota	20.0	6.50	29.4	West Virginia	20.5	6.00	29.2
Mississippi	18.0	-	18.0	Wisconsin (j)	25.8	-	25.8
Missouri	17.0	-	17.0	Wyoming	14.0	-	14.0

Note: The total column in the above table is the sum of the 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 $1.45 per gallon.

(a) The sales tax is levied at the rate of 3% of the retail price less the 7.5¢ tax.
(b) County taxes between 8.8¢ and 16.5¢ per gallon are levied in addition to the state tax of 16¢ per gallon. An average of 12.08¢ was used in calculating the excise tax.
(c) Tax is 9% of the average wholesale price plus a highway user tax.
(d) Includes additional tax based on statewide average cost of fuel and a second additional tax at 2¢ per gallon; plus the amount of any "ethanol adjustment."
(e) Includes an additional tax based on the average wholesale price of motor fuel.
(f) Includes an additional tax based on highway maintenance costs and fuel consumption.
(g) Additional 1¢ per gallon assessment is imposed on fuels sold by a distributor.
(h) Tax is imposed at the rate of 11% of the wholesale selling price, plus an additional 2% wholesale tax on distributors.
(i) An environmental surcharge of one-half cent per gallon is imposed on all petroleum sold.
(j) The rate is computed annually based on the consumer price index and the amount of fuel sold in the state, plus an additional tax of 2¢ per gallon.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

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 79
CIGARETTE TAXES BY STATE

State	Rate	State	Rate
Alabama	16.5 ¢	Montana	18.0 ¢
Alaska	$1.00	Nebraska	34.0 ¢
Arizona	58.0 ¢	Nevada	35.0 ¢
Arkansas (1)	31.5 ¢	New Hampshire	52.0 ¢
California	87.0 ¢	New Jersey	80.0 ¢
Colorado	20.0 ¢	New Mexico	21.0 ¢
Connecticut	50.0 ¢	New York	$1.11
Delaware	24.0 ¢	North Carolina	5.0 ¢
Florida	33.9 ¢	North Dakota	44.0 ¢
Georgia	12.0 ¢	Ohio	24.0 ¢
Hawaii	$1.00	Oklahoma	23.0 ¢
Idaho	28.0 ¢	Oregon	58.0 ¢
Illinois	58.0 ¢	Pennsylvania	31.0 ¢
Indiana	15.5 ¢	Rhode Island	71.0 ¢
Iowa	36.0 ¢	South Carolina	7.0 ¢
Kansas	24.0 ¢	South Dakota	33.0 ¢
Kentucky (2)	3.0 ¢	Tennessee (4)	13.0 ¢
Louisiana	20.0 ¢	Texas	41.0 ¢
Maine	74.0 ¢	Utah (3)	51.5 ¢
Maryland	66.0 ¢	Vermont	44.0 ¢
Massachusetts	76.0 ¢	Virginia	2.5 ¢
Michigan	75.0 ¢	Washington	82.5 ¢
Minnesota	48.0 ¢	West Virginia	17.0 ¢
Mississippi (3)	18.0 ¢	Wisconsin (5)	59.0 ¢
Missouri	17.0 ¢	Wyoming	12.0 ¢

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

(1) An additional $1.25 per 1,000 cigarettes is imposed.
(2) Plus a 0.001¢ enforcement tax on each package of cigarettes.
(3) The tax rate is increased by the same amount of any reduction in the federal excise tax.
(4) An additional 0.05¢ per pack fee is imposed on dealers or distributors.
(5) An additional tax of 0.8¢ per pack of 20 cigarettes is imposed minus the federal cigarette tax.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

TABLE 80
INSURANCE COMPANIES TAX BY STATE

State	Domestic Tax Rate %	Foreign Tax Rate %	State	Domestic Tax Rate %	Foreign Tax Rate %
Alabama (1,2)	1.00-2.30	1.00-4.00	Montana (1)	2.75-4.25	2.75-4.25
Alaska (1)	1.00-6.00	1.00-6.00	Nebraska (1,4)	1.00-1.375	1.00-1.375
Arizona (1,3)	1.00-3.00	1.00-3.00	Nevada	3.50	3.50
Arkansas (1,3)	1.00-2.50	1.00-2.50	New Hampshire (9)	2.00	2.00
California (1)	0.50-2.35	0.50-2.35	New Jersey (1)	1.05-2.10	1.05-2.10
Colorado (2)	1.00	2.00	New Mexico (2)	3.00	3.00
Connecticut	1.75	1.75	New York (1,10)	0.80-1.80	0.80-1.80
Delaware (3)	1.75	1.75	North Carolina (1,4)	0.50-1.90	0.50-1.90
Florida (1,4)	0.75-1.75	0.75-1.75	North Dakota (1)	1.75-2.00	1.75-2.00
Georgia (1,2)	2.25-3.25	2.25-3.25	Ohio (4,9)	2.50	2.50
Hawaii (1)	0.8775-4.265	0.8775-4.265	Oklahoma (4)	2.25	2.25
Idaho (1,2)	1.50-2.75	1.50-2.75	Oregon (4,11)	2.25	2.25
Illinois (4,5)	2.00	2.00	Pennsylvania	2.00	2.00
Indiana (1)	2.00	2.00	Rhode Island	2.00	2.00
Iowa	2.00	2.00	South Carolina (1,3)	0.75-1.35	0.75-1.35
Kansas (4)	2.00	2.00	South Dakota (1)	2.50	2.50
Kentucky (1,6)	2.00-2.75	2.00-2.75	Tennessee (1,2,9)	1.75	1.75
Louisiana (4)	(7)	(7)	Texas (1,2)	1.60-3.50	1.60-3.50
Maine (1)	1.00-2.55	1.00-2.55	Utah	2.26	2.26
Maryland	2.00	2.00	Vermont	2.00	2.00
Massachusetts (3)	2.00	2.00	Virginia (1)	0.75-2.25	0.75-2.25
Michigan	(8)	(8)	Washington	2.00	2.00
Minnesota (4)	1.00-2.00	1.00-2.00	W. Virginia (1,4,9)	2.00-4.00	2.00-4.00
Mississippi (1,4)	3.00	3.00	Wisconsin (1)	2.00-3.50	2.00-2.375
Missouri (1)	2.00	2.00	Wyoming (1)	0.75	0.75

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, 0.5% in Arkansas, 0.25% in Delaware, 1% on fire insurance in South Carolina and 14% of investment income in Massachusetts.
(4) Plus a fire marshal's tax not to exceed 1%, 1.25% in Kansas and Louisiana.
(5) Domestic insurance companies whose principal place of business is in Illinois pay no tax.
(6) Plus a surcharge or $1.50 per $100 of premiums on Kentucky risks other than health & life.
(7) Life & health related premiums of $7,000 or less, $140; over $7,000, $140 plus $225 per $10,000; other premiums of $6,000 or less, $180; over $6,000, $180 plus $300 per $10,000.
(8) Subject to the greater of the single business tax or the retaliatory tax.
(9) With minimum tax of $200 in New Hampshire & West Virginia, $150 in Tennessee and $25 in Ohio.
(10) Depending upon the type and date insurance was issued.
(11) Tax applies to insurers organized after January 1, 1971 if owned or controlled by a foreign insurer or foreign corporation.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

TABLE 81
ALCOHOLIC BEVERAGE TAX BY STATE
(Dollars Per Gallon)
As of July 2000

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 (1,2)	56%	1.70	56%	.53	Montana (1,2)	16%	1.02	1.02	.14
Alaska	5.60	.85	.85	.35	Nebraska	3.00	.75	1.35	.23
Arizona	3.00	.84	.84	.16	Nevada	2.05	.40	.75	.09
Arkansas	2.50	.75	.75	.20	N. Hampshire (1)	.30	.30	.30	.30
California	3.30	.20	.20	.20	New Jersey	4.40	.70	.70	.12
Colorado	2.28	.28	.28	.08	New Mexico	6.05	1.70	1.70	.41
Connecticut	4.50	.60	.60	.20	New York	1.70	.19	.19	.13
Delaware	5.46	.97	.97	.16	N. Carolina (1,2)	28%	.79	.91	.48
Florida	9.53	2.25	3.00	.48	N. Dakota	2.50	.50	.60	.08
Georgia	3.78	1.89	1.89	.32	Ohio (1)	3.38	.30	.98	.18
Hawaii	5.98	1.38	2.12	.93	Oklahoma	5.56	.72	1.40	.40
Idaho (1,2)	15%	.45	.45	.15	Oregon (1)		.65	.65	.08
Illinois	2.00	.23	.60	.07	Pennsylvania (1,2)	18%	18%	18%	.08
Indiana	2.68	.47	.47	.12	Rhode Island	3.75	.60	.75	.10
Iowa (1)	1.75	1.75	1.75	.19	S. Carolina (3)	1.92	.05	.45	.77
Kansas	2.50	.30	.75	.18	S. Dakota		.93	1.45	.27
Kentucky	1.92	.50	.50	.08	Tennessee (4)	4.00	1.10	1.10	.13
Louisiana	2.50	.11	.23	.32	Texas	2.40	.20	.41	.20
Maine (1)	1.25	.60	1.24	.35	Utah (1,2)	13%	13%	13%	.35
Maryland	1.50	.40	.40	.09	Vermont (1,2)	25%	.55	25%	.27
Massachusetts	4.05	.55	.70	.11	Virginia (1,2,5)	20%	1.51	1.51	.26
Michigan (1,2)	9.9%	.51	.76	.20	Washington (1,6)		.77	1.66	.30
Minnesota	5.03	.30	.95	.15	W. Virginia (1,2,7)	5%	5%	5%	.18
Mississippi (1)	2.50	.35	1.00	.43	Wisconsin (8)	3.25	.25	.45	.06
Missouri	2.00	.30	.30	.06	Wyoming (1)	.95	.28	.28	.02

(1) Monopoly state, receives most or all of revenue through markup. Tax rates shown are in addition to an
(2) Of the retail price.
(3) Additional surtaxes of 9% on alcoholic beverages and 18¢ for wine are applied.
(4) Tennessee levies a 17% surcharge on the wholesale price of malt beverages.
(5) Additional tax of 4% of retail imposed on all wine.
(6) An additional tax is imposed on sales of wine and beer at 7% of the basic rates.
(7) A 5% tax is imposed on sales of liquor outside municipalities.
(8) An administration fee of 3¢ per gallon is imposed on intoxicating liquors.

Source: Commerce Clearing House, Inc., State Tax Guide, Second Edition

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 year fiscal period.

TABLE 82
GENERAL FUND REVENUES

TAXES ($K)	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Personal Income	$2.879.379	$3.110.868	$3.596.225	$3.820.837	$4.238.228
Sales and Use	2.460.133	2.611.384	2.772.109	2.932.191	3.096.780
Corporation	748.064	677.883	663.672	619.539	587.756
Hospital Gross Earnings	213.961	173.738	140.930	128.079	69.180
Public Service Corporation	191.967	179.365	170.417	167.705	166.263
Inheritance & Estate	247.426	227.984	279.236	237.573	228.072
Insurance Companies	167.912	193.072	192.756	196.195	201.225
Cigarettes	126.384	126.576	127.174	123.345	122.045
Real Estate Conveyance	65.109	75.082	93.596	106.813	114.565
Oil Companies	69.177	80.362	61.858	22.170	54.285
Alcoholic Beverages	40.400	39.671	39.772	40.281	40.965
Admissions. Dues. Cabaret	23.334	25.887	24.955	26.942	26.716
Miscellaneous	27.629	28.580	28.044	40.635	40.227
Total - Taxes	7.260.875	7.550.452	8.190.744	8.462.305	8.986.307
Less Refunds of Taxes	(410.500)	(490.548)	(580.830)	(645.000)	(713.359)
Less Transfers to ERF	(92.190)	-	-	-	-
Total - Taxes Less Refunds	6.758.185	7.059.904	7.609.914	7.817.305	8.272.948
OTHER REVENUE					
Transfer-Special Revenue	270.361	258.682	267.324	280.529	259.785
Indian Gaming Payments	148.703	203.601	257.576	288.531	318.986
Licenses. Permits & Fees	112.037	124.833	123.156	122.062	127.544
Sales of Commodities &	39.229	39.053	29.491	30.110	32.941
Rents. Fines & Escheats	33.829	33.130	37.097	55.763	45.659
Investment Income	24.716	39.623	54.716	60.856	53.371
Miscellaneous	122.716	112.736	118.373	112.962	125.498
Total - Other Revenue	751.592	811.658	887.733	950.813	963.784
OTHER SOURCES					
Federal Grants	1.684.030	1.795.515	1.824.594	1.938.271	2.078.914
Transfer from Special Funds	2.329	-	-	-	78.000
Transfer to Other Funds	(85.000)	(85.000)	(180.000)	(90.000)	(180.000)
Total - Other Sources	1.601.359	1.710.515	1.644.594	1.848.271	1.976.914
GRAND TOTAL	$9.111.136	$9.582.077	$10.142.241	$10.616.38	$11.213.64

TAXES	% of Total	% of Total	% of Total	% of	% of
Personal Income	31.60%	32.47%	35.46%	35.99%	37.80%
Sales and Use	27.00	27.25	27.33	27.62	27.62
Corporation	8.21	7.08	6.54	5.84	5.24
Hospital Gross Earnings	2.35	1.81	1.39	1.21	0.62
Public Service Corporation	2.11	1.87	1.68	1.58	1.48
Inheritance & Estate	2.72	2.39	2.75	2.24	2.03
Insurance Companies	1.84	2.01	1.90	1.85	1.79
Cigarettes	1.39	1.32	1.25	1.16	1.09
Real Estate Conveyance	0.71	0.78	0.92	1.01	1.02
Oil Companies	0.76	0.84	0.61	0.21	0.48
Alcoholic Beverages	0.44	0.41	0.39	0.38	0.37
Admissions. Dues. Cabaret	0.26	0.27	0.25	0.25	0.24
Miscellaneous	0.30	0.30	0.28	0.37	0.36
Total - Taxes	79.69	78.80	80.75	79.71	80.14
Less Refunds of Taxes	(4.51)	(5.12)	(5.73)	(6.08)	(6.36)
Less Transfers to ERF	(1.01)	-	-	-	-
Total – Taxes Less Refunds	74.17	73.68	75.02	73.63	73.78
OTHER REVENUE					
Transfer-Special Revenue	2.97	2.70	2.64	2.64	2.32
Indian Gaming Payments	1.63	2.12	2.54	2.72	2.84
Licenses. Permits & Fees	1.23	1.30	1.21	1.16	1.14
Sales of Commodities &	0.43	0.41	0.29	0.28	0.29
Rents. Fines & Escheats	0.37	0.35	0.37	0.53	0.41
Investment Income	0.27	0.41	0.54	0.57	0.47
Miscellaneous	1.35	1.18	1.17	1.06	1.12
Total - Other Revenue	8.25	8.47	8.76	8.96	8.59
OTHER SOURCES					
Federal Grants	18.48	18.74	17.99	18.26	18.54
Transfer from Special Funds	0.03	-	-	-	0.70
Transfer to Other Funds	(0.93)	(0.89)	(1.77)	(0.85)	(1.61)
Total - Other Sources	17.58	17.85	16.22	17.41	17.63
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

TABLE 83
SPECIAL TRANSPORTATION FUND REVENUES

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
TAXES ($K)					
Motor Fuels	$504.745	$550.569	$530.667	$499.911	$506.426
Oil Companies	-	-	-	20.000	36.000
DMV Sales	-	-	-	-	10.000
Less Refunds of Taxes	(6.375)	(5.977)	(6.752)	(5.177)	(5.398)
Total - Taxes Less Refunds	498.370	544.592	523.915	514.734	547.028
OTHER REVENUE					
Motor Vehicle Receipts	172.827	175.944	185.964	187.041	190.324
Licenses. Permits & Fees	86.469	88.306	107.689	112.946	112.618
Interest Income	40.733	42.005	35.430	38.494	37.728
Federal Transit Administration	4.045	3.564	3.115	3.069	2.974
Transfer from Other Funds	-	-	3.015	-	16.770
Transfer to Other Funds	(250)	(250)	(250)	(500)	(2.000)
Total – Other Revenue	303.824	309.569	334.963	341.050	358.414
GRAND TOTAL	$802.194	$854.161	$858.878	$855.784	$905.442
	% of Total	**% of Total**	**% of Total**	**% of Total**	**% of**
TAXES					
Motor Fuels	62.92%	64.46%	61.79%	58.42%	55.94%
Oil Companies	-	-	-	2.34%	3.98%
DMV Sales	-	-	-	-	1.10%
Less Refunds of Taxes	(0.79)	(0.70)	(0.79)	(0.61)	(0.60)
Total – Taxes Less Refunds	62.13	63.76	61.00	60.15	60.42
OTHER REVENUE					
Motor Vehicle Receipts	21.54	20.60	21.65	21.86	21.02
Licenses. Permits & Fees	10.78	10.34	12.54	13.20	12.44
Interest Income	5.08	4.92	4.13	4.49	4.16
Federal Transit Administration	0.50	0.41	0.36	0.36	0.33
Transfer from Other Funds	-	-	0.35	-	1.85
Transfer to Other Funds	(0.03)	(0.03)	(0.03)	(0.06)	(0.22)
Total - Other Revenue	37.87	36.24	39.00	39.85	39.58
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

ECONOMIC ASSUMPTIONS OF THE GOVERNOR'S BUDGET

The Foreign Sector

As the economy continues to globalize, the U.S. economy is impacted by the rest of the world through increased trade, financial flows, technology diffusion, information networking, and cross-cultural exchanges. During the past two decades, the U.S. economy has been increasingly integrated into the world economic system. Total U.S. trade from imports and exports, as measured in 1996 dollars, has increased from $1,205.8 billion in 1990 to $2,389.0 billion in 1999, an increase of 98% versus only a 33% increase for real Gross Domestic Product (GDP). This shows that the interaction between the U.S. economy and the world economic system has been three times faster than the growth in domestic economic activities. As globalization continues to proceed rapidly, when forecasting the U.S. economy, the interaction with international economic policies, monetary and fiscal policies, financial markets, and currency movements must be taken into consideration.

The series of world financial crises, which started in Asia in mid-1997, then rolled into Russia and Brazil in 1998, were only a short-lived financial blip that exerted modest negative pressure on global economic activity. The U.S. economy continued into its tenth-year of expansion in 2000, albeit at a slower pace in the second half of the year. While expectations are for further deceleration over the next few years, the consensus forecast is for U.S. economic growth to remain higher than the long-term real growth rate of 2.5%. World trade will continue to expand as the global economy continues to grow, although at a lower rate due to the slowdown in the world economy. The overall Asian economy will grow faster than other areas after emerging from its financial difficulties and gaining fundamental strength. Japan is coming out a 10-year recession and is expected to edge ahead despite a weak consumer sector. The European Union's resurgence is underway, and along with modestly lower oil prices and a stronger Euro currency, it should stimulate demand and imports. The International Monetary Fund (IMF) expects the EU to grow 3.5% and 3.4% in 2000 and 2001, respectively, after expanding only 2.7% and 2.4% for the previous two years. Major economies such as Canada, the United Kingdom, Germany, France, and Italy are expected to grow more slowly in 2002.

Integration between the U.S. and the world economy has been facilitated by the United States' increased participation in the global capital market. Bilateral increases of both direct and indirect investments have become vital for U.S. as well as world economic expansion. A coordinated fiscal and monetary policy between the U.S. and other major industrial countries has been undertaken in an effort to sustain economic growth with low inflation for the world economy as a whole. The coalition has attempted to realign exchange rates and strengthen fiscal conditions, stabilize the international monetary system and facilitate the expansion and balanced growth of international trade. The coalition also promotes international economic growth through world organizations such as the IMF, the World Bank, the Organization for Economic Cooperation and Development (OECD), and the Asia Pacific Economic Cooperation (APEC). These organizations have increasingly helped member countries in strengthening their financial foothold and enhancing economic growth, thereby further facilitating U.S. foreign trade. Our country's continued commitment to a cooperative and coordinated international effort should contribute to a favorable world economic climate.

As trade competition has intensified worldwide, the U.S. industrial sector has been affected as many industries lost shares of domestic and global markets. U.S. firms that were accustomed to controlling the domestic market for basic manufactured goods were not competitive enough to repel the aggressive foreign firms determined to claim a share of the U.S. market. Over the past decade, however, U.S. exports have gradually improved with the dedication of firms to quality improvement, a better control over costs, higher productivity through greater efficiencies and incorporation of advanced technologies, as well as concerted efforts to expand international markets. In spite of the vigorous promotional efforts and aggressive pricing strategies employed by our competitors, the Nation's exports continue to increase while employment in the manufacturing sector has only been moderately impacted. The consensus of international economists is that increased trade with developing countries has not contributed significantly to the declining share of manufacturing employment in advanced economies. Specifically, Connecticut's lost manufacturing employment is primarily due to the net outflow to other states, not the developing countries. The strong U.S. dollar against the currencies of our major trading partners in 1998, 1999, and 2000 has exerted some short-term hardship for the U.S., and to a lesser extent Connecticut manufacturers.

Prospects for U.S. exports are bright. With the birth of the European Union (EU), along with an improvement in trade conditions with members of the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), continued trade liberalization in the Asian and Latin American areas, and a gradual improvement in the economic environment in Eastern Europe, additional opportunities should be created for U.S. trade. The European Union has roughly the equivalent economic size in aggregate real gross product and population as that of the U.S. This should benefit the United States as one currency and more concerted monetary and fiscal policies in Europe should result in regulatory and economic reforms that create a more open, efficient, and uniform market. As America's trade imbalance in the current account continues to rise, the U.S. dollar is expected to depreciate, fostering an increase in exports.

As stated in Section 3, the Sector Analysis, the U.S. balance of trade is significantly affected by the world economy, improving during recessionary years when exports grew faster than imports and deteriorating during recovery and expansionary periods when exports fell behind the growth in imports. The following Table lists actual real growth in GDP/GNP for the past decade, as well as the estimated and projected growths for the G-7 countries (United States, Canada, the European Big Four, and Japan), Mexico, the Pacific Basin, and the overall world economy. The overall world economy, after slowing to 2.2% in 1998, rebounded to 3.0% in 1999 and reached its banner year with a 4.4% growth in 2000. It is anticipated to grow slightly slower in 2001 at 3.8% and 2002 at 3.6%; however, the pace of expansion is considered stellar by historical standards.

Connecticut's exports also hinge upon our trade partners' economic conditions. The weighted economic growth can be used as a reference to measure worldwide economic conditions and to predict Connecticut's export potential. Connecticut's export weighted growth rates as shown on the following table are constructed by weighing Connecticut's share of exports to our trade partner countries. For 2000, strong economic growth of our major trade partners sent the weighted growth to 4.4%, the best in the past decade. Moreover, the trade outlook for the overall world economy also bodes well as it is anticipated to grow 3.7% in 2001 and 3.5% in 2002. Collectively, the G-7 nations, Mexico and the countries in the Pacific Basin area account for approximately 75% of Connecticut's total exports.

TABLE 84
ECONOMIC GROWTH OF MAJOR TRADING PARTNERS
(GNP/GDP Growth)

Calendar Year		U.S.	Canada	Japan	Germany (a)	U.K.	France	Italy	Mexico	Pacific Basin(b)	World (c)	CT Export Weighted Growth(d
1991		(1.0)	(1.8)	4.0	13.4	(2.0)	0.8	1.1	4.2	7.4	2.9	2.5
1992		2.7	0.8	1.1	1.8	(0.5)	1.2	0.6	3.6	5.9	1.9	1.9
1993		2.3	2.2	0.3	(1.2)	2.1	(1.3)	(1.2)	2.0	6.5	1.9	2.0
1994		3.5	4.1	0.7	2.8	4.3	2.8	2.2	4.5	7.7	3.1	3.8
1995		2.3	2.6	1.4	1.3	2.8	2.1	2.9	(6.2)	7.7	3.0	2.9
1996		3.6	1.5	5.2	0.8	2.6	1.1	1.1	5.2	6.6	3.6	3.3
1997		4.4	4.4	1.6	1.4	3.5	1.9	1.8	6.8	4.9	3.5	3.7
1998		4.4	3.3	(2.5)	2.1	2.6	3.2	1.5	4.9	(5.0)	2.2	1.4
1999		4.2	4.5	0.3	1.6	2.2	2.9	1.4	3.7	5.9	3.0	3.4
2000	(E)	5.3	4.7	2.1	3.0	2.9	3.6	2.8	6.5	6.9	4.4	4.4
2001	(P)	3.6	3.2	3.1	3.3	2.6	3.2	2.8	4.4	5.7	3.8	3.7
2002	(P)	3.4	3.0	3.1	2.6	2.6	2.6	2.4	4.9	6.0	3.6	3.5
% of CT's Exports												
1997			23.8	7.2	6.0	8.4	5.1	1.5	4.7	15.7		
1998			23.4	6.0	6.1	5.8	11.6	1.2	4.1	13.4		
1999			24.1	6.9	5.5	5.9	12.8	1.9	4.7	12.8		
2000*			23.3	6.3	6.5	5.8	13.0	2.1	5.5	13.3		

* For first three quarters of 2000

(a) The data reflects a united Germany.
(b) Includes China, Hong Kong, Indonesia, Malaysia, Thailand, Philippines, South Korea, Taiwan, and Singapore.
(c) World growth rate weighted by the size of economies and measured in Purchasing Power Parity terms.
(d) Economic growth rate weighted by Connecticut's share of exports to trade partners.
(E) Estimated
(P) Projected

Source: The WEFA Group, "U.S. Economic Outlook 2000-2006", November 2000
U.S. Department of Commerce, and University of Massachusetts (MISER)

Despite the positive outlook for trade, a short-term pause may occur as the economy confronts uncertainties. On the domestic front, the tight monetary policy that increased the federal fund rate six times starting in June of 1999 has lowered the growth path of the economy and exports for certain industries. The increase in oil prices that began in 1999 and continued into late 2000, coupled with a drastic increase in natural gas prices, only increased operational costs and created more difficulties for exports. Nonetheless, as more firms from other countries enter into computers, Internet-related products and services, and other high-tech businesses in the world arena, the increase in capital investment should stimulate other supporting industries, augment productivity, expand export opportunities, and foster international competition.

On the international front, economic and financial imbalances among the U.S., the European Union, and Japan may pose a continued risk to the global expansion. These imbalances such as the uneven pattern of GDP growth between the U.S. and Japan, the misalignment of currency exchange rates between the U.S. dollar and the Euro, the divergence of external current accounts between the U.S. and Japan may deter expected trade growth. Unstable oil prices are also a damaging factor. Oil is the largest internationally traded commodity. The world crude oil market will continue to influence the U.S. economy, despite the fact that oil plays a less significant role in the economy than it did decades ago. The increasing use of substitutes and alternatives as well as the improvement in efficiency have reduced its importance in the economy. However, as U.S. domestic production wanes, just-in-time inventory strategy continues to broaden, and consumption relies more heavily on imports, the stability of world oil prices will remain vital to the U.S. economy. Crude oil prices, after plummeting to the low teens in late 1998, reached the high-twenty dollar level in early 2000 and further spiked to $37 per barrel in mid and late 2000. With refiners' acquisition cost averaging $28.70 per barrel in 2000, oil prices were significantly higher when compared to $17.40 in 1999. Producers' cost in the U.S. had increased $37 billion, creating inflationary pressure and eroding consumers' purchasing power. Barring any supply shocks, a slower U.S. and worldwide economy accompanied by the continued buildup of inventory may limit demand. However, as the market is in a delicately balanced position, a host of factors could send oil prices moving in either direction. These factors include changes in the production capacity and policies of OPEC, a surge in non-OPEC output, political and economic uncertainties in certain geographic regions of the world or severe weather.

The U.S. Economy (History)

The original forecast for fiscal 1999-2000 anticipated a slowdown in economic activity: a much lower real growth rate of 2.0% with a slight decrease in the unemployment rate accompanied by a moderate increase in new car sales and housing starts, and a large decline in the rate of inflation. However, the actual economy continued to grow at a healthy pace with real Gross Domestic Product growing twice as fast as the long-term economic growth rate of 2.5%. While new car sales and housing starts outperformed expectations, the CPI index was well above expectations and unemployment rate far below expectations. For fiscal 2000, as the economy continued to expand, the unemployment rate registered record lows while the economy surpassed its previous record for the longest economic expansion. More rapid growth in real GDP was attributable to stronger growth in both consumer and investment spending. With continued growth in employment accompanied by the all-time record highs registered in the stock market during the spring of 2000, real consumption spending in 2000 rose 5.3%. Spending on consumer durable goods was especially strong, growing at 10.1% after increases of 12.4% in 1999 and 10.6% in 1998. Real fixed investment grew 9.8% after increases of 9.2% in 1999 and 11.8% in 1998, with producers' equipment and software investment soaring 14.5% after increases 14.1% in 1999 and 15.0% in 1998. Residential investment declined 0.23% after increases 6.4% in 1999 and 8.3% in 1998.

The following Table compares the original forecast figures to actuals for fiscal years 1991-92 to 1999-2000 and the current estimates for fiscal year 2000-01. Beginning in 1996-97, the forecast for new car sales also includes minivans and light trucks. As the demand for minivans and light trucks has increased and now comprises a significant portion of total vehicle sales, this new indicator better reflects actual vehicle sales in the automobile industry.

TABLE 85
HISTORICAL COMPARISON OF U.S. ECONOMIC INDICATORS

Fiscal		GNP/ GDP	Real GNP/ GDP	GNP/ GDP Deflator	Housing Starts	Unempl. Rate	New* Car Sales	CPI
1991-92	12/90 Forecast	5.3%	2.3%	3.0%	1.24M	6.4%	9.4M	4.5%
	Actual	4.3%	1.3%	2.9%	1.13M	7.2%	8.2M	3.2%
	Difference	(1.0%)	(1.0%)	(0.1%)	(0.11)M	0.8%	(1.2)M	(1.3%)
1992-93	12/91 Forecast	4.4%	1.9%	2.5%	1.28M	6.5%	10.3M	3.9%
	Actual	5.6%	3.2%	2.3%	1.21M	7.3%	8.3M	3.1%
	Difference	1.2%	1.3%	(0.2%)	(0.07)M	0.8%	(2.0)M	(0.8%)
1993-94	12/92 Forecast	6.3%	3.4%	2.8%	1.44M	6.6%	9.9M	3.4%
	Actual	5.5%	3.2%	2.2%	1.40M	6.6%	8.8M	2.6%
	Difference	(0.8%)	(0.2%)	(0.6%)	(0.04)M	0.0%	(1.1)M	(0.8%)
1994-95	12/93 Forecast	5.9%	3.0%	2.8%	1.48M	6.3%	10.1M	2.8%
	Actual	5.8%	3.6%	2.2%	1.38M	5.7%	8.8M	2.9%
	Difference	(0.1%)	0.6%	(0.6%)	(0.10)M	(0.6%)	(1.3)M	0.1%
1995-96	12/94 Forecast	5.4%	2.6%	2.8%	1.32M	5.8%	9.7M	3.0%
	Actual	4.9%	2.8%	2.0%	1.45M	5.6%	8.7M	2.7%
	Difference	(0.5%)	0.2%	(0.8%)	0.13M	(0.2%)	(1.0)M	(0.3%)
1996-97	12/95 Forecast	4.6%	2.3%	2.2%	1.41M	5.9%	14.9M	2.5%
	Actual	6.2%	4.1%	2.0%	1.46M	5.2%	14.9M	2.8%
	Difference	1.6%	1.8%	(0.2%)	0.05M	(0.7%)	0.0M	0.3%
1997-98	12/96 Forecast	4.6%	2.1%	2.5%	1.42M	5.6%	14.8M	2.6%
	Actual	6.1%	4.5%	1.6%	1.53M	4.6%	15.3M	1.8%
	Difference	1.5%	2.4%	(0.9%)	0.11M	(1.0%)	0.5M	(0.8%)
1998-99	12/97 Forecast	4.6%	2.1%	2.4%	1.42M	4.7%	14.3M	2.6%
	Actual	5.5%	4.0%	1.4%	1.68M	4.4%	15.9M	1.7%
	Difference	0.9%	1.9%	(1.0%)	0.14M	(0.3%)	1.6M	(0.9%)
1999-	12/98 Forecast	3.9%	2.0%	1.9%	1.44M	4.6%	14.9M	2.0%
	Actual	6.9%	5.2%	1.7%	1.67M	4.1%	17.4M	2.9%
	Difference	3.0%	3.2%	(0.2%)	0.23M	(0.4%)	2.5M	0.9%
2000-	12/99 Forecast	4.2%	2.5%	1.7%	1.41M	4.5%	15.3M	2.5%
	12/00 Estimate	6.4%	4.0%	2.3%	1.48M	4.2%	16.5M	3.2%
	Difference	2.2%	1.5%	0.6%	0.07M	(0.3%)	1.2M	0.7%

* New Car Sales in Fiscal Years 1996-97 through 1999-2001 represent U.S. vehicle sales for automobiles and light vehicles (trucks).

M denotes Millions of Units.

The U.S. Economy (Forecast)

The current U.S. expansion entered its 118th month in January of 2001, surpassing the previous record for the longest expansion of 106 months registered between February 1961 and December 1969. Since no recession is forecasted for 2001, according to a consensus of economists as reported in the December 2000 issue of *Blue Chip Economic Indicators*, the existing expansion is unprecedented. Real output in fiscal 2001, however, is anticipated to grow 4.0%, lower than fiscal 2000's 5.2%, but still higher than the long-term potential of 2.5%. The slower growth in output is primarily due to a more stringent monetary policy that was in effect between mid-1999 and January of 2001. The lingering effects of this tight monetary policy will continue to dampen consumer spending and discourage investment, resulting in a slower growth in real gross domestic product.

Despite a slowdown in economic growth, the labor market is expected to be tight with the unemployment rate remaining under the “full employment” level. Inflation for consumer goods and services in fiscal year 2001 is anticipated to edge up to 3.2%, increasing from 2.9% in FY 2000, 1.7% in FY 1999, and 1.8% in FY 1998. Thanks to technological advancements, aided by innovations in computer and information technology, efficiency and productivity have risen profoundly. The "New Economy" has elevated real GDP growth to a rate of 4% or higher with only modest inflation over the past few years. However, several factors have developed which are placing upward pressure on inflation. These include a sharp increase in energy prices, the tightening labor market, higher labor compensation costs especially in the medical area, and a possible slowdown in imports due to the potential decline in the U.S. dollar, making such imported goods more expensive.

A continued growth in jobs and incomes coupled with rising stock prices contributed to the strong consumer spending in recent years. However, as job and output growth have slowed and stock prices have fallen drastically, consumers will likely become more cautious, cooling spending. Purchases of housing and new vehicles, the items most sensitive to interest rates, are anticipated to weaken only slightly as interest rates will move lower, which should help prevent a large decline in these big ticket items. Mortgage rates on 30-year instruments, after the 50 basis points cut in early January, fell below 7% in mid-January of 2001, down from 8.25% in early 2000 and almost reaching the 6.90% achieved in early 1999. Business confidence also bodes ill. Softening sales of cars and light trucks as well as computers accompanied by financial problems in the telecommunications sector could pare production over the forecasted period. The forecast for the most widely used economic indicators for the U.S. economy is shown below. Growth in real GDP is based on 1996 chained dollars to measure real output growth. The Consumer Price Index (CPI) is also based on a traditional fixed weight method with 1982-84 =100. New car sales include traditional passenger cars as well as minivans and light trucks.

12/00 Forecast	Fiscal Year 2001-02	Fiscal Year 2002-03
Gross Domestic Product	5.0%	5.3%
Real Gross Domestic Product	3.2%	3.6%
G.D.P. Deflator	1.7%	1.6%
Consumer Price Index	2.4%	2.7%
Unemployment Rate	4.6%	4.6%
Housing Starts	1.44 Million	1.43 Million
New Vehicle Sales	16.02 Million	16.04 Million

Forecast Caveats

The projection of slower output growth with moderate inflationary pressures assumes that the tight monetary policy and the deflated equity markets will continue to cool consumer spending and the economy. However, a resurgent stock market or a rapid increase in inflation may delay the Fed's adopting a more accommodating monetary policy, which could detrimentally impact consumer spending. Consumer spending accounts for approximately two thirds of Gross Domestic Product and tends to dictate the path of economic activity. Consumer spending has been fueled by an increase in personal income driven in large part by a healthy economy and the marked appreciation in equities. Growth in spending has been outpacing the growth in income, resulting in a decline in the savings rate and an increase in consumer debt levels. Personal savings as a percentage of disposable personal income sank to a negative 0.2% in the third quarter of 2000, trending down from a positive 2.2% in 1999, 3.7% in 1998, 5.6% in 1995, and 8.7% in 1992.

The stock market plays a critical role in the stability of the economy. Although a sharp decline in the stock market occurred in the fourth quarter of 2000, it is assumed the correction will not drastically dampen consumption and further damage the financial markets and cause a credit crunch.

Slight improvement in the trade deficit is expected. However, large increases in the trade deficit could lead to unfavorable exchange and interest rates, and create a negative ripple effect on the economy. The sizable increases over the past few years in the trade deficit nonetheless may trigger a devaluation of the U.S. dollar and, other things being equal, make America's exports more competitive. The annual trade deficit from goods and services is projected to deteriorate from $254 billion in 1999 to $367 billion in 2000, and then slightly improve in the following years. The 2000 deficit accounts for nearly 4% of GDP.

On the foreign front, energy prices are expected to move moderately lower, brought about by a decrease in world oil demand and an increase in supply by non-OPEC countries. The overall international economy should continue to grow, but at a slower pace. If economic expansion for the United States' major trading partners is limited, overall growth may be lower than anticipated. As the European Union (EU) is composed of 12 nations with different economic and financial conditions, it is possible that its one-size-fits-all fiscal and monetary policy might negatively impact some members. Initially, a lack of coordinated policy could have economic ramifications for some members that may result in a slowdown that could eventually spread to all union members. Japan's economic recovery may not be sustainable if its private consumption or public investment spending does not boost domestic demand or its softening currency does not encourage exports. As U.S. demand continues to weaken, the economies of Canada and Mexico, our two major trade partners, may slow markedly and in turn curtail the demand for U.S. exports. Also, possible heightened international tensions, military conflicts, regional political or economic disorder, an unexpected calamity, severe weather, or a worldwide energy supply disruption, etc. may deviate the U.S. from its anticipated growth path.

The Connecticut Economy (History)

A comparison of the original forecasts for Connecticut's personal income, nonagricultural employment and unemployment with actual figures for fiscal 1991-92 through 1999-00 and the current forecast for fiscal 2000-01 are presented in the following Table.

TABLE 86
HISTORICAL COMPARISON OF CONNECTICUT ECONOMIC INDICATORS

Fiscal Year		Personal Income	Nonagricultural Employment	Unemployment Rate
1991-92	12/90 Forecast	$86.5 Billion		6.2%
	Actual	$90.5 Billion	1,534.9 Thousand	7.5%
	Difference	$4.0 Billion		1.3%
1992-93	12/91 Forecast	$90.3 Billion		6.7%
	Actual	$95.2 Billion	1,527.7 Thousand	6.9%
	Difference	$4.9 Billion		0.2%
1993-94	12/92 Forecast	$93.9 Billion		6.7%
	Actual	$98.5 Billion	1,533.1 Thousand	5.9%
	Difference	$4.6 Billion		(0.8%)
1994-95	12/93 Forecast	$102.5 Billion		5.6%
	Actual	$102.3 Billion	1,556.6 Thousand	5.4%
	Difference	($0.2) Billion		(0.2%)
1995-96	12/94 Forecast	$103.1 Billion		5.2%
	Actual	$106.7 Billion	1,568.6 Thousand	5.7%
	Difference	$3.6 Billion		0.5%
1996-97	12/95 Forecast	$106.6 Billion		5.4%
	Actual	$112.8 Billion	1,599.4 Thousand	5.6%
	Difference	$3.8 Billion		0.2%
1997-98	12/96 Forecast	$116.6 Billion		5.2%
	Actual	$119.3 Billion	1,627.9 Thousand	4.1%
	Difference	$2.7 Billion		(1.1%)
1998-99	12/97 Forecast	$127.0 Billion	1,652.4 Thousand	4.5%
	Actual	$125.7 Billion	1,657.8 Thousand	3.3%
	Difference	($1.3) Billion	5.4 Thousand	(1.2%)
1999-00	12/98 Forecast	$130.1 Billion	1,664.5 Thousand	4.1%
	Actual	$132.6 Billion	1,684.0 Thousand	2.7%
	Difference	$2.5 Billion	19.5 Thousand	(1.4%)
2000-01	12/99 Forecast	$140.0 Billion	1,695.0 Thousand	3.3%
	Latest Forecast	$139.6 Billion	1,703.9 Thousand	2.3%
	Difference	($0.4) Billion	8.9 Thousand	(1.0%)

The state economic expansion held steady with employment, output, income, and business and consumer confidence rising during fiscal 2000. Economists say that the restructuring of the economy over the last half-decade has enabled the state to build a strong economic foundation. For that reason, the state's short-term economic outlook is promising, even with signs of a slowing national economy, as key indicators still show generally healthy business conditions. During the year, the state not only regained all of the nonagricultural jobs that were lost during the last recession but added 12,600 new jobs. On an average annual basis, employment expanded by roughly 22,300 jobs during the last seven years. The state's sources of strength: financial services, high-tech, biotechnology, telecommunications, and gaming are out performing the remaining structural source of restraint: manufacturing. In 2000, the biggest gains in employment growth came in business services, construction and in government, which includes the tribal casinos. The sectors rose 5.2%, 4.1% and 3.3%, respectively, adding virtually all of the total nonfarm increase for fiscal 2000. The structural impediments that the state once contended with are no longer the drag on overall growth they were half-a-decade ago. Manufacturing employment, as anticipated, declined during fiscal 2000. However, the state's steady income growth fueled consumer spending, which in turn created a positive ripple effect on the expansion and the startup of small businesses. These businesses hired workers, easing the transition associated with layoffs. With greater diversification of employment among industry sectors, the state has aligned itself for stable economic growth.

Another positive sign for the state, after declining for most of the last decade, was year-over-year growth in the state's labor force. Since the pace of job creation is limited by available workers, an increase provides a pool of workers for employers to choose from to fill skilled-specific shortages, thereby helping to ease some of the constraints to job growth. Furthermore, the growth in residential employment grew by more than 1%, the number of unemployed residents shrank from roughly 55,700 to an all-time low of about 44,600, pushing the state's unemployment rate to a record low of 2.3%. Moreover, seasonally adjusted average weekly initial jobless claims declined, while both the Connecticut manufacturing output index and the productivity index posted gains, boosting average hourly and weekly earnings. Personal income and wages, after adjusting for the effects of inflation, increased by 3.8% and 4.5%, respectively. In addition, the state continues to make gains in per capita income, surpassing the national average by 38%. As strong job growth has lifted incomes and consumer confidence, the state's housing market maintained its momentum with housing starts surpassing 10,000-units for the third consecutive year. The remarkable employment environment, higher incomes and low mortgage rates by historical standards all contributed to the healthy state housing market. Finally, total state tax receipts climbed by 5.8%, with a sizable increase of 10.9% in income tax receipts, 5.6% in sales and use taxes, and 7.3% in real estate conveyance taxes. These figures reflect sturdy increases in personal income, healthy retail sales and an active housing market. This coupled with overall expenditure restraints were the key reasons for the state's ninth consecutive budget surplus.

The Connecticut Economy (Forecast)

During the next biennium, barring a significant cyclical downturn in the economy, expect the Connecticut economy to continue its expansion, but at a more moderate pace compared to the economic indicators of last year. This will be primarily a function of the extremely tight labor market and minimal population growth, as well as higher consumer prices and a more subdued stock market. In the near term, Connecticut's employment is forecasted to grow by 1.1% annually, somewhat below the robust pace of the preceding five years. With population growth estimated to

be modest, the demand for skilled workers will have to be met by cross-state commuting and a rise in the labor force participation rate. The lack of skilled workers represents one of the biggest challenges the state faces entering the new decade. If the situation persists, this could impact economic growth in the long term. Nonetheless, nonmanufacturing employment is projected to grow by 1.8%, outperforming the national rate of 1.4%, whereas manufacturing employment is expected to continue its downward trend, declining annually by roughly 3%. Furthermore, it is anticipated that Connecticut personal income growth will match U.S. income growth over the biennium. After adjusting for inflation, personal income is forecasted to grow 2.6% on average; this should enhance the state's rank in per capita personal income. The forecast for the most widely used economic indicators for the Connecticut economy is shown below.

12/00 Forecast	Fiscal Year 2001-02	Fiscal Year 2002-03
Personal Income	$ 146.9 Billion	$ 154.4 Billion
Nonagricultural Employment	1,722.3 Thousand	1,740.4 Thousand
Unemployment Rate	2.5%	2.5%

Growth prospects for the Connecticut economy should be concentrated in five clusters: tourism, telecommunications, financial services, high technologies and services. These sectors represent both the state's traditional strengths and key emerging industries. High-tech laden business firms such as small to medium-size computer software, networking and support firms are benefiting from mergers and acquisitions, along with the introduction of new technologies. Promoting the development of growth in these industries produces overall pluses for the state's economy given the strong relationship between high-tech and employment and income growth. Biotech opportunities are also starting to prosper due to the state's mix of academic, research and development, and venture capital firms. The industry is gaining a foothold and chances are good that it can become a driving force behind job and income gains in the near future. One of Connecticut's advantages in nurturing biotech growth is the presence of several major pharmaceutical companies, including Bayer, Bristol-Meyers Squibb, and Pfizer. Pfizer is in the process of expanding its central research facility in Groton and is undertaking the development of a new campus setting across the Thames River in New London. These events alone are projected to have a secondary impact of creating scores of new jobs in the region.

The success of the Foxwoods Resort and Casino and the Mohegan Sun Casino have, on a pooled basis, added 19,100 jobs to the state's economy since 1992. This industry coupled with a growing service sector, primarily in business and all other services, accounted for more than half of the state's 26,200 nonagricultural jobs added in fiscal 2000 and should continue to thrive. Those two service subdivisions include businesses in computer programming, data processing, personnel services, advertising and the numerous entities classified under miscellaneous other services. Meanwhile, the construction market, based on employment trends and housing starts, shows no sign of unraveling. The home resale market will continue to be decent in the near term, as mortgage rates creep lower. The combination of attractive rates (historically speaking) and solid gains in wages and salaries should continue to aid housing affordability.

The state will continue to experience underlying stability in the nonmanufacturing sector, most notably in services, finance and construction. The Six Pillars of Hartford's Redevelopment Plan should provide further impetus for employment growth over the long term. Plans for the region call for

ground breaking to begin this summer, starting with the relocation of CTG Resources Inc., followed by the demolition of buildings on the future site of Adriaen's Landing. Plans include a convention center, hotel, and housing as part of a cultural epicenter aimed at the revitalization of Hartford. In addition, the planned redevelopment of the former G. Fox site to accommodate the relocation of the Capitol Community Technical College is well underway. The plan also includes redeveloping the civic center, utilizing its central locale in the heart of downtown. Securing private funding is the only remaining hurdle as public funding has already been set aside. Finally, the site work for the Rentschler Field football stadium in East Hartford began in the Autumn of 2000 and structural work is scheduled to begin in late Spring of 2001 and be complete in August 2003. Together these projects represent the most significant effort to remake the City of Hartford since the development of Constitution Plaza.

While poised for continued growth, several factors will serve to restrain the state's economy from expanding. Many Connecticut employers have reported that they have been unable to hire as many workers as they would like because skilled workers are in short supply and competition from other businesses is keen. With workers in short supply, Connecticut businesses may come under pressure to increase compensation to be competitive in hiring and retaining employees, possibly triggering inflationary pressure. Moreover, Connecticut's population has not changed appreciably this past decade; this coupled with an aging population will gradually impair future labor force growth. With minimal population growth and robust demand for new workers pushing the unemployment rate below 2% in a number of the state's labor markets, it is likely job growth could abate, which would hamper economic growth and contribute to an acceleration in wage inflation.

Finally, the biggest risk to the state's forecast is Connecticut's exposure to the stock market. The risk here is twofold. First is equity ownership by Connecticut residents, which by nature of our very wealth, have a greater proportion of their asset's allocated to stocks. Second, Connecticut has a higher proportion of workers employed in the financial services industry which, combined with our geographical proximity to the world's financial capital, exposes our employment mix to the vagaries of the markets centered on Wall Street. The recent volatility in the stock market and the growing unease about lofty valuations reached by technology stocks has given many investors a better appreciation of the risks of holding stocks. The correction we witnessed last year in the equity markets, coupled with rising energy prices and slower economic growth, increases the uncertainty about the future course of the economy. Ultimately, should consumer confidence erode and the pace of consumer spending deteriorate, the probability of a "soft landing" will diminish, raising the risk of drawing to a close the state's longest economic expansion.

Nonetheless, overall it is anticipated that the Connecticut economy will experience moderate growth over the forecast period.

Tables 87 through 90 provide historical and forecasted values for the major economic variables used in revenue forecasting for the United States and Connecticut.

TABLE 87
UNEMPLOYMENT RATES
Seasonally Adjusted

CONNECTICUT

Fiscal Year			
1999-00	1	3.1	
	2	2.9	
	3	2.3	
	4	2.3	
2000-01	1	2.4	
	2	1.9	**Start of Forecast**
	3	2.3	
	4	2.4	
2001-02	1	2.5	
	2	2.5	
	3	2.5	
	4	2.5	
2002-03	1	2.5	
	2	2.5	
	3	2.5	
	4	2.5	

UNITED STATES

Fiscal Year			
1999-00	1	4.2	
	2	4.1	
	3	4.1	
	4	4.0	
2000-01	1	4.1	
	2	4.2	**Start of Forecast**
	3	4.2	
	4	4.3	
2001-02	1	4.5	
	2	4.6	
	3	4.6	
	4	4.6	
2002-03	1	4.6	
	2	4.6	
	3	4.6	
	4	4.6	

Source of Historical Data: Connecticut State Labor Department
U.S. Bureau of Labor Statistics

TABLE 88

STATE OF CONNECTICUT

Annualized Personal Income & Nonagricultural Employment

(In Millions)

Fiscal		Personal Income	% Change Year Ago	Nonagricultural Employment	% Change Year Ago	
1999-00	1	130.305	5.6	1.675.2	1.8	
	2	131,713	5.1	1,677.9	1.5	
	3	133.809	6.2	1.688.1	1.5	
	4	134.448	5.1	1.694.9	1.5	
	Average	**132,569**	**5.5**	**1,684.0**	**1.6**	
2000-01	1	137.875	5.8	1.696.7	1.3	
	2	139.086	5.6	1.698.0	1.2	**Start of Forecast**
	3	140.290	4.8	1.707.0	1.1	
	4	141.146	5.0	1.713.9	1.1	
	Average	**139,599**	**5.3**	**1,703.9**	**1.2**	
2001-02	1	145.254	5.3	1.715.5	1.1	
	2	146.359	5.2	1.716.2	1.1	
	3	147.606	5.2	1.725.1	1.1	
	4	148.446	5.2	1.732.5	1.1	
	Average	**146,916**	**5.2**	**1,722.3**	**1.1**	
2002-03	1	152.763	5.2	1.734.1	1.1	
	2	153.810	5.1	1.734.1	1.0	
	3	155.063	5.1	1.742.9	1.0	
	4	155.926	5.0	1.750.7	1.1	
	Average	**154,390**	**5.1**	**1,740.4**	**1.1**	

Source of Historical Data: U.S. Bureau of Economic Analysis

TABLE 89

Comparison of Connecticut's Personal Income Versus U.S. GDP and Personal Income

(Seasonally Adjusted in Billions of Dollars)

	Connecticut		United States		United States	
Fiscal Year	Personal Income	% Change Year Ago	Personal Income	% Change Year Ago	GDP	% Change Year Ago
1992-93	95.182	5.2	5,498.4	5.2	6,483.5	5.6
1993-94	98.488	3.5	5,738.3	4.4	6,838.6	5.5
1994-95	102.264	3.8	6,062.7	5.7	7,238.5	5.8
1995-96	106.652	4.3	6,361.3	4.9	7,593.6	4.9
1996-97	112.754	5.7	6,736.6	5.9	8,061.1	6.2
1997-98	119.336	5.8	7,161.7	6.3	8,556.6	6.1
1998-99	125.659	5.3	7,587.9	6.0	9,025.0	5.5
1999-00	132.569	5.5	8,037.2	5.9	9,649.8	6.9
2000-01 (E)	139.599	5.3	8,527.2	6.1	10,263.0	6.4
2001-02 (P)	146.916	5.2	8,961.9	5.1	10,771.4	5.0
2002-03 (P)	154.390	5.1	9,424.9	5.2	11,343.0	5.3

(E) = Estimated / (P) = Projected

Source of Historical Data: U.S. Bureau of Economic Analysis

TABLE 90
U.S. CONSUMER PRICE INDEX
1982-84 = 100

Fiscal Year		Consumer Price Index	% Change Year Ago	
1999-00	1	167.2	2.4	
	2	168.4	2.6	
	3	170.2	3.2	
	4	171.7	3.3	
	Average	**169.4**	**2.9**	
2000-01	1	173.0	3.5	
	2	174.3	3.5	**Start of Forecast**
	3	175.4	3.1	
	4	176.4	2.7	
	Average	**174.8**	**3.2**	
2001-02	1	177.5	2.6	
	2	178.4	2.4	
	3	179.3	2.2	
	4	180.6	2.4	
	Average	**179.0**	**2.4**	
2002-03	1	182.0	2.6	
	2	183.3	2.7	
	3	184.4	2.8	
	4	185.6	2.7	
	Average	**183.8**	**2.7**	

Source of Historical Data: U.S. Bureau of Labor Statistics

REVENUE FORECAST

The following Table shows the actual General Fund Revenue collections for fiscal 1999-00, estimated revenue collections for fiscal 2000-01 and projected revenue collections for fiscal 2001-02 and 2002-03 by major sources.

TABLE 91
STATE OF CONNECTICUT - GENERAL FUND REVENUES
(In Millions of Dollars)

	Actual Revenue	Estimated Revenue	Projected Revenue At Current Rates	Proposed Revenue Changes	Net Projected Revenue
Taxes	1999-00	2000-01	2001-02	2001-02	2001-02
Personal Income Tax	$ 4,238.2	$ 4,681.0	$ 4,876.6	$ -	$ 4,876.6
Sales & Use Tax	3,096.8	3,191.0	3,327.3	(149.0)	3,178.3
Corporation Tax	587.8	580.0	532.7	(2.0)	530.7
Hospital Gross Receipts Tax	69.2	-	-	-	-
Public Service Tax	166.3	165.3	167.1	(1.5)	165.6
Inheritance & Estate Tax	228.1	220.0	210.0	-	210.0
Insurance Companies Tax	201.2	205.7	209.7	-	209.7
Cigarette Tax	122.0	119.0	116.6	-	116.6
Real Estate Conveyance Tax	114.5	112.0	105.0	-	105.0
Oil Companies Tax	54.3	44.0 *	44.9	(8.0)	36.9
Alcoholic Beverages	41.0	41.4	41.8	-	41.8
Admissions, Dues, Cabaret	26.7	24.9	24.7	-	24.7
Miscellaneous	40.2	40.1	39.5	-	39.5
Total Taxes	$ 8,986.3	$ 9,424.4	$ 9,695.9	$ (160.5)	$ 9,535.4
Less Refunds of Taxes	(713.4)	(793.1)	(831.9)	(14.5)	(846.4)
TOTAL - Taxes Less Refunds	$ 8,272.9	$ 8,631.3	$ 8,864.0	$ (175.0)	$ 8,689.0
Other Revenues					
Transfers Special Revenue	$ 259.8	$ 260.0	$ 265.2	$ -	$ 265.2
Indian Gaming Payments	319.0	335.0	351.8	-	351.8
License, Permits, Fees	127.5	124.0	129.0	(2.5)	126.5
Sales of Commodities & Services	32.9	18.6	35.7	(17.5)	18.2
Rents, Fines & Escheats	45.7	43.3	44.7	-	44.7
Investment Income	53.4	68.2	66.7	(4.0)	62.7
Miscellaneous	125.5	129.7	128.9	(1.0)	127.9
TOTAL - Other Revenues	$ 963.8	$ 978.8	$ 1,022.0	$ (25.0)	$ 997.0
Other Sources					
Federal Grants	$ 2,078.9	$ 2,250.1	$ 2,265.8	$ (105.4)	$ 2,160.4
Transfer From Tobacco Settlement	78.0	138.8	121.8	-	121.8
Transfers From (To) Other Funds	(180.0)	(84.9)	(135.0)	25.0	(110.0)
TOTAL - Other Sources	$ 1,976.9	$ 2,304.0	$ 2,252.6	$ (80.4)	$ 2,172.2
TOTAL - General Fund	$ 11,213.6	$ 11,914.1	$ 12,138.6	$ (280.4)	$ 11,858.2

	Projected Revenue At Current Rates 2002-03	Proposed Revenue Changes 2002-03	Net Projected Revenue 2002-03
$	5,110.3	$ -	$ 5,110.3
	3,457.7	(154.0)	3,303.7
	564.7	(2.0)	562.7
	-	-	-
	168.9	(1.5)	167.4
	202.0	-	202.0
	213.7	-	213.7
	114.3	-	114.3
	105.0	-	105.0
	40.2	(8.0)	32.2
	42.2	-	42.2
	26.9	-	26.9
	36.6	-	36.6
$	10,082.5	$ (165.5)	$ 9,917.0
	(854.1)	(14.5)	(868.6)
$	9,228.4	$ (180.0)	$ 9,048.4
$	270.5	$ -	$ 270.5
	369.4	-	369.4
	127.0	(2.5)	124.5
	36.2	(18.0)	18.2
	45.3	-	45.3
	65.2	(4.0)	61.2
	137.2	(1.0)	136.2
$	1,050.8	$ (25.5)	$ 1,025.3
$	2,371.6	$ (83.1)	$ 2,288.5
	123.1	-	123.1
	(135.0)	50.0	(85.0)
$	2,359.7	$ (33.1)	$ 2,326.6
$	12,638.9	$ (238.6)	$ 12,400.3

Explanation of Changes

Sales& Use Tax
Eliminate the tax on hospital related services. Raise clothing exemption to $125 and add an additional sales tax free week. Intercept an additional $1.0 million from the Hotel Occupancy ta for tourism activities. Exempt parking at Bradley Field. All changes effective 7/1/01

Corporation Tax
Increase by $1 million the tax credit for Opportunity Certificates and increase by $1 million the Housing Tax Credit Contribution Program. Both changes are effective for the 2001 income year.

Public Service Tax

Oil Companies Tax
Intercept funds for the Emergency Spill Response Fund. * Note: Includes a $4.0 million reduction in FY 2000-01.

Refunds of Taxes
Fund both the R&D tax credit exchange program and refunds of payments account through refunds of taxes.

Licenses, Permits, & Fees
Eliminate the Pre-trial Alcohol & Drug programs.

Sales of Commodities & Services
Eliminate double appropriation for Riverview Hospital.

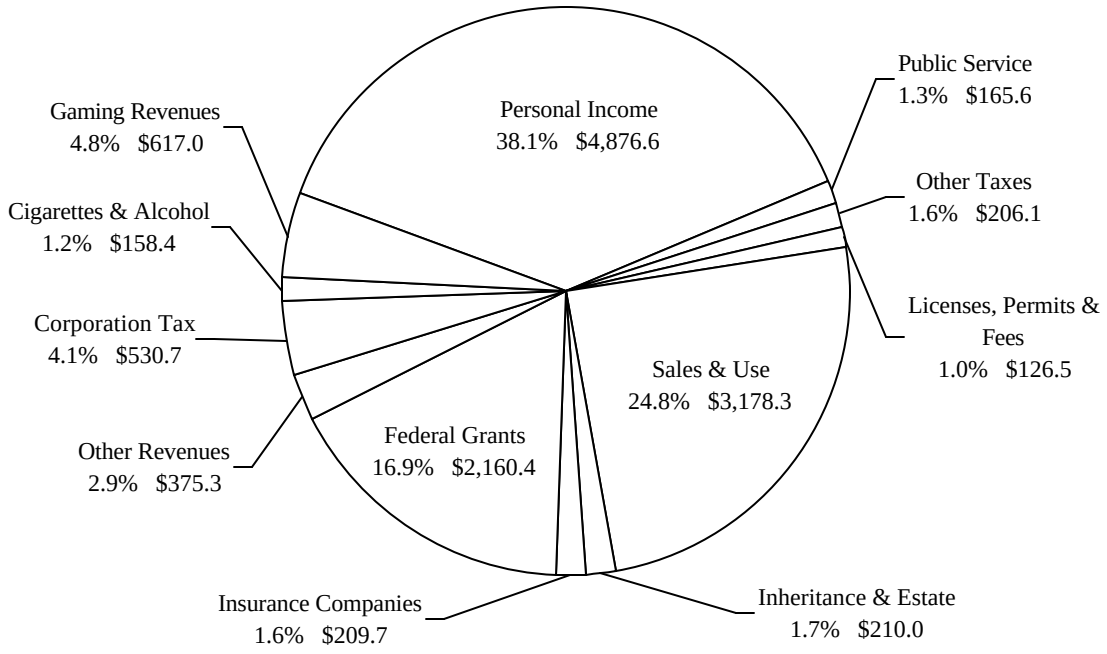
Investment Income
Switch to a single annual payment to fund the state's contributio to the Teachers' Retirement System.

Miscellaneous Revenue
Waive indirect costs on reimbursements for services provided tc Indian Tribes.

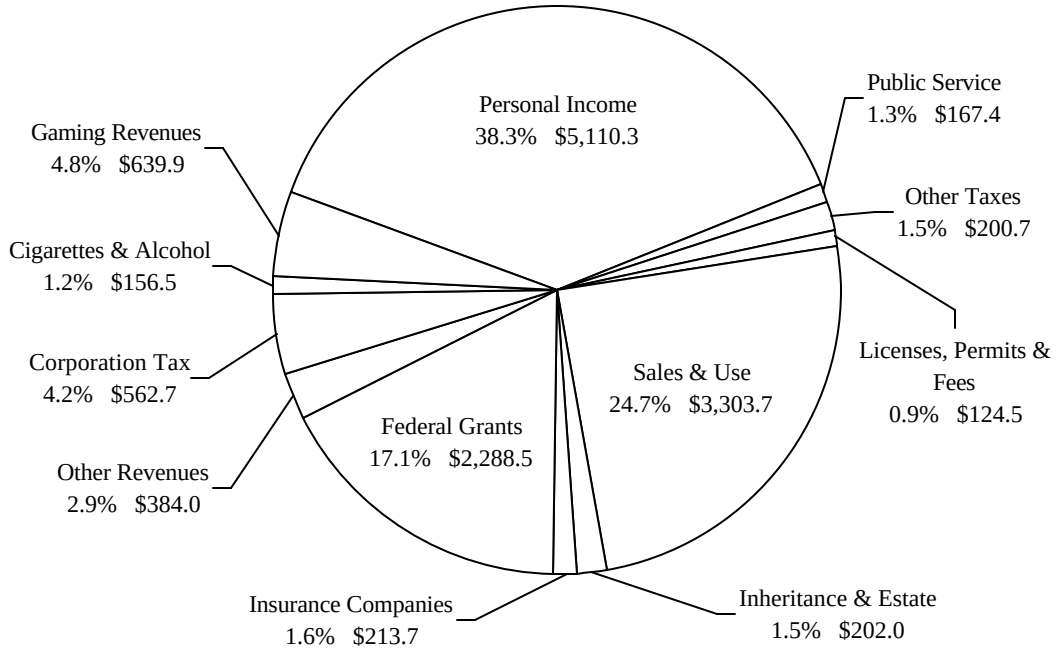
Federal Grants
Reflects the Governor's proposed changes.

Transfers From (To) Other Funds
Redeploy a portion of the Indian Gaming Payments to the Education Cost Sharing formula.

FISCAL YEAR 2001-02 – TOTAL $11,858.2 MILLION*



FISCAL YEAR 2002-03 – TOTAL $12,400.3 MILLION*



* Refunds of Taxes are estimated at $846.4M for FY 2001-02 and $868.6M for FY 2002-03, and Transfers To Other Funds at $110.0M for FY2001-02 and $85.0M for FY 2002-03.

Special Transportation Fund

The State's transportation system includes approximately 19,800 miles of improved roads (of which approximately 3,740 are maintained by the Department of Transportation), 5,400 state and local bridges, Bradley International Airport, and five other State owned airports together with numerous municipally and privately owned airports, rail commuter service between New Haven and New York City and related points, provided by Metro-North Commuter Railroad Company which operates 251 trains daily; Shoreline East Rail Commuter Service between New London and New Haven which operates 18 trains daily; and publicly and privately owned bus systems which operate 1,096 vehicles. In 1984, recognizing the need for a comprehensive infrastructure renewal program, an infrastructure improvement plan was approved, with bipartisan support, aimed at assuring a safe and dependable transportation system. Components of the plan and a short description of each follow.

Interstate - includes the completion, maintenance and enhancement of the state's portion of the nationwide system of interstate highways.

Intrastate - includes improvements to the State's primary and secondary roads.

Interstate Trade In - consists of substitute highway projects for which Federal Interstate Highway Substitution Program funds are available due to withdrawals of certain highway segments from the interstate highway system.

State Bridges - this restoration program includes rehabilitating, reconstructing, repairing or replacing the bridges on the State highway system.

Local Bridges - includes assisting municipalities throughout the state in undertaking the rehabilitation, restoration, replacement and reconstruction of local bridges.

Transit - includes the replacement, renovation, and modernization of bus and commuter rail operations.

Aviation - includes capital improvements to major airport facilities exclusive of Bradley International.

Resurfacing - includes the resurfacing and restoring of the state's highway system.

Department Facilities - includes renovating, repairing, construction and expanding maintenance garages and other administrative facilities of the department.

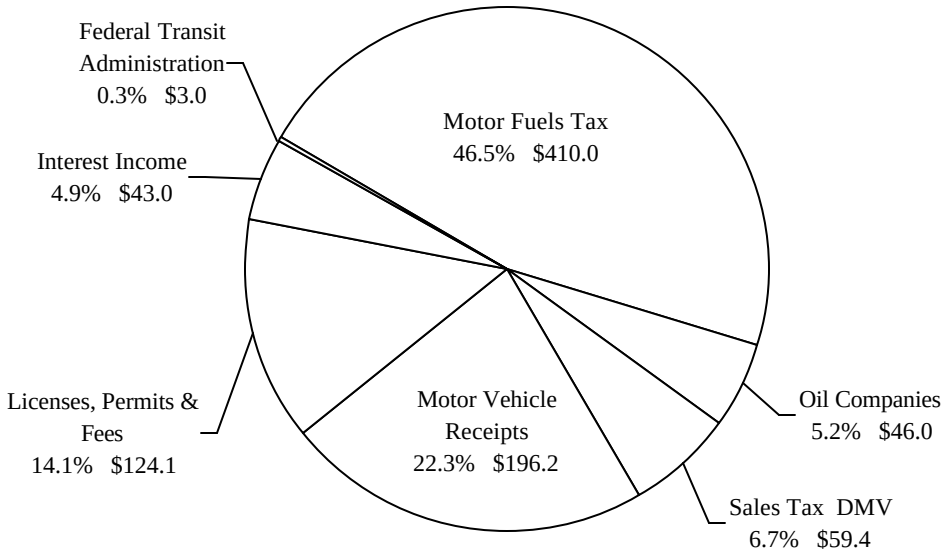
Other - includes safety programs, STP/urban system, hazardous waste, waterways and other special projects.

The following Table shows the actual Special Transportation Fund Revenue collections for fiscal 1999-00, estimated revenue collections for fiscal 2000-01 and the proposed revenue collections for fiscal 2001-02 and fiscal 2002-03 by major sources.

TABLE 92
STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND REVENUES
(In Millions of Dollars)

	Actual Revenue	Estimated Revenue	Projected Revenue Current Rates	Proposed Revenue Changes	Net Projected Revenue
Taxes	1999-00	2000-01	2001-02	2001-02	2001-02
Motor Fuels Tax	$ 506.4	$ 407.0	$ 410.0	$ -	$ 410.0
Oil Companies Tax	36.0	46.0	46.0	-	46.0
Sales Tax DMV	10.0	58.4	59.4	-	59.4
Less Refunds of Taxes	(5.4)	(7.1)	(4.7)	(2.8)	(7.5)
TOTAL - Taxes Less Refunds	$ 547.0	$ 504.3	$ 510.7	$ (2.8)	$ 507.9
Other Sources					
Motor Vehicle Receipts	$ 190.3	$ 191.0	$ 192.9	$ 3.3	$ 196.2
Licenses, Permits & Fees	112.6	115.0	116.1	8.0	124.1
Interest Income	37.7	37.5	43.0	-	43.0
Federal Transit Admin. (FTA)	3.0	3.0	3.0	-	3.0
Transfers From (To) Other Funds	(2.0)	(3.0)	(3.0)	-	(3.0)
Release - Debt Service Reserve	16.8	-	-	-	-
TOTAL - Other Sources	$ 358.4	$ 343.5	$ 352.0	$ 11.3	$ 363.3
TOTAL – S.T.F.	$ 905.4	$ 847.8	$ 862.7	$ 8.5	$ 871.2

FISCAL YEAR 2001-02 - TOTAL $ 871.2 MILLION*



* Refunds of Taxes are estimated at $7.5 million and Transfers To Other Funds are $3.0 million in fiscal 2001-02.

	Projected Revenue Current Rates 2002-03	Proposed Revenue Changes 2002-03	Net Projected Revenue 2002-03
	$ 413.1	$ -	$ 413.1
	46.0	-	46.0
	61.7	-	61.7
	(4.7)	(2.8)	(7.5)
	$ 516.1	$ (2.8)	$ 513.3
	$ 194.9	$ 3.3	$ 198.2
	116.9	8.9	125.8
	40.1	-	40.1
	3.0	-	3.0
	(3.0)	-	(3.0)
	-	-	-
	$ 351.9	$ 12.2	$ 364.1
	$ 868.0	$ 9.4	$ 877.4

Explanation of Changes

Refund of Taxes

Fund the refunds of payments account through refunds of taxes.

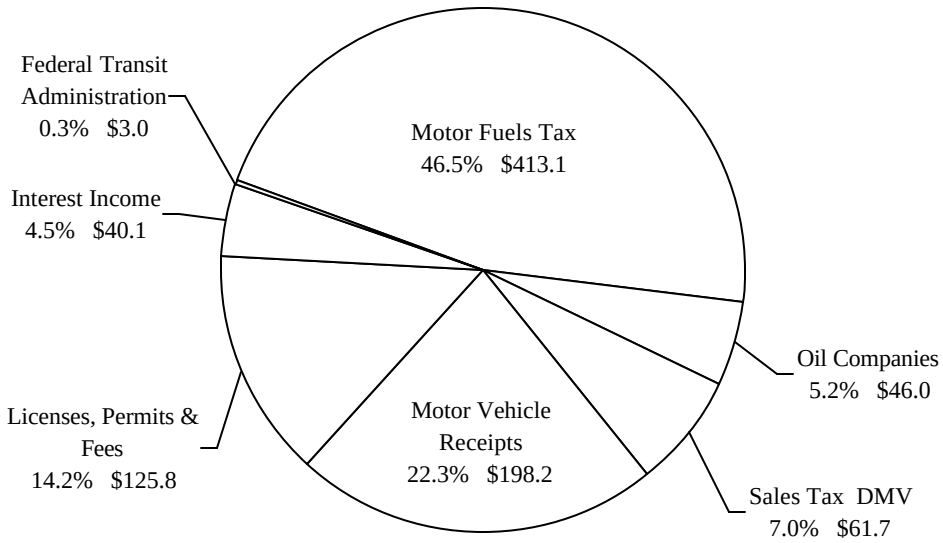
Motor Vehicle Receipts

Institute a 6-year driver's license.

Licenses, Permits, and Fees

Increase Clean Air fees from $4 to $10 on all new and renewal registrations and establish an Exempt Emissions Sticker fee of $50 on new vehicles.

FISCAL YEAR 2002-03 - TOTAL $ 877.4 MILLION*



- Refunds of Taxes are estimated at $7.5 million and Transfers to Other Funds are estimated at $3.0 million in fiscal 2002-03.

To pay for improvements, the Infrastructure Program expanded the Special Transportation Fund, dedicated certain motor vehicle related revenues to that fund, and adjusted certain taxes, fees and charges as summarized in the following Table.

TABLE 93
SUMMARY OF ENACTED TAX AND FEE ADJUSTMENTS

Fiscal Year (a)	Motor Fuels Tax (b) (Adjustment / Gallon)	Motor Vehicle Receipts (c) (% Increase)	Licenses, Permits, Fees (c) (d) (% Increase)
1984-85	1¢	25%	-
1985-86	1¢	-	50%
1986-87	1¢	24%	-
1987-88	2¢	-	-
1988-89	1¢	-	-
1989-90	-	-	50%
1990-91	2¢	-	-
1991-92	4¢	-	25%
1992-93	2¢	12.9%	-
1993-94	2¢	-	25%
1994-95	2¢	-	-
1995-96	4¢	-	-
1996-97	3¢	-	-
1997-98	(3¢)	-	-
1998-99	(4¢)	-	-
1999-00	-	-	-
2000-01	(7¢)	-	-

a) Except as noted in footnote (b), each tax, fee or charge adjustment is effective on July 1, of each State fiscal year.

b) Prior to the implementation of the plan, the Motor Fuels Tax was 14¢ per gallon. In addition, the Motor Fuels Tax changes for fiscal years 1994-2001 are effective as follows: 7/1/93-1¢; 1/1/94-1¢; 7/1/94-1¢; 1/1/95-1¢; 7/1/95-1¢; 10/1/95-1¢; 1/1/96-1¢; 4/1/96-1¢; 7/1/96-1¢; 10/1/96-1¢; 1/1/97-1¢; 7/1/97–(3¢); 7/1/98-(4¢); 7/1/00-(7¢). Effective 9/1/91, the Motor Fuels Tax on diesel fuel was reduced to 18¢ per gallon.

c) The percentage increase is a percentage of the amount of fees collected during the State fiscal year preceding the effective date of the increase.

d) he percentage increases do not apply to fees, such as the motor carrier registration fee, for which federal law establishes maximum fees. In addition, Public Act 85-413 repealed the scheduled 1986 increase of 50%, imposed by Section 59 of the Special Transportation Act, on any person who pays a motor vehicle related fine, penalty or other charge while Public Act 91-13, of the June Special Session, eliminated the additional surcharges imposed by Section 59 of the Act scheduled for July 1, 1991 and July 1, 1993.

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 defines the resources that are required to provide these services; and it estimates how much these services will cost. The budget is the fundamental policy document of every level of government. As proposed, enacted and implemented, it represents a consensus on what government realistically can and ought to do.

The economic implications of governmental budgets are significant. The government sector including federal and local governments is an important dimension of the national economy, accounting for almost 12% 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 approximately 7.5% of the Gross State Product, it is inevitable that state government's expenditure and revenue actions influence the State's economy.

As we prepare for fiscal years 2002 and 2003, the proposed budget builds on the structural changes begun in prior years and represents an orderly continuation of the Governor's plan to control spending, cut taxes and create jobs. This budget should enhance the positive impact previous budgets have had on the economy, while preserving the most important aspects of our quality of life.

Expenditure Actions

This budget reflects a deliberate and difficult re-examination of current programs and recommends policy changes essential to the future health and stability of the State of Connecticut.

Education

Education is the key to an individual's ability to succeed, just as an educated workforce is critical to Connecticut's continued prosperity. By providing more equitable educational opportunities for all students, strengthening vocational schools, expanding life-long learning opportunities, fulfilling education technology financial commitments, and ensuring safe and strong learning environments, this budget acknowledges the importance of education to Connecticut's economy.

Governor Rowland is committed to eliminating the cap on the Education Cost Sharing (ECS) grant, the state's largest education grant. In this budget, Governor Rowland recommends $25 million in fiscal year 2002 and an additional $25 million in fiscal year 2003 to begin a gradual reduction of the cap, which artificially constrains growth in ECS. By gradually eliminating the cap, the distribution of education resources will be more equitable, increasing educational opportunities for all students.

The Governor's budget includes a proposal to spend a total of $10 million from the fiscal year 2001 surplus for the Demonstration Scholarship Program. These funds will be spent at the rate of $2 million annually for five years to improve the quality of education by making schools more responsive to the needs of children, to provide greater parental choice, and to determine the extent to which the quality and delivery of educational services are affected by economic incentives.

The budget recognizes the crucial role the Vocational-Technical High Schools play in providing work-ready employees for the state's economy. The budget includes $1.2 million and the phase in of 50 new positions for these schools as enrollments grow to match employer needs. As older schools are essentially replaced on the capital side of the budget, the Governor encourages these schools to consider innovative trade majors that parallel the state's evolving high technology environment.

In line with Lieutenant Governor Rell's Education Technology Plan, distance learning has been greatly expanded. In just two years, on-line course offerings have increased from 100 per year to almost 500. On-line course offerings, which range from Associate's to Master Level courses, allow for life-long learning opportunities. These opportunities are especially helpful for those adult learners who are trying to improve marketable and job-related skill sets. This budget continues an annual commitment of $2 million to distance learning opportunities.

The budget also includes continued funding for school wiring, the Connecticut Education Network, and the Digital Library, all of which are part of the Education Technology Plan. A total of $24 million will be available to equip the state's educational institutions and libraries with the tools necessary to train tomorrow's workforce.

Governor Rowland's budget also provides significant capital and surplus funding for local schools to ensure that every school will be strong and safe. Children cannot be expected to learn in dilapidated, unsafe schools. Over $830 million in combined new capital/surplus funding will be available to communities to renovate/reconstruct/construct safe schools.

Workforce Development

The Governor's Budget continues his commitment to the development of a well-trained workforce, one able to meet the challenges of the twenty-first century. The budget includes several education changes to increase workforce development. First, the budget proposes an Ed.D (Doctor of Education) degree program for the Connecticut State University system that will help provide more doctoral level candidates for school administrator positions. Second, the budget includes funding for a "Connecticut Futures Fund" that promises some 10,000 economically deprived middle school students scholarships for college. Finally, the budget directs some unallocated financial aid funding to students who want to study in evolving fields, such as high technology.

Training efforts have been consolidated in the Labor Department and workforce development initiatives have been centered in the Office of Workforce Competitiveness. The success of the Jobs Funnel initiative in Hartford has led the Governor to recommend surplus funds for expansion to New Haven, Bridgeport, and Waterbury. In addition, surplus funds will also be provided to ensure continuation of the successful School-to-Work collaboration between the Departments of Education and Labor. The Governor has also provided funding for the Labor Department's share of the anticipated development costs of an information management system to serve the Workforce Development Boards as they implement the federal Workforce Development Act.

Children and Families

The Governor continues his commitment to children by enhancing the staff of the small but vital Office of the Child Advocate. Staff will be put in place to review child fatalities and facilities housing children and to make information and education available to the public to be certain all citizens know there is another avenue open to them to protect our children.

The budget also includes funding to assure the transition of services for male juvenile offenders from Long Lane School to the new Connecticut Juvenile Training School. The budget also allows for transitioning the female juvenile offenders from Long Lane School to a new facility that will be built. Programmatically, it was decided that male and female juvenile offenders should not inhabit the same space.

Behavioral Health

The Governor has responded to the recommendations of the Blue Ribbon Commission on Mental Health that he established a year ago. An important initiative in the budget is the Children's Behavioral Health Initiative which includes significant community program enhancements, additional specialized residential beds, and respite care for children with severe behavioral health needs. The net cost in fiscal year 2002 is $15 million; the net cost in fiscal year 2003 is $23.6 million. The goal of this program is simple: children with behavioral health needs are best served in their own communities. For example, Emergency Mobile Crisis Units (EMCUs) are being created to aid children who are experiencing behavioral health crises. Right now, children in crisis end up in emergency rooms because there is nowhere else for them to go. With this program, the EMCUs will evaluate children and provide parents/caregivers with options. The Governor's commitment to the adult mental health system is evidenced by his addition of $10 million to enhance this service network. He continues his focus on the development and enhancement of the behavioral health supportive housing pilot initiative, a program designed to meet both the residential and support needs of people with mental illness as they transition back to community life and employment. Funding has also been provided to assure statewide coverage of the Jail Diversion program. This program has proved highly successful in diverting those with mental illness from the judicial system to appropriate treatment.

Working Families

The Governor's budget continues his "get tough-get smart" approach to welfare reform. While making clear that public assistance is intended to provide temporary support for working families, the Governor continues to assure funding for employment, day care and transportation services. The Governor's budget funds an increase in the rates paid to licensed, high quality childcare. The new rate structure is intended to provide an incentive for many providers who are currently unlicensed to seek licensed status.

The budget also supports an innovative approach to car ownership. Seed money has been provided to implement a program that uses donated vehicles or vehicles obtained from the state auctions of fleet vehicles. Also, Temporary Family Assistance (TFA) recipients will be encouraged to pursue

educational goals. The Governor's proposals will maximize the use of education and training to meet participation requirements of TFA, while still assuring that federal work goals are met.

Strengthening Connecticut's Hospitals

The Governor has proposed elimination of the Uncompensated Care Program, repeal of the sales tax on hospital services, and a $100 million annual increase in the rates paid to hospitals by programs of the Departments of Social Services and Mental Health and Addiction Services. In the fee-for-service environment, it is anticipated that these increases will result in a significant increase in Medicaid and State-Administered General Assistance (SAGA) payments. It will also provide funding for a proportionate increase in the rates managed care organizations can pay. In addition, anticipated expansion of the HUSKY program to cover certain adults and normal caseload increases in other state-funded programs will garner hospitals an additional $11 million in 2002 and an additional $16 million in 2003. A total of $2 million in funding from surplus has also been provided to the Office of Health Care Access to continue its program of grants to distressed hospitals and to improve and expand data collection and analysis.

Law Enforcement, Safety, Justice and Corrections

The Governor continues his commitment to the integrity and vitality of the public safety of our citizens with several initiatives. He is proposing to make Connecticut's DUI tolerance meet the national standard of .08 blood alcohol level and to make it illegal for anyone in the passenger compartment of a motor vehicle to have an open container of alcohol. These proposals will not only make our roads safer, but also protect tens of millions of dollars coming from the federal government to support our transportation projects. The Department of Correction will expand existing facilities to meet the growing population demands of the system. Current projections, including our out of state prisoners in the Commonwealth of Virginia, indicate that by June 30, 2002 the system will maintain 18,712 prisoners; by June 30, 2003, there will be 19,410 prisoners. FY 2001 surplus funds will be used to replace the 30-year-old inmate tracking legacy system with a relational database inmate tracking system that will conform to industry standards and will allow integration of biometric technology (fingerprint and photo images). The system will also be compatible with the long-awaited overarching Criminal Justice Information System (CJIS)/Offender Based Tracking System (OBTS) which is ready for full implementation in the first year of the biennium. This system will integrate information from 15 different criminal justice systems and make criminal justice information available on line to necessary users (most particularly police officers) to keep them and our citizenry safer. In the Department of Public Safety, funds will be put in place to support the telecommunication system for Radio and Computer Aided Dispatch/Records Management System, another system that will integrate with CJIS/OBTS. Additionally, Public Safety will receive funding for helicopter operations so that they may have the necessary resources for search and rescue missions for vulnerable citizens. Final integration of the old county-based sheriff's system will occur in the Judicial Branch, and the State Marshal Commission will be created as an independent agency and advisory board to the Judicial Branch. The Judicial Branch will open a new courthouse in Stamford in December 2001 and the Hartford Juvenile facility will open in October of 2002.

Information Technology

The Governor continues his commitment to conducting state business more efficiently by setting aside $2.5 million from the FY 2001 surplus (in addition to bond funds) to continue to phase in replacement of the state's core financial systems: payroll, personnel, accounting, etc. Also, see the section, above, under the "Education" heading, for a discussion of the Lieutenant Governor's Education Technology Plan, school wiring, the Connecticut Education Network, and the Digital Library.

Also, the Health Insurance Portability and Accountability Act (HIPAA) was enacted to streamline the processing of health care claims. This federal law provides standards to be used by all healthcare providers, healthcare payers and healthcare clearinghouses to protect the security of patient information in an electronic format. It requires compliance by October 2002. Eight million dollars in FY 2001 surplus funds will be used to begin the implementation of the requirements of this Act.

General Efficiencies

The Governor continues his commitment to creating favorable economic conditions in the state with $50 million reserved from the fiscal year 2001 surplus to support changes in our Transportation Infrastructure, reflective of the many ideas coming out of the Transportation Summit conducted in 2000. That same surplus will fund $8 million for the buyout of the old Hartford Times building and $6.5 million for Adriaen's Landing moving costs to relocate City of Hartford offices from the Hartford Times building. These actions will ensure the forward momentum of the Adriaen's Landing Project as the cornerstone of Hartford's revitalization.

Forty-one million dollars of the surplus will be placed in an Energy Contingency Fund to pay for the higher energy costs of state agencies during this period of unrest in the oil and gas markets. This surplus will also provide $33.7 million for a Technology and Infrastructure Fund for private non-profit organizations who share the burden of service delivery with the state. The funds will be available for non-recurring expenditures such as technology improvements and property renovations.

In the Department of Economic and Community Development, $1.5 million of the surplus from fiscal year 2001 will be used for operations and other costs for distressed local housing authorities; additionally, $7.2 million will be used for one-time industry cluster projects to keep Connecticut competitive in today's economy. The Department of Motor Vehicles will use $1.8 million of surplus funding to upgrade their Registration and Title Processing System; reallocate resources to implement the extension of the renewal period of a driver's license from four to six years; and decentralize emissions inspections after the current contract expires, allowing licensed dealers and repairers to conduct emissions inspections.

Surplus funds will also provide $20 million, in addition to $60 million in bond funds, for the sale of certain Worker's Compensation claim liabilities to a private insurer, and allow over $13 million in operating costs to be saved. Also, the surplus will provide $3 million to safeguard our citizens with a West Nile Virus Mosquito Control Program: $2.4 million in the Department of Environmental Protection and $0.6 million for the Agricultural Experiment Station. Another $17 million of surplus funds will go to a revamped Residential Underground Storage Tank Clean-up Fund. The surplus will

also reduce the state's debt service liability as it commits $120 million to school construction, thereby avoiding 20 years of principal and interest payments. Additionally, the surplus will provide $0.6 million for the General Assembly's redistricting requirements to meet constitutional mandates following the decennial census of 2000.

Other Health and Social Issues

In light of the success of a wide array of community-based services, the Governor has proposed a continuation of the moratorium on the growth in the number of new nursing home beds. The occupancy of our nursing homes continues to show declines as home care and other innovative programs have permitted our elders and people with disabilities to remain in their communities. Based on the work of the Nursing Home Finance Advisory Committee, the Governor has proposed enhanced funding to assure monitoring of nursing homes and their financial status. The Governor also has recommended steps prohibiting nursing homes from designating only certain beds as participating in Medicare. This will ensure that nursing home clients take full advantage of their Medicare benefits.

The Governor's budget balances the needs of health care providers and those of recipients. While supporting a cost-neutral ConnPACE B program for pharmaceutical coverage for the elderly, the Governor has also proposed steps to constrain the double-digit growth in pharmaceutical expenditures. He has proposed a fifty-cent reduction in the dispensing fee paid to pharmacists, a reduction in the rate of reimbursement for drugs to the average wholesale price (AWP) minus 13% from the current AWP minus 12%. He also has proposed limits on the maximum acquisition cost of pharmaceuticals.

The Governor has also proposed a strengthening of the provisions related to transfer of assets and to ensure equity in the treatment of applicants and clients. Finally, recent federal changes permit the state to continue to transfer 10% of the Temporary Assistance to Needy Families Block Grant to the Social Services Block Grant. The Governor's budget anticipates such a transfer beginning in FY01, rather than the reduced 4.25% transfer permitted under prior law.

Revenue Actions

The proportion of the State's revenue that must be raised through taxes directly affects the State's economy, impacting both citizens and businesses who must assume the tax burden necessary to provide essential state services. Recognizing this, during the first term of Governor Rowland's administration, significant tax reform measures that were passed were targeted at making Connecticut more competitive from the perspectives of both the private individual and business. These actions, which altered the way state government operates, have contributed to the "Connecticut Comeback" of the second half of the 1990s, and placed the state on a path towards real economic growth. Whether it be job creation, a reduction in the unemployment rate, healthy housing starts, or even robust state tax collections, each in its own way has confirmed that the path taken has paid dividends. These actions not only improved upon the economic situation of the state in the early 1990s, but they are likely to soften the effects of any economic downturn that might occur in the foreseeable future. In this budget, the Governor has continued a responsible approach to easing the tax burden while ensuring access to necessary resources for state government to function, recognizing that the economic horizon is less certain than it was a couple of years ago.

The Governor is proposing a number of initiatives to help state residents and encourage a continued strong economy. The budget contains, for example, a proposal to raise the current sales tax exemption threshold for taxation of clothing from $75 to $125 per item. This will put $32.9 million into the pockets of residents in fiscal year 2002 alone. In conjunction with that, the Governor is proposing to expand upon the success of last year's sales tax free week by adding a second additional week. Timed to coincide with the back-to-school season, individuals and families can purchase any clothing and footwear items priced at no more than $300 each without paying sales tax on these items. This will save families an additional $2.7 million per year.

For many years now, Connecticut's hospitals have borne the brunt of the massive changes affecting the health care industry. Whether one talks about managed care, reduced federal support for Medicare and Medicaid funding, labor shortages in skilled categories or the aging demographics of America, our hospitals have been at the epicenter of these trends. Over the past few years, Connecticut's state government has stepped up to the plate to ameliorate the negative aspects of these trends by ultimately eliminating or reducing the taxes shouldered by hospitals. This year is no different. The Governor is proposing to eliminate the last vestige of the state's Uncompensated Care Program and repeal the state's 5.75% sales tax on hospital services provided to the sick. This will eliminate in excess of $110 million in state tax collections and significantly reduce the administrative burden of hospitals in complying with the program. At the same time, the Governor is funding the cost of expanding the HUSKY program to eligible adults which should decrease the cost of uncompensated care provided by hospitals.

Two additional minor sales tax-related initiatives also being proposed this year. First, an additional $1.0 million of the hotel occupancy tax will be intercepted to fund certain tourism related activities. Second, in order to make state-owned parking at Bradley Field competitive with privately owned parking lots, the state is proposing to eliminate the sales tax on parking at the airport. This change is estimated to cost $1.0 million.

Under the corporation tax, two small but vital tax credits will be expanded. First, an additional $1 million in credits will be dedicated to the Opportunity Certificates program. These credits are redeemed by businesses hiring individuals covered under Temporary Family Assistance. The Governor recognizes that the benefit of this initiative outweighs the cost and contributes to the success of servicing the state's needy citizens by helping them gain employment and job skills. Moreover, the Governor is also proposing to expand the Housing Tax Credit Contribution Program by $1 million. This popular credit encourages cooperation between non-profit and for-profit firms to develop affordable housing that otherwise would not be built. Managed under the auspices of the Connecticut Housing Finance Authority, businesses that contribute to housing programs which benefit low and moderate income individuals and families can receive a 100% credit for the value of their donation.

The budget includes a proposal for a 100% tax credit against the public service companies tax for payments made by local cable television companies in the state to help pay for the operating costs of the Connecticut Network (CTN). CTN, through its televising of legislative and public affairs programming, serves a public good whose costs will now be borne by the cable industry receiving such programming. The annual cost is of this credit is $1.5 million.

The Governor is also proposing the institution of a six-year driver's license to replace the existing four-year license. This is a win-win situation on all fronts. First, even though the license fee will go from $35.50 for a four-year period to $53.25 for a six-year period, it is not a fee increase, as the annual cost remains unchanged. Secondly, it will be far more convenient for motorists because they will now be required to renew their licenses less frequently. Third, it will result in administrative savings at the Department of Motor Vehicles by reducing the annual workload. Finally, it will result in a revenue acceleration to the Special Transportation Fund during the four-year conversion period.

As discussed above in Expenditure Actions, under the "General Efficiencies" heading, the Governor is proposing to decentralize Emissions Inspections after the current contract expires in 2002. Approved, licensed Dealers and Repairers will perform testing with certified mechanics. This new program would also include a $50 "Exempt Emissions Sticker" fee for new exempt vehicles, and increase the "Clean Air Act Fee" by $6.00 on new and renewal registrations. These actions would increase Special Transportation Fund revenue by $8.0 million in fiscal year 2002 and $8.9 million in fiscal year 2003 and enhance the balances in the Clean Air Fund.

In order to more accurately reflect net revenue collections, Refunds of Payments will no longer be an appropriated account. Instead, refunds will be deducted from the revenues collected, as are Refunds of Taxes. The annual cost will be $0.5 million to the General Fund and $2.8 million to the Special Transportation Fund. Within those same parameters, the state's tax credit exchange program for research and development expenditures enacted during the 1999 legislation session will not be appropriated, but will also be handled in a similar manner.

With the combination of these tax changes aimed at helping both the state's residents and businesses and the change in course undertaken in the last few years in how the state conducts its business, it is anticipated that jobs will be retained and new jobs created. As a result, the state should continue its progress of real economic growth and relative economic prosperity, even in the midst of a more temperate national economy.

A P P E N D I X

Connecticut Resident Population Census Counts and DPH* Estimates by Town

	Population		Population		1980-90 Change		1999
	1980	Rank	1990	Rank	Number	%	DPH* Est.
Total	3,107,576		3,287,116		179,540	5.8	3,282,031
Andover	2,144	150	2,540	149	396	18.5	2,912
Ansonia	19,039	48	18,403	52	-636	-3.3	17,656
Ashford	3,221	138	3,765	138	544	16.9	3,978
Avon	11,201	78	13,937	72	2,736	24.4	14,354
Barkhamsted	2,935	142	3,369	140	434	14.8	3,567
Beacon Falls	3,995	128	5,083	124	1,088	27.2	5,180
Berlin	15,121	61	16,787	60	1,666	11.0	17,326
Bethany	4,330	125	4,608	128	278	6.4	4,456
Bethel	16,004	59	17,541	56	1,537	9.6	17,918
Bethlehem	2,573	145	3,071	144	498	19.4	3,306
Bloomfield	18,608	50	19,483	51	875	4.7	18,924
Bolton	3,951	131	4,575	129	624	15.8	4,751
Bozrah	2,135	151	2,297	152	162	7.6	2,279
Branford	23,363	38	27,603	35	4,240	18.1	26,981
Bridgeport	142,546	1	141,686	1	-860	-0.6	137,040
Bridgewater	1,563	159	1,654	161	91	5.8	1,766
Bristol	57,370	11	60,640	9	3,270	5.7	59,145
Brookfield	12,872	72	14,113	71	1,241	9.6	14,769
Brooklyn	5,691	111	6,681	110	990	17.4	6,935
Burlington	5,660	112	7,026	107	1,366	24.1	7,951
Canaan	1,002	168	1,057	168	55	5.5	1,083
Canterbury	3,426	135	4,467	131	1,041	30.4	4,718
Canton	7,635	100	8,268	101	633	8.3	8,188
Chaplin	1,793	154	2,048	155	255	14.2	2,275
Cheshire	21,788	40	25,684	37	3,896	17.9	26,591
Chester	3,068	140	3,417	139	349	11.4	3,902
Clinton	11,195	79	12,767	77	1,572	14.0	13,202
Colchester	7,761	98	10,980	87	3,219	41.5	12,909
Colebrook	1,221	164	1,365	164	144	11.8	1,414
Columbia	3,386	136	4,510	130	1,124	33.2	4,872
Cornwall	1,288	163	1,414	163	126	9.8	1,415
Coventry	8,895	90	10,063	91	1,168	13.1	11,152
Cromwell	10,265	82	12,286	79	2,021	19.7	12,756
Danbury	60,470	9	65,585	8	5,115	8.5	66,965
Darien	18,892	49	18,196	53	-696	-3.7	18,075
Deep River	3,994	129	4,332	132	338	8.5	4,774
Derby	12,346	74	12,199	80	-147	-1.2	11,933
Durham	5,143	116	5,732	120	589	11.5	6,681
East Granby	4,102	127	4,302	133	200	4.9	4,434
East Haddam	5,621	113	6,676	111	1,055	18.8	7,620
East Hampton	8,572	92	10,428	88	1,856	21.7	11,152
East Hartford	52,563	15	50,452	17	-2,111	-4.0	47,054
East Haven	25,028	36	26,144	36	1,116	4.5	26,935
East Lyme	13,870	67	15,340	67	1,470	10.6	15,828

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East Windsor	8,925	89	10,081	90	1,156	13.0	10,022
Eastford	1,028	166	1,314	165	286	27.8	1,466
Easton	5,962	110	6,303	113	341	5.7	6,841
Ellington	9,711	83	11,197	84	1,486	15.3	11,849
Enfield	42,695	20	45,532	20	2,837	6.6	43,075
Essex	5,078	118	5,904	118	826	16.3	6,197
Fairfield	54,849	13	53,418	14	-1,431	-2.6	53,866
Farmington	16,407	56	20,608	48	4,201	25.6	21,299
Franklin	1,592	158	1,810	160	218	13.7	1,752
Glastonbury	24,327	37	27,901	33	3,574	14.7	29,122
Goshen	1,706	156	2,329	151	623	36.5	2,491
Granby	7,956	97	9,369	93	1,413	17.8	9,629
Greenwich	59,578	10	58,441	12	-1,137	-1.9	57,973
Griswold	8,967	88	10,384	89	1,417	15.8	10,572
Groton	41,062	21	45,144	21	4,082	9.9	40,456
Guilford	17,375	53	19,848	50	2,473	14.2	20,369
Haddam	6,383	106	6,769	109	386	6.0	7,244
Hamden	51,071	16	52,434	15	1,363	2.7	53,174
Hampton	1,322	162	1,578	162	256	19.4	1,638
Hartford	136,392	2	139,739	2	3,347	2.5	128,367
Hartland	1,416	161	1,866	158	450	31.8	1,946
Harwinton	4,889	119	5,228	123	339	6.9	5,444
Hebron	5,453	114	7,079	106	1,626	29.8	8,163
Kent	2,505	146	2,918	147	413	16.5	3,079
Killingly	14,519	63	15,889	64	1,370	9.4	14,904
Killingworth	3,976	130	4,814	127	838	21.1	5,544
Lebanon	4,762	121	6,041	115	1,279	26.9	6,261
Ledyard	13,735	68	14,913	68	1,178	8.6	14,369
Lisbon	3,279	137	3,790	137	511	15.6	3,829
Litchfield	7,605	101	8,365	100	760	10.0	8,787
Lyme	1,822	153	1,949	157	127	7.0	1,941
Madison	14,031	65	15,485	66	1,454	10.4	16,340
Manchester	49,761	19	51,618	16	1,857	3.7	52,554
Mansfield	20,634	43	21,103	45	469	2.3	19,173
Marlborough	4,746	122	5,535	121	789	16.6	5,795
Meriden	57,118	12	59,479	11	2,361	4.1	56,365
Middlebury	5,995	109	6,145	114	150	2.5	6,107
Middlefield	3,796	133	3,925	135	129	3.4	4,107
Middletown	39,040	22	42,762	22	3,722	9.5	44,001
Milford	50,898	17	49,938	18	-960	-1.9	50,015
Monroe	14,010	66	16,896	59	2,886	20.6	18,827
Montville	16,455	55	16,673	61	218	1.3	16,515
Morris	1,899	152	2,039	156	140	7.4	2,113
Naugatuck	26,456	32	30,625	29	4,169	15.8	30,150
New Britain	73,840	7	75,491	7	1,651	2.2	70,010
New Canaan	17,931	51	17,864	55	-67	-0.4	18,133

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	1980	Rank	1990	Rank	Number	%	DPH* Est.
New Fairfield	11,260	77	12,911	75	1,651	14.7	13,542
New Hartford	4,884	120	5,769	119	885	18.1	6,506
New Haven	126,109	3	130,474	3	4,365	3.5	122,195
New London	28,842	29	28,540	32	-302	-1.0	25,903
New Milford	19,420	46	23,629	40	4,209	21.7	25,723
Newington	28,841	30	29,208	31	367	1.3	28,447
Newtown	19,107	47	20,779	47	1,672	8.8	24,168
Norfolk	2,156	149	2,060	154	-96	-4.5	2,016
North Branford	11,554	76	12,996	74	1,442	12.5	14,030
North Canaan	3,185	139	3,284	142	99	3.1	3,414
North Haven	22,080	39	22,247	41	167	0.8	22,282
North Stonington	4,219	126	4,884	126	665	15.8	4,916
Norwalk	77,767	6	78,331	6	564	0.7	78,083
Norwich	38,074	23	37,391	25	-683	-1.8	34,852
Old Lyme	6,159	108	6,535	112	376	6.1	6,439
Old Saybrook	9,287	86	9,552	92	265	2.9	9,770
Orange	13,237	70	12,830	76	-407	-3.1	12,376
Oxford	6,634	105	8,685	96	2,051	30.9	9,096
Plainfield	12,774	73	14,363	69	1,589	12.4	15,724
Plainville	16,401	57	17,392	57	991	6.0	16,808
Plymouth	10,732	81	11,822	81	1,090	10.2	12,073
Pomfret	2,775	143	3,102	143	327	11.8	3,467
Portland	8,383	94	8,418	99	35	0.4	8,825
Preston	4,644	124	5,006	125	362	7.8	4,553
Prospect	6,807	104	7,775	105	968	14.2	8,476
Putnam	8,580	91	9,031	95	451	5.3	9,120
Redding	7,272	102	7,927	103	655	9.0	8,192
Ridgefield	20,120	44	20,919	46	799	4.0	22,332
Rocky Hill	14,559	62	16,554	62	1,995	13.7	16,799
Roxbury	1,468	160	1,825	159	357	24.3	2,035
Salem	2,335	147	3,310	141	975	41.8	3,396
Salisbury	3,896	132	4,090	134	194	5.0	4,077
Scotland	1,072	165	1,215	167	143	13.3	1,433
Seymour	13,434	69	14,288	70	854	6.4	14,610
Sharon	2,623	144	2,928	146	305	11.6	2,934
Shelton	31,314	27	35,418	26	4,104	13.1	38,262
Sherman	2,281	148	2,809	148	528	23.1	3,057
Simsbury	21,161	41	22,023	44	862	4.1	21,756
Somers	8,473	93	9,108	94	635	7.5	9,519
South Windsor	17,198	54	22,090	42	4,892	28.4	22,867
Southbury	14,156	64	15,818	65	1,662	11.7	16,747
Southington	36,879	25	38,518	24	1,639	4.4	38,917
Sprague	2,996	141	3,008	145	12	0.4	2,872
Stafford	9,268	87	11,091	85	1,823	19.7	11,748
Stamford	102,453	5	108,056	5	5,603	5.5	110,802
Sterling	1,791	155	2,357	150	566	31.6	2,851

Connecticut Resident Population Census Counts and DPH* Estimates by Town

	Population		Population		1980-90 Change		1999
	1980	Rank	1990	Rank	Number	%	DPH* Est.
Stonington	16,220	58	16,919	58	699	4.3	16,317
Stratford	50,541	18	49,389	19	-1,152	-2.3	49,010
Suffield	9,294	85	11,427	83	2,133	23.0	11,528
Thomaston	6,276	107	6,947	108	671	10.7	7,437
Thompson	8,141	96	8,668	97	527	6.5	8,697
Tolland	9,694	84	11,001	86	1,307	13.5	12,629
Torrington	30,987	28	33,687	27	2,700	8.7	34,583
Trumbull	32,989	26	32,016	28	-973	-2.9	33,710
Union	546	169	612	169	66	12.1	637
Vernon	27,974	31	29,841	30	1,867	6.7	29,301
Voluntown	1,637	157	2,113	153	476	29.1	2,260
Wallingford	37,274	24	40,822	23	3,548	9.5	41,100
Warren	1,027	167	1,226	166	199	19.4	1,342
Washington	3,657	134	3,905	136	248	6.8	4,076
Waterbury	103,266	4	108,961	4	5,695	5.5	104,263
Waterford	17,843	52	17,930	54	87	0.5	17,830
Watertown	19,489	45	20,456	49	967	5.0	21,858
West Hartford	61,301	8	60,110	10	-1,191	-1.9	58,821
West Haven	53,184	14	54,021	13	837	1.6	51,622
Westbrook	5,216	115	5,414	122	198	3.8	5,686
Weston	8,284	95	8,648	98	364	4.4	8,846
Westport	25,290	34	24,410	39	-880	-3.5	24,259
Wethersfield	26,013	33	25,651	38	-362	-1.4	25,172
Willington	4,694	123	5,979	117	1,285	27.4	5,962
Wilton	15,351	60	15,989	63	638	4.2	16,664
Winchester	10,841	80	11,524	82	683	6.3	11,033
Windham	21,062	42	22,039	43	977	4.6	21,316
Windsor	25,204	35	27,817	34	2,613	10.4	27,450
Windsor Locks	12,190	75	12,358	78	168	1.4	11,911
Wolcott	13,008	71	13,700	73	692	5.3	15,442
Woodbridge	7,761	99	7,924	104	163	2.1	8,717
Woodbury	6,942	103	8,131	102	1,189	17.1	8,827
Woodstock	5,117	117	6,008	116	891	17.4	6,719

Note: * DPH stands for Connecticut Department of Public Health

Source: U.S. Bureau of the Census

Connecticut Department of Public Health, "Estimated Populations in Connecticut as of July 1, 1999"

Connecticut Major Town Indicators

This section lists major indicators for all 169 towns, including per capita money income, median sales price of housing, general fund revenues and expenditures, equalized net grand list (ENGL), equalized mill rate, and unemployment rates. General explanations for these indicators are provided below while detailed information for each town immediately follows the explanations.

Per Capita Money Income

Money income, as defined by the Bureau of the Census (BOC) is the sum of wage or salary income; net farm self-employment income; net nonfarm self-employment income; interest, net rental and dividends income; Social Security and railroad retirement income and all other received income such as Veteran's payments, pensions, unemployment compensation and alimony. This differs from the Bureau of Economic Analysis (BEA) personal income figures, which appear annually in the *Survey of Current Business*, as the BEA's figures include non-cash items received in lieu of cash; e.g., transfer payments (such as food stamps, lodging, Medicare and Medicaid) and employer contributions to private welfare and compensation funds.

The exclusion of non-cash income, such as transfer payments and employer contributions, makes BOC's estimated per capita money income (PCMI) lower than that of BEA's per capita personal income (PCPI). In 1989, the latest available year, PCMI accounted for 82.2% of PCPI, increasing from 79.4% in 1979. The decrease in the margin between PCPI and PCMI was due to faster growth in money income accompanied by a slowdown in non-cash compensation experienced during the mid 1980s when the economy was booming. PCPI was estimated at $24,548 in 1989, an increase of 129% from $10,721 in 1979. PCMI was estimated at $20,189 in 1989, an increase of 137% from $8,511 in 1979 while non-cash compensation increased 97% during the period. The Table below shows Connecticut's PCMI and PCPI for 1979 and 1989.

Connecticut Per Capita Money Income

	1979	1989	Growth (%)
Per Capita Money Income (PCMI)	$8,511	$20,189	137
Per Capita Non-Money Income	$2,210	$4,359	97
Per Capita Personal Income (PCPI)	$10,721	$24,548	129
PCMI / PCPI (%)	79.4%	82.2%	

Source: U.S. Bureau of Census and Bureau of Economic Analysis

Median Sales Price of Housing

Median sales price is the sales price at which half of the sales are above and half below the price. The median sales price data includes the sales of single family homes, multi-family homes up to four units and condominiums. The housing market reached its all time high in 1989, the year before the recession. Since then, housing prices have dropped markedly until 1996 when they started to increase. As shown in the Table on the following page, the median sales price in 1998 was $145,000, down 6.5% from the 1989 median of $155,000. The median price bottomed at $126,000 in 1994. The decline in housing prices can be partially attributed to the demographics. While Connecticut's household formation slowed down, housing inventory continued to build up,

creating a glut in the housing market and a reduction in housing prices. Connecticut's households grew only 0.4% from 1,230,000 units in 1990 to 1,235,400 units in 1997 as estimated by the WEFA Group However, its housing inventory increased 4.2% from 1,319,741 units in 1990 to 1,374,566 units in 1997. In addition, while the state's population failed to progress for awhile, the elderly cohort, who typically migrates to warmer climates, grew, and the 25-34 age cohort, those who typically purchase their first home, declined. Connecticut's total population was estimated at 3,282,000 in 1999, dropping from its peak of 3,289,00 in 1990. During the period, population for the 25-34 age cohort fell from 581,800 to 479,900, as estimated by the WEFA Group.

As national residential sales prices continued to increase throughout the 1990s, Connecticut has bucked the trend, moving in the opposite direction until 1996. Connecticut's residential median sales price as a percentage of the U.S. stood at 166 in 1989. The ratio continued to drop to 113 by 1997. The convergence of housing prices toward the national norm demonstrates an increasing trend of affordability for the housing market in Connecticut. It also creates a more competitive economic environment for the State, attracting more businesses to locate or expand here.

Sales Price of Homes in Connecticut*

Calendar Year	1989	1990	1991	1994	1996	1997**	1998**	1989-98 (Change)
CT Median Price	$155,000	$150,000	$148,000	$126,000	$138,000	$140,000	$145,000	($10,000)
% Change	*2.0%*	*(3.2%)*	*(1.3%)*	*(14.9%)*	*9.5%*	*1.4%*	*3.6%*	*(6.5%)*
U.S. Median Price	$93,100	$95,500	$100,300	$109,800	$118,200	$123,600	N.A.	$30,500***
% Change	*4.3%*	*2.6%*	*5.0%*	*9.5%*	*7.7%*	*4.6%*		*32.8%*
CT as a % of U.S.	166	157	148	115	117	113		
Mean Sales Price	$200,623	$193,574	$195,103	$171,382	$194,593	$204,229	$215,173	$14,550
% Change	*3.4%*	*(3.5%)*	*7.9%*	*(12.2%)*	*13.5%*	*5.0%*	*5.4%*	*7.3%*
Number of Sales	39,879	32,730	31,329	50,087	39,332	42,688	50,271	10,392
% Change	*(21.5%)*	*(17.9%)*	*(4.3%)*	*59.9%*	*(21.5%)*	*8.5%*	*17.8%*	*26.1%*

* Data for 1992, 1993 & 1995 is not available.

** Data is based on assessment year provided by Office of Policy & Management and calculated by the Connecticut Economic Policy Council (CPEC). Mean Sales Price for 1998 is the average of 167 towns, excluding Southbury and Sterling for which data is not available.

*** Denotes change from 1989 to 1997.

Source: State of Connecticut, Office of Policy and Management, "Connecticut Residential Sales Price Data"
State of Connecticut, Department of Economic and Community Development, "Connecticut Town Profile, Fiscal 1993-1997"
National Association of Realtors
Connecticut Economic Policy Council

General Fund Revenues and Expenditures

The General Fund is a fund which accounts for the ordinary operations of a governmental unit and which are financed from taxes, fees, and grants, etc. For a municipality, the property tax has been the major source for general fund revenues, with a relatively minor portion coming from user fees, fines and permits, followed by intergovernmental revenues, interest income, and other miscellaneous sources. General fund expenditures include all operating outlays on local schools, police & fire departments, public works, health and human services, and other expenditures included in the municipal budget. The Table below shows municipal general fund revenues and expenditures for all 169 towns in the state for the past five years. As the table shows, the overall fiscal condition of the towns as measured by their operating results continued to remain healthy, with FY 1999 recording the ninth consecutive surplus year. The overall surplus declined to $56 million in FY 1999 from $70 million in FY 1998. There were 116 towns that experienced a surplus in FY 1999, up from 108 in FY 1998.

Municipal General Fund Revenues and Expenditures for All Towns in Connecticut
(In Millions of Dollars)

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 1995-99 Change
Property Tax Revenues	$4,560.8	$4,667.4	$4,810.2	$4,906.6	$5,076.2	$515.4
% Change	*3.6%*	*2.3%*	*3.1%*	*2.0%*	*3.4%*	*11.3%*
Intergovernmental Revenues	$1,824.7	$1,959.8	$1,956.7	$2,083.2	$2,210.9	$386.2
% Change	*2.9%*	*7.4%*	*-0.2%*	*6.5%*	*6.1%*	*21.2%*
Total GF Revenues*	**$6,839.9**	**$7,125.4**	**$7,305.1**	**$7,647.8**	**$7,877.0**	**$1,037.1**
% Change	***4.7%***	***4.2%***	***2.5%***	***4.7%***	***3.0%***	***15.2%***
Education Expenditures	$3,548.6	$3,772.2	$3,914.2	$4,081.5	$4,287.3	$738.7
% Change	*3.7%*	*6.3%*	*3.8%*	*4.3%*	*5.0%*	*20.8%*
Operating Expenditures	$2,954.8	$3,007.0	$3,057.1	$3,111.1	$3,197.0	$242.2
% Change	*2.3%*	*1.8%*	*1.7%*	*1.8%*	*2.8%*	*8.2%*
Total GF Expenditures*	**$6,750.2**	**$7,086.1**	**$7,247.3**	**$7,577.7**	**$7,820.6**	**$1,070.4**
% Change	***2.4%***	***5.0%***	***2.3%***	***4.6%***	***3.2%***	***15.9%***
Surplus/(Deficit)	**$89.7**	**$39.3**	**$57.8**	**$70.1**	**$56.4**	

* Total Revenues and Total Expenditures do not add due to miscellaneous revenues and expenditures, which have not been identified in the table above.

Source: State of Connecticut, Office of Policy and Management, "2000 Fiscal Indicators"

Equalized Net Grand List (ENGL)

The equalized net grand list is the estimate of the full fair market value of all taxable property in a municipality. Taxable property includes: (a) residential, commercial and industrial real property; (b) real property belonging to a public utility, vacant land, and land assessed according to use value

classification; (c) land bearing timber; (d) land to be included in property tax lists in certain towns; (e) motor vehicles, mobile homes, aircraft, machinery, fixtures, and equipment; and (f) others. Nontaxable properties, not included in the ENGL, include churches, hospitals, schools, libraries, and household furniture, and others as listed in Chapter 203 of the Connecticut General Statutes. The ENGL is derived from the sales-to-assessment ratio information provided by local assessors. Due to the fact that municipalities revalue their grand list once every ten years, there exist variations between the fair market value and the assessment value estimated for tax purposes. The ENGL in FY 1999 totaled $275.9 billion, up 4.7% from FY 1999, the fourth consecutive increase after five consecutive yearly declines. The ENGL can be used as a measure of a municipality's total taxable wealth. The rebound in the assessment value of the ENGL reflects that overall municipalities in Connecticut saw an improvement in their taxable base. The ENGL also serves as one of the factors used to determine some of the state's grants to municipalities, including education cost sharing, school transportation, and adult education.

Another meaningful indicator is the Equalized Mill Rate (EMR). The EMR is derived from the adjusted tax levy divided by the ENGL. The EMR can be used as a yardstick to compare the local tax burden or tax effort among municipalities. An increase in the EMR may represent an increase in the tax burden on property or increases in the tax effort as more services are needed.

Connecticut Equalized Net Grand List (ENGL)

	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Total ENGL (M$)	262,147	255,691	251,188	255,515	257,970	263,459	275,874
% Change	*(3.1%)*	*(2.5%)*	*(1.8%)*	*1.7%*	*1.0%*	*2.1%*	*4.7%*
Per Capita ENGL ($)	79,988	78,068	76,706	78,038	78,893	80,468	84,056
% Change	*(3.0%)*	*(2.4%)*	*(1.7%)*	*1.7%*	*1.1%*	*2.0%*	*4.5%*
Equalized Mill Rate (Per $1,000 Assessed Value)	16.6	17.2	18.0	18.1	18.5	18.5	18.2

Source: State of Connecticut, Office of Policy and Management, Intergovernmental Policy Division, "Municipal Fiscal Indicators"

The Office of Policy and Management provides other fiscal indicators in their publication, "Fiscal Indicators", for the 169 towns in the state. For more information, please contact:

State of Connecticut
Office of Policy and Management
Intergovernmental Policy Division
450 Capitol Avenue, MS-54MFS
Hartford, Connecticut 06106-1308
(860) 418-6400

Town Major Indicators

Town	1989 Per Capita Money Income	Rank	1998* Median Sales Price	FY 1999 GF Revenue (1000's)	FY 1999 GF Outlay (1000's)	1999 ENGL (1000's)	1999 Equal. Mill Rate	1999 Unemp. Rate (%)
TOTAL-CONNECTICUT	**$20,189**		**$145,000**	**$7,877 M**	**$7,821 M**	**$275.9 B**	**18.2**	**3.2%**
Andover	18,786	96	141,930	5,601	5,720	189,053	28.40	2.0
Ansonia	14,833	152	115,000	35,771	34,602	850,087	30.60	4.8
Ashford	17,376	122	108,500	8,058	8,148	217,505	28.00	2.4
Avon	34,204	9	220,500	38,666	36,998	1,923,574	22.00	1.7
Barkhamsted	20,244	72	145,000	7,032	6,556	285,028	21.60	1.9
Beacon Falls	18,020	109	120,000	9,997	9,182	332,695	25.00	3.1
Berlin	19,974	75	145,000	46,485	43,578	1,719,418	29.40	2.8
Bethany	22,722	47	205,000	12,287	12,421	450,277	26.49	1.8
Bethel	20,528	68	177,500	38,278	37,381	1,570,749	21.37	2.2
Bethlehem	20,709	67	170,000	6,591	6,508	299,408	20.33	2.9
Bloomfield	22,478	51	120,000	43,977	42,779	1,656,793	24.74	3.1
Bolton	21,017	62	149,000	11,313	10,707	341,434	26.55	2.3
Bozrah	15,814	141	109,900	4,545	4,956	185,985	21.00	3.2
Branford	22,642	49	138,000	57,430	57,045	2,651,338	23.53	2.6
Bridgeport	13,156	165	90,000	352,394	354,381	4,657,771	65.50	6.1
Bridgewater	29,991	16	255,000	4,062	3,823	246,669	19.44	2.0
Bristol	16,909	127	110,000	118,108	100,018	3,343,721	26.50	3.6
Brookfield	24,277	37	191,300	32,136	30,474	1,688,250	25.10	2.2
Brooklyn	15,697	145	117,000	13,949	14,423	356,206	21.00	3.0
Burlington	21,797	57	181,450	16,371	15,927	637,525	21.50	2.3
Canaan	20,998	63	100,000	3,096	2,927	103,324	31.75	1.6
Canterbury	14,531	156	107,450	10,554	9,606	252,484	22.91	3.4
Canton	23,489	40	151,500	18,675	17,920	687,986	22.32	2.2
Chaplin	17,014	126	98,100	5,198	5,127	123,665	19.00	2.0
Cheshire	23,204	41	175,000	64,587	64,031	2,279,281	27.80	2.1
Chester	19,908	78	175,000	7,307	7,120	379,291	19.75	1.8
Clinton	17,698	117	148,625	31,095	28,937	1,087,918	28.12	2.3
Colchester	17,143	125	135,000	29,742	30,705	800,439	26.12	2.8
Colebrook	18,568	102	135,000	3,255	2,970	144,542	23.10	1.2
Columbia	20,762	65	138,000	9,443	9,167	376,679	22.50	2.0
Cornwall	30,270	15	210,000	3,995	3,599	262,167	18.75	1.1
Coventry	17,725	116	125,000	21,394	21,231	654,721	24.00	2.6
Cromwell	20,518	69	104,000	24,563	23,872	848,563	24.23	2.7
Danbury	19,300	89	145,250	134,302	144,797	5,468,845	19.13	2.9
Darien	51,795	2	539,000	56,304	56,312	5,271,193	17.05	1.3
Deep River	18,995	93	135,500	8,287	9,574	381,855	22.40	2.3
Derby	16,819	128	100,250	22,534	21,455	612,384	30.70	4.0
Durham	19,647	83	182,500	14,328	13,801	523,583	27.25	2.1

Town	1989 Per Capita Money Income	Rank	1998* Median Sales Price	FY 1999 GF Revenue (1000's)	FY 1999 GF Outlay (1000's)	1999 ENGL (1000's)	1999 Equal. Mill Rate	1999 Unemp. Rate (%)
East Granby	23,171	42	145,000	11,890	10,120	467,664	22.20	2.9
East Haddam	18,709	97	134,000	16,881	17,031	635,705	27.20	3.0
East Hampton	19,123	91	120,000	24,631	24,042	726,037	24.49	3.1
East Hartford	16,575	137	89,250	103,593	97,320	2,638,748	38.87	4.0
East Haven	16,389	140	107,000	57,950	56,734	1,362,209	36.95	3.5
East Lyme	20,004	74	140,000	36,723	37,484	1,290,771	27.50	2.4
East Windsor	17,388	121	96,750	20,034	19,553	760,501	26.00	3.1
Eastford	16,433	138	124,900	3,446	3,326	112,059	31.53	2.2
Easton	33,725	11	413,000	19,764	19,176	1,161,721	25.20	1.9
Ellington	19,710	81	136,000	25,585	24,434	722,657	26.50	2.4
Enfield	16,723	133	113,250	87,505	82,473	2,565,321	28.95	3.1
Essex	26,590	28	190,000	10,951	10,583	779,536	14.00	2.6
Fairfield	26,895	26	260,500	136,221	134,931	7,576,194	26.50	2.3
Farmington	28,286	21	151,700	54,992	51,519	2,785,132	22.80	2.4
Franklin	16,756	129	133,500	4,265	4,151	170,910	20.95	2.3
Glastonbury	26,073	29	182,000	68,853	70,150	2,861,750	29.90	2.0
Goshen	22,241	53	180,000	5,404	5,203	346,415	22.80	2.1
Granby	23,869	38	171,225	23,194	21,622	752,532	27.81	1.9
Greenwich	46,070	4	592,000	212,523	198,670	19,723,845	17.04	1.5
Griswold	13,703	160	99,950	24,118	24,158	509,733	22.50	3.6
Groton	15,454	148	116,500	88,409	83,128	3,003,554	24.45	3.3
Guilford	24,583	34	223,862	50,445	47,784	2,204,274	30.23	2.0
Haddam	22,649	48	156,500	16,854	16,507	751,167	28.50	2.2
Hamden	19,383	88	118,000	114,035	116,625	3,073,948	35.06	2.9
Hampton	17,369	123	128,000	4,210	4,149	98,242	28.00	2.5
Hartford	11,081	169	77,000	428,577	393,599	4,399,685	29.88	6.2
Hartland	17,787	114	151,000	4,421	4,235	156,230	21.75	2.0
Harwinton	23,636	39	146,500	11,146	11,076	391,758	20.50	2.8
Hebron	20,087	73	163,000	18,150	17,343	551,305	29.49	2.7
Kent	22,112	55	155,000	6,653	5,591	352,716	19.07	1.2
Killingly	13,438	162	88,000	31,559	28,332	817,660	20.50	5.5
Killingworth	19,967	76	215,000	11,796	10,924	498,524	26.50	2.1
Lebanon	16,756	130	127,500	14,958	14,667	434,799	19.20	2.9
Ledyard	18,557	103	131,500	32,817	31,534	920,672	28.90	2.1
Lisbon	14,917	150	116,000	8,174	7,771	223,439	16.50	3.0
Litchfield	21,698	59	166,000	16,856	16,435	783,799	20.00	2.2
Lyme	28,786	19	245,000	4,102	4,081	342,138	12.50	1.6
Madison	29,334	17	241,000	39,886	37,319	2,021,016	22.56	2.1
Manchester	18,654	98	104,000	101,149	97,769	2,977,727	23.79	3.0
Mansfield	13,502	161	121,700	26,842	25,499	660,473	25.56	1.9

Town	1989 Per Capita Money Income	Rank	1998* Median Sales Price	FY 1999 GF Revenue (1000's)	FY 1999 GF Outlay (1000's)	1999 ENGL (1000's)	1999 Equal. Mill Rate	1999 Unemp. Rate (%)
Marlborough	21,792	58	161,450	12,056	11,501	399,463	30.20	2.1
Meriden	15,618	146	87,000	121,168	127,853	2,533,561	35.80	3.9
Middlebury	25,715	30	174,650	14,929	14,645	733,086	29.70	2.1
Middlefield	18,193	106	139,900	8,596	7,975	329,153	29.28	2.6
Middletown	17,814	113	108,000	84,045	72,095	2,695,927	24.40	3.3
Milford	19,099	92	147,500	118,765	114,113	4,508,846	31.06	3.1
Monroe	21,441	60	223,250	44,873	43,490	1,835,518	23.97	2.6
Montville	15,743	144	111,250	38,676	36,977	1,113,093	26.00	3.2
Morris	18,550	104	192,000	5,308	5,003	234,009	24.18	2.1
Naugatuck	16,691	134	110,000	68,922	66,902	1,539,922	55.60	3.5
New Britain	14,715	154	74,000	156,868	131,793	2,018,768	49.48	5.5
New Canaan	52,692	1	641,000	60,114	59,595	5,064,544	17.87	1.3
New Fairfield	23,031	44	208,240	29,799	28,664	1,386,580	24.90	2.3
New Hartford	19,267	90	137,600	14,043	13,914	467,675	21.00	2.3
New Haven	12,968	167	81,000	330,325	321,424	3,818,693	35.04	3.9
New London	12,971	166	86,625	62,933	57,432	980,763	27.30	4.9
New Milford	20,482	70	162,500	62,148	60,856	2,241,667	27.52	2.2
Newington	19,668	82	117,000	60,443	56,230	2,067,773	27.17	2.6
Newtown	22,747	46	245,000	57,784	55,547	2,503,266	26.90	1.9
Norfolk	22,215	54	169,000	5,197	5,059	207,253	23.72	2.0
North Branford	19,408	87	159,000	28,904	28,962	957,127	28.67	2.6
North Canaan	15,049	149	87,000	7,190	7,615	258,106	22.70	1.5
North Haven	21,335	61	155,000	58,309	58,232	2,610,606	24.10	2.4
North Stonington	18,019	110	129,500	12,552	12,439	386,833	24.25	2.8
Norwalk	23,075	43	212,500	190,391	188,566	8,431,673	46.44	2.8
Norwich	14,844	151	85,000	81,308	76,956	1,719,567	25.15	4.4
Old Lyme	25,258	31	182,000	16,647	16,189	1,103,931	18.75	2.3
Old Saybrook	24,409	35	169,000	23,278	21,739	1,394,504	15.67	2.4
Orange	26,860	27	209,900	32,068	33,541	1,503,542	23.70	2.0
Oxford	18,961	94	186,000	20,428	23,165	790,869	31.43	2.8
Plainfield	12,935	168	91,500	31,639	31,170	673,737	21.45	3.9
Plainville	17,207	124	100,900	36,338	35,046	1,113,055	28.20	3.6
Plymouth	16,610	136	115,000	26,527	26,114	637,619	33.50	3.8
Pomfret	19,777	80	160,500	7,003	6,454	234,837	20.45	2.8
Portland	19,641	84	140,000	18,620	17,497	611,991	29.63	2.8
Preston	17,643	118	134,500	9,928	8,916	289,346	19.50	2.3
Prospect	17,482	120	164,000	14,389	18,672	622,121	25.80	2.7
Putnam	14,550	155	90,000	15,476	15,943	461,688	14.25	3.9
Redding	37,193	8	389,000	22,243	21,672	1,327,152	20.90	1.5
Ridgefield	34,103	10	342,000	61,268	60,991	3,923,450	21.52	1.5

Town	1989 Per Capita Money Income	Rank	1998* Median Sales Price	FY 1999 GF Revenue (1000's)	FY 1999 GF Outlay (1000's)	1999 ENGL (1000's)	1999 Equal. Mill Rate	1999 Unemp. Rate (%)
Rocky Hill	21,918	56	125,000	36,056	34,233	1,312,961	21.90	2.3
Roxbury	28,024	23	312,000	5,329	5,383	382,831	17.50	1.4
Salem	17,990	111	168,750	9,152	9,005	261,741	29.00	2.6
Salisbury	32,706	12	217,500	8,390	8,057	650,276	14.90	0.9
Scotland	15,765	143	122,500	3,486	3,343	86,061	24.01	2.2
Seymour	18,031	107	144,900	28,750	33,421	909,925	25.75	3.8
Sharon	31,115	14	191,250	6,127	6,035	398,216	17.00	1.0
Shelton	20,256	71	185,000	71,293	67,885	3,650,059	24.13	3.3
Sherman	31,721	13	221,000	6,352	6,203	471,522	15.90	2.0
Simsbury	28,347	20	205,000	51,813	50,714	2,100,094	31.20	1.6
Somers	18,592	100	175,000	19,216	18,627	612,659	22.56	2.9
South Windsor	22,823	45	141,900	57,671	55,334	1,834,827	33.05	2.3
Southbury	22,569	50	N.A.	34,578	31,234	1,994,998	21.50	2.5
Southington	19,954	77	136,450	76,099	73,581	2,814,069	26.10	2.8
Sprague	14,531	157	85,000	5,559	5,502	160,216	21.00	4.8
Stafford	15,550	147	101,875	25,113	24,160	627,423	25.10	2.9
Stamford	27,092	24	236,750	277,467	261,579	14,215,155	28.50	2.5
Sterling	13,174	164	N.A.	5,598	5,251	160,307	22.50	3.6
Stonington	20,808	64	151,250	35,083	36,032	1,842,826	22.85	2.5
Stratford	18,574	101	135,000	111,256	111,894	3,708,164	33.50	3.4
Suffield	24,281	36	149,900	28,394	25,611	895,656	23.33	2.6
Thomaston	17,833	112	115,000	16,133	14,549	467,587	26.44	3.5
Thompson	14,367	158	96,000	15,038	13,638	460,593	17.90	3.0
Tolland	19,794	79	146,250	27,387	25,752	871,971	28.00	2.0
Torrington	16,407	139	94,000	70,281	70,554	1,917,994	25.26	3.4
Trumbull	25,048	33	225,000	76,642	76,563	3,567,080	25.00	2.5
Union	16,667	135	122,000	1,464	1,334	52,291	17.14	2.8
Vernon	18,888	95	115,000	56,867	54,795	1,437,179	29.10	2.6
Voluntown	14,766	153	121,400	5,563	5,147	135,158	24.00	6.3
Wallingford	18,231	105	135,000	91,074	89,943	3,420,791	24.80	3.0
Warren	28,226	22	191,500	2,668	2,591	175,107	20.75	1.8
Washington	29,274	18	250,000	9,553	8,437	678,400	17.50	1.8
Waterbury	14,209	159	76,000	238,417	244,337	4,138,926	74.64	4.8
Waterford	19,537	86	124,900	58,248	50,396	4,922,453	14.93	2.8
Watertown	17,778	115	130,000	42,180	41,796	1,511,518	21.36	2.9
West Hartford	26,943	25	145,000	135,972	131,639	4,411,445	30.05	2.4
West Haven	15,810	142	107,950	106,272	106,940	2,284,060	34.46	3.5
Westbrook	20,758	66	145,000	14,060	13,363	789,549	21.00	2.8
Weston	48,498	3	580,000	34,780	32,938	2,137,099	24.05	1.5
Westport	45,640	5	505,000	93,666	86,541	7,256,319	24.50	1.6

Town	1989 Per Capita Money Income	Rank	1998* Median Sales Price	FY 1999 GF Revenue (1000's)	FY 1999 GF Outlay (1000's)	1999 ENGL (1000's)	1999 Equal. Mill Rate	1999 Unemp. Rate (%)
Wethersfield	22,246	52	137,800	49,130	44,153	1,961,788	22.96	2.7
Willington	16,738	132	119,950	10,617	10,384	372,511	19.35	1.9
Wilton	41,249	6	445,000	53,531	53,372	3,517,321	23.36	1.4
Winchester	16,741	131	104,000	23,000	22,502	615,833	30.16	3.7
Windham	13,200	163	78,418	47,556	49,392	757,890	22.80	4.0
Windsor	19,592	85	127,300	59,900	53,048	2,275,472	22.10	3.0
Windsor Locks	17,593	119	104,000	27,293	24,667	1,117,935	17.45	3.0
Wolcott	18,029	108	126,950	33,317	33,063	944,238	28.39	3.0
Woodbridge	38,008	7	277,500	24,850	23,600	1,086,052	28.98	1.9
Woodbury	25,096	32	179,000	15,567	15,769	809,580	19.45	2.3
Woodstock	18,649	99	120,500	14,790	13,242	483,672	25.70	2.8

* 1999 median residential sales prices are calculated by the Connecticut Economic Policy Council based on data from October 1, 1998 through September 30, 1999 provided by Office

Source: U.S. Department of Commerce, Bureau of the Census, "Current Population Reports, Series P-26, No. 88-NE-SC"

Connecticut Economic Policy Council (CEPC)

State of Connecticut, Office of Policy and Management, Intergovernmental Policy Division, "Municipal Fiscal Indicators, Fiscal Year Ended, 1995-1999", October 2000

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 1
U.S. ECONOMIC VARIABLES

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross Domestic Product ($B)	5,885.1	6,139.2	6,483.5	6,838.6	7,238.5	7,593.6	8,061.1	8,556.6	9,025.0	9,649.8
Percent Change	4.0%	4.3%	5.6%	5.5%	5.8%	4.9%	6.2%	6.1%	5.5%	6.9%
Real GDP	6,670.9	6,759.0	6,977.6	7,197.6	7,455.8	7,665.7	7,980.4	8,340.0	8,676.3	9,125.2
Percent Change	0.0%	1.3%	3.2%	3.2%	3.6%	2.8%	4.1%	4.5%	4.0%	5.2%
GDP Deflator ('96=100)	88.2	90.8	92.9	95.0	97.1	99.1	101.0	102.6	104.0	105.7
Percent Change	4.0%	2.9%	2.3%	2.2%	2.2%	2.0%	2.0%	1.6%	1.4%	1.7%
Housing Starts (K)	1,017.5	1,130.0	1,212.5	1,397.5	1,382.5	1,450.0	1,457.5	1,530.0	1,675.0	1,670.0
Percent Change	-23.6%	11.1%	7.3%	15.3%	-1.1%	4.9%	0.5%	5.0%	9.5%	-0.3%
Unemployment Rate	6.3%	7.2%	7.3%	6.6%	5.7%	5.6%	5.2%	4.6%	4.4%	4.1%
New Vehicle Sales (M)	12.8	12.6	13.3	14.6	14.9	15.0	14.9	15.3	15.9	17.4
Percent Change	-10.5%	-1.7%	5.7%	9.7%	2.0%	1.2%	-0.6%	2.6%	3.9%	9.0%
Consumer Price Index ('82-'84=100)	134.0	138.3	142.6	146.3	150.5	154.6	159.0	161.9	164.7	169.4
Percent Change	5.5%	3.2%	3.1%	2.6%	2.9%	2.7%	2.8%	1.8%	1.7%	2.9%
Industrial Production Index ('92=100)	97.4	98.4	101.9	105.8	112.2	116.5	123.1	130.2	134.3	140.9
Percent Change	-1.5%	1.0%	3.5%	3.8%	6.1%	3.8%	5.7%	5.8%	3.2%	4.9%
Personal Income ($B)	4,999.2	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,161.7	7,587.9	8,037.2
Percent Change	5.3%	4.6%	5.2%	4.4%	5.7%	4.9%	5.9%	6.3%	6.0%	5.9%
Real Personal Income ($B)	3,730.5	3,779.7	3,856.1	3,921.4	4,028.1	4,113.7	4,236.5	4,424.4	4,607.7	4,744.6
Percent Change	-0.2%	1.3%	2.0%	1.7%	2.7%	2.1%	3.0%	4.4%	4.1%	3.0%
Disposable Personal Income ($B)	4,388.6	4,607.4	4,844.3	5,035.6	5,314.0	5,540.2	5,820.3	6,142.3	6,478.4	6,817.7
Percent Change	5.8%	5.0%	5.1%	3.9%	5.5%	4.3%	5.1%	5.5%	5.5%	5.2%
Disposable Personal Income ($B in 1996$)	5,015.3	5,102.6	5,221.4	5,319.9	5,484.7	5,600.8	5,758.2	5,994.5	6,238.4	6,424.8
Percent Change	1.0%	1.7%	2.3%	1.9%	3.1%	2.1%	2.8%	4.1%	4.1%	3.0%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	4,999.2	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,161.7	7,587.9	8,037.2
Percent Change	5.3%	4.5%	5.2%	4.4%	5.7%	4.9%	5.9%	6.3%	6.0%	5.9%
Wages & Salaries	2,791.0	2,891.3	3,028.2	3,163.8	3,337.1	3,517.4	3,752.1	4,039.2	4,329.8	4,621.5
Percent Change	4.3%	3.6%	4.7%	4.5%	5.5%	5.4%	6.7%	7.6%	7.2%	6.7%
Manufacturing Income	560.1	571.8	585.3	607.3	637.2	657.9	695.1	740.9	767.3	800.0
Percent Change	1.1%	2.1%	2.4%	3.8%	4.9%	3.2%	5.7%	6.6%	3.6%	4.3%
Nonmanufacturing Income	2,230.8	2,319.5	2,442.9	2,556.6	2,699.9	2,859.5	3,057.0	3,298.3	3,562.5	3,821.5
Percent Change	5.1%	4.0%	5.3%	4.7%	5.6%	5.9%	6.9%	7.9%	8.0%	7.3%
Other Labor Income	402.5	431.9	466.5	498.4	504.7	491.6	484.7	476.9	493.0	511.2
Percent Change	7.2%	7.3%	8.0%	6.8%	1.3%	-2.6%	-1.4%	-1.6%	3.4%	3.7%
Proprietor's Income	381.3	408.5	451.1	468.8	484.6	520.9	563.2	599.6	642.0	688.2
Percent Change	3.2%	7.1%	10.4%	3.9%	3.4%	7.5%	8.1%	6.5%	7.1%	7.2%
Farm Income	28.5	29.1	32.4	32.8	23.6	28.8	32.5	26.8	26.8	22.0
Percent Change	-9.4%	1.9%	11.4%	1.2%	-28.1%	22.3%	12.8%	-17.4%	-0.1%	-18.1%
Nonfarm Income	352.8	379.4	418.7	436.0	461.0	492.1	530.7	572.7	615.2	666.3
Percent Change	4.4%	7.5%	10.4%	4.1%	5.7%	6.7%	7.8%	7.9%	7.4%	8.3%
Rental Income	54.8	59.6	76.3	99.6	115.9	124.3	130.2	128.4	143.2	142.3
Percent Change	38.9%	8.8%	27.9%	30.6%	16.3%	7.3%	4.7%	-1.4%	11.5%	-0.6%
Personal Dividend Income	170.1	180.1	193.4	217.7	247.2	273.2	316.5	346.2	358.6	383.3
Percent Change	4.3%	5.8%	7.4%	12.6%	13.5%	10.5%	15.8%	9.4%	3.6%	6.9%
Personal Interest Income	778.1	764.0	737.6	719.1	776.2	799.1	832.0	906.3	950.3	1,000.3
Percent Change	3.2%	-1.8%	-3.5%	-2.5%	7.9%	3.0%	4.1%	8.9%	4.9%	5.3%
Transfer Payments	630.9	712.1	777.1	816.7	858.8	909.1	946.8	972.4	998.0	1,040.2
Percent Change	11.3%	12.9%	9.1%	5.1%	5.2%	5.9%	4.1%	2.7%	2.6%	4.2%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Less:										
Contributions to										
Social Insurance	209.5	220.8	231.7	245.7	261.6	274.1	288.9	307.1	326.9	349.8
Percent Change	6.1%	5.4%	4.9%	6.1%	6.5%	4.8%	5.4%	6.3%	6.5%	7.0%
Equals:										
Personal Income	4,999.2	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,161.7	7,587.9	8,037.2
Percent Change	5.3%	4.5%	5.2%	4.4%	5.7%	4.9%	5.9%	6.3%	6.0%	5.9%
Less:										
Personal Taxes	610.6	619.2	654.0	702.8	748.8	821.1	916.4	1,019.4	1,109.5	1,219.5
Percent Change	2.1%	1.4%	5.6%	7.5%	6.5%	9.7%	11.6%	11.2%	8.8%	9.9%
Equals:										
Disposable Personal										
Income	4,388.6	4,607.4	4,844.3	5,035.6	5,314.0	5,540.2	5,820.3	6,142.3	6,478.4	6,817.7
Percent Change	5.8%	5.0%	5.1%	3.9%	5.5%	4.3%	5.1%	5.5%	5.5%	5.2%
Less:										
Personal Outlays	3,907.1	4,079.1	4,329.0	4,584.6	4,846.7	5,103.0	5,375.6	5,685.1	6,047.0	6,523.5
Percent Change	5.1%	4.4%	6.1%	5.9%	5.7%	5.3%	5.3%	5.8%	6.4%	7.9%
Equals:										
Personal Savings	350.6	396.3	385.0	320.9	326.5	276.9	267.9	262.3	218.5	63.4
Percent Change	13.2%	13.0%	-2.9%	-16.6%	1.7%	-15.2%	-3.3%	-2.1%	-16.7%	-71.0%
Personal Savings Rate	8.0%	8.6%	7.9%	6.4%	6.1%	5.0%	4.6%	4.3%	3.4%	0.9%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Establishment Employment	10,883.8	10,822.0	10,946.0	11,226.0	11,591.3	11,827.3	12,110.0	12,430.5	12,734.5	13,025.5
Percent Change	-0.0%	-0.6%	1.2%	2.6%	3.3%	2.0%	2.4%	2.7%	2.5%	2.3%
Private Est. Employ.	9,049.3	8,970.0	9,072.5	9,329.8	9,668.3	9,892.5	10,164.5	10,464.0	10,735.0	10,982.8
Percent Change	-0.3%	-0.9%	1.1%	2.8%	3.6%	2.3%	2.8%	3.0%	2.6%	2.3%
Goods Producing	2,430.0	2,342.5	2,324.0	2,357.8	2,417.3	2,433.3	2,471.5	2,524.3	2,545.5	2,559.5
Percent Change	-3.5%	-3.6%	-0.8%	1.5%	2.5%	0.7%	1.6%	2.1%	0.8%	0.6%
Manufacturing	1,872.0	1,823.0	1,808.0	1,814.8	1,848.8	1,848.8	1,856.0	1,881.0	1,866.5	1,849.3
Percent Change	-2.8%	-2.6%	-0.8%	0.4%	1.9%	0.0%	0.4%	1.4%	-0.8%	-0.9%
Construction	487.3	453.8	454.0	482.5	509.3	526.8	556.8	583.3	623.0	657.0
Percent Change	-6.5%	-6.9%	0.1%	6.3%	5.5%	3.4%	5.7%	4.8%	6.8%	5.5%
Mining	70.8	65.8	62.0	60.5	59.3	57.8	58.8	60.0	56.0	53.3
Percent Change	0.7%	-7.1%	-5.7%	-2.4%	-2.1%	-2.5%	1.7%	2.1%	-6.7%	-4.9%
Private Service Producing Estb.	6,619.0	6,627.8	6,748.5	6,972.5	7,250.8	7,458.8	7,693.0	7,939.5	8,189.8	8,423.5
Percent Change	0.9%	0.1%	1.8%	3.3%	4.0%	2.9%	3.1%	3.2%	3.2%	2.9%
Trans. & Public Util.	577.5	572.8	575.5	588.8	607.0	619.0	633.5	649.5	672.3	691.3
Percent Change	1.4%	-0.8%	0.5%	2.3%	3.1%	2.0%	2.3%	2.5%	3.5%	2.8%
Wholesale & Retail	2,557.8	2,531.8	2,547.8	2,615.8	2,719.3	2,779.0	2,837.3	2,885.0	2,941.0	2,996.5
Percent Change	-0.7%	-1.0%	0.6%	2.7%	4.0%	2.2%	2.1%	1.7%	1.9%	1.9%
Finance, Insurance & Real Estate	670.0	659.8	665.5	686.8	684.0	684.0	7000.0	724.8	749.8	760.5
Percent Change	0.2%	-1.5%	0.9%	3.2%	-0.4%	0.0%	2.3%	3.5%	3.5%	1.4%
Other Services	2,813.8	2,863.5	2,959.8	3,081.3	3,240.5	3,376.8	3,522.3	3,680.3	3,826.8	3,975.3
Percent Change	2.4%	1.8%	3.4%	4.1%	5.2%	4.2%	4.3%	4.5%	4.0%	3.9%
Gov't Enterprises	1,834.8	1,852.0	1,873.5	1,895.8	1,923.3	1,934.8	1,945.8	1,966.3	1,999.5	2,043.5
Percent Change	1.5%	0.9%	1.2%	1.2%	1.5%	0.6%	0.6%	1.1%	1.7%	2.2%
Civilian Labor Force	12,609.0	12,712.3	12,862.0	13,009.5	13,180.0	13,289.9	13,525.5	13,699.3	13,856.3	14,027.0
Percent Change	0.9%	0.8%	1.2%	1.2%	1.3%	0.8%	1.8%	1.3%	1.2%	1.2%
Unemployment Rate	6.3%	7.2%	7.3%	6.6%	5.7%	5.6%	5.2%	4.6%	4.4%	4.1%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All Items – Urban Consumers	134.0	138.3	142.6	146.3	150.5	154.6	159.0	161.9	164.7	169.4
Percent Change	5.5%	3.2%	3.1%	2.6%	2.9%	2.7%	2.8%	1.8%	1.7%	2.9%
Food & Beverages	135.0	137.6	140.1	143.1	147.1	150.9	156.2	159.4	162.9	166.2
Percent Change	5.0%	2.0%	1.8%	2.2%	2.7%	2.6%	3.5%	2.0%	2.2%	2.0%
Housing	131.3	135.5	139.3	143.0	146.4	150.5	154.8	158.4	162.0	166.2
Percent Change	4.6%	3.1%	2.8%	2.7%	2.4%	2.8%	2.9%	2.3%	2.2%	2.6%
Energy	104.4	101.4	104.0	103.3	105.4	106.6	111.3	107.1	101.4	115.3
Percent Change	9.0%	-2.9%	2.6%	-0.7%	2.1%	1.1%	4.3%	-3.7%	-5.3%	13.7%
Commodities	125.4	127.7	130.6	132.3	135.4	138.0	141.2	141.9	142.8	147.0
Percent Change	5.1%	1.9%	2.2%	1.3%	2.3%	1.9%	2.3%	0.4%	0.6%	3.0%
Apparel	126.3	130.7	133.0	133.8	132.5	132.1	132.1	132.9	132.1	130.5
Percent Change	4.4%	3.4%	1.8%	0.6%	-1.0%	-0.3%	0.0%	0.6%	-0.6%	-1.2%
Transportation	123.6	124.8	128.7	131.9	137.6	140.8	144.4	143.0	141.7	149.5
Percent Change	6.5%	1.0%	3.1%	2.5%	4.3%	2.4%	2.5%	-0.9%	-0.9%	5.5%
Services	143.1	149.3	154.9	160.7	165.9	171.4	176.9	181.9	186.5	191.7
Percent Change	5.8%	4.3%	3.8%	3.7%	3.2%	3.3%	3.3%	2.8%	2.5%	2.8%
Medical Care	170.4	183.9	196.1	206.4	216.2	224.8	231.8	238.2	246.6	255.7
Percent Change	9.4%	8.0%	6.6%	5.3%	4.7%	4.0%	3.1%	2.8%	3.5%	3.7%
Other Goods & Services	165.9	178.2	190.0	195.6	203.3	212.1	220.5	231.4	248.9	265.5
Percent Change	7.9%	7.4%	6.6%	3.0%	4.0%	4.3%	4.0%	5.0%	7.5%	6.7%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 6
PERSONAL INCOME
(BILLIONS $--SAAR)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	88.27	90.52	95.18	98.49	102.26	106.65	112.75	119.34	125.66	132.57
Percent Change	2.2%	2.6%	5.2%	3.5%	3.8%	4.3%	5.7%	5.8%	5.3%	5.5%
Disposable Personal Income	76.91	78.20	81.55	84.27	87.14	89.93	93.54	97.36	101.65	106.29
Percent Change	3.8%	1.7%	4.3%	3.3%	3.4%	3.2%	4.0%	4.1%	4.4%	4.6%
Total Wages	51.95	52.74	54.69	56.66	58.75	62.29	66.79	71.54	76.07	80.83
Percent Change	2.1%	1.5%	3.7%	3.6%	3.7%	6.0%	7.2%	7.1%	6.3%	6.3%
Manufacturing Wages	12.88	12.97	12.94	12.89	13.11	13.63	14.58	15.37	16.25	16.27
Percent Change	1.5%	0.7%	-0.2%	-0.4%	1.7%	4.0%	7.0%	5.4%	5.7%	0.1%
Nonmanufacturing Wages	39.07	39.77	41.74	43.77	45.64	48.66	52.21	56.17	59.81	64.55
Percent Change	2.3%	1.8%	5.0%	4.9%	4.3%	6.6%	7.3%	7.6%	6.5%	7.9%
Other Labor Income	7.19	7.44	7.86	8.22	8.13	8.12	8.02	7.68	7.86	8.11
Percent Change	2.7%	3.5%	5.6%	4.6%	-1.1%	-0.1%	-1.3%	-4.2%	2.2%	3.2%
Proprietor's Income	5.66	6.02	7.03	7.56	7.97	7.97	8.47	9.29	9.92	10.68
Percent Change	0.1%	6.3%	16.7%	7.7%	5.3%	0.0%	6.2%	9.7%	6.8%	7.7%
Property Income	18.15	17.72	18.03	18.37	19.27	19.73	20.81	22.05	23.13	24.14
Percent Change	-1.0%	-2.3%	1.7%	1.9%	4.9%	2.4%	5.5%	6.0%	4.9%	4.4%
Transfer Payments Less Social Insurance	5.31	6.59	7.59	7.68	8.15	8.55	8.67	8.77	8.69	8.81
Percent Change	18.7%	24.1%	15.1%	1.1%	6.1%	4.9%	1.4%	1.1%	-0.9%	1.4%
Transfer Payments	9.04	10.44	11.58	11.87	12.56	13.23	13.64	14.04	14.26	14.74
Percent Change	12.3%	15.5%	10.9%	2.5%	5.8%	5.3%	3.2%	2.9%	1.5%	3.4%
Social Insurance	3.73	3.85	3.99	4.19	4.41	4.68	4.97	5.27	5.57	5.93
Percent Change	4.3%	3.2%	3.6%	5.2%	5.2%	6.0%	6.3%	6.0%	5.6%	6.6%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 7
DEFLATED PERSONAL INCOME
(BILLIONS 92$--SAAR)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	100.05	99.67	102.44	103.67	105.34	107.67	111.64	116.32	120.81	125.37
Percent Change	-1.8%	-0.4%	2.8%	1.2%	1.6%	2.2%	3.7%	4.2%	3.9%	3.8%
Disposable Personal Income	87.18	86.10	87.77	88.70	89.76	90.79	92.61	94.90	97.73	100.52
Percent Change	-0.2%	-1.2%	1.9%	1.1%	1.2%	1.2%	2.0%	2.5%	3.0%	2.9%
Total Wages	58.89	58.07	58.85	59.64	60.52	62.88	66.13	69.73	73.13	76.44
Percent Change	-1.9%	-1.4%	1.3%	1.3%	1.5%	3.9%	5.2%	5.4%	4.9%	4.5%
Manufacturing Wages	14.60	14.28	13.93	13.57	13.50	13.76	14.43	14.98	15.63	15.39
Percent Change	-2.4%	-2.2%	-2.5%	-2.6%	-0.5%	1.9%	4.9%	3.8%	4.3%	-1.5%
Nonmanufacturing Wages	44.29	43.79	44.93	46.07	47.01	49.12	51.70	54.75	57.51	61.05
Percent Change	-1.7%	-1.1%	2.6%	2.6%	2.0%	4.5%	5.2%	5.9%	5.0%	6.2%
Other Labor Income	8.15	8.19	8.45	8.65	8.38	8.20	7.94	7.49	7.55	7.67
Percent Change	1.3%	0.5%	3.2%	2.3%	-3.2%	-2.1%	-3.2%	-5.7%	0.8%	1.5%
Proprietor's Income	6.42	6.63	7.56	7.96	8.21	8.05	8.38	9.05	9.53	10.10
Percent Change	-3.8%	3.2%	14.1%	5.3%	3.1%	-2.0%	4.2%	8.0%	5.3%	6.0%
Property Income	20.57	19.52	19.40	19.33	19.85	19.91	20.60	21.49	22.24	22.83
Percent Change	-4.8%	-5.1%	-0.6%	-0.4%	2.7%	0.3%	3.4%	4.3%	3.5%	2.7%
Transfer Payments Less Social Insurance	6.02	7.26	8.17	8.08	8.39	8.63	8.59	8.55	8.36	8.33
Percent Change	14.1%	20.5%	12.5%	-1.1%	3.9%	2.8%	-0.5%	-0.4%	-2.3%	-0.3%
Transfer Payments	10.25	11.50	12.46	12.49	12.94	13.35	13.51	13.69	13.71	13.94
Percent Change	7.9%	12.2%	8.4%	0.3%	3.5%	3.2%	1.2%	1.3%	0.1%	1.7%
Social Insurance	4.23	4.24	4.29	4.41	4.54	4.72	4.92	5.14	5.35	5.61
Percent Change	0.2%	0.2%	1.3%	2.9%	3.0%	3.9%	4.3%	4.4%	4.1%	4.8%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 8
MANUFACTURING EMPLOYMENT
(THOUSANDS--SA)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Manufacturing	331.44	313.65	299.56	288.82	282.76	275.99	274.98	277.79	273.07	266.38
Percent Change	-5.5%	-5.4%	-4.5%	-3.6%	-2.1%	-2.4%	-0.4%	1.0%	-1.7%	-2.5%
Food & Products	10.63	10.19	9.85	9.82	9.65	8.99	8.61	8.13	8.02	8.01
Percent Change	-2.0%	-4.2%	-3.4%	-0.3%	-1.7%	-6.8%	-4.3%	-5.5%	-1.4%	-0.2%
Textile Mill Products	2.56	2.51	2.34	2.41	2.43	2.08	2.05	2.05	2.17	2.22
Percent Change	-3.5%	-2.0%	-6.6%	2.9%	0.6%	-14.3%	-1.3%	0.0%	5.6%	2.3%
Apparel & Other	4.94	4.83	4.79	4.85	4.90	4.55	4.59	4.58	3.94	3.44
Percent Change	-8.4%	-2.2%	-0.8%	1.1%	1.1%	-7.1%	0.8%	-0.2%	-13.9%	-12.7%
Paper & Products	8.60	8.55	8.32	8.29	8.18	7.97	7.90	7.92	7.80	8.03
Percent Change	-3.9%	-0.5%	-2.7%	-0.4%	-1.3%	-2.6%	-0.9%	0.3%	-1.5%	3.0%
Printing & Publishing	26.01	24.93	24.87	25.37	25.34	25.21	25.34	26.01	25.65	25.06
Percent Change	-5.8%	-3.7%	-0.2%	2.0%	-0.1%	-0.5%	0.5%	2.6%	-1.4%	-2.3%
Chemicals	22.43	21.88	20.90	20.01	19.79	19.95	20.17	20.63	21.63	21.84
Percent Change	0.8%	-2.5%	-4.5%	-4.2%	-1.1%	0.8%	1.1%	2.3%	4.9%	1.0%
Rubber & Plastics	11.04	10.97	11.36	11.42	11.05	10.67	10.62	10.76	10.52	10.47
Percent Change	-6.2%	-0.6%	3.6%	0.5%	-3.2%	-3.5%	-0.5%	1.3%	-2.2%	-0.5%
Primary Metals	10.64	9.73	9.14	9.02	9.26	9.14	9.05	9.31	9.43	9.21
Percent Change	-6.0%	-8.6%	-6.1%	-1.3%	2.6%	-1.2%	-1.0%	2.8%	1.3%	-2.3%
Fabricated Metals	36.22	33.58	33.38	33.63	34.43	33.90	34.39	35.12	34.57	33.17
Percent Change	-8.5%	-7.3%	-0.6%	0.7%	2.4%	-1.5%	1.4%	2.1%	-1.6%	-4.1%
Nonelectrical Machinery	41.70	38.03	36.63	35.61	35.25	35.12	34.48	35.05	33.83	32.78
Percent Change	-8.0%	-8.8%	-3.7%	-2.8%	-1.0%	-0.4%	-1.8%	1.7%	-3.5%	-3.1%
Electrical Machinery	32.68	29.91	28.53	27.70	27.77	27.87	28.64	28.92	27.71	26.74
Percent Change	-10.2%	-8.5%	-4.6%	-2.9%	0.3%	0.4%	2.7%	1.0%	-4.2%	-3.5%
Transportation Equipment	79.78	74.57	66.69	59.43	54.72	51.32	50.22	50.20	49.83	48.16
Percent Change	-2.2%	-6.5%	-10.6%	-10.9%	-7.9%	-6.2%	-2.1%	0.0%	-0.7%	-3.4%
Instruments	27.08	27.87	26.84	25.39	23.45	22.92	22.47	22.29	21.11	20.24
Percent Change	-1.9%	2.9%	-3.7%	-5.4%	-7.7%	-2.2%	-2.0%	-0.8%	-5.3%	-4.1%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 9
NONMANUFACTURING EMPLOYMENT
(THOUSANDS--SA)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nonmanufacturing	1,257.4	1,221.3	1,228.1	1,244.3	1,273.8	1,292.6	1,324.5	1,350.1	1,384.8	1,417.6
Percent Change	-3.1%	-2.9%	0.6%	1.3%	2.4%	1.5%	2.5%	1.9%	2.6%	2.4%
Construction & Mining	56.94	49.21	48.62	48.69	51.50	51.15	55.45	58.43	60.79	63.27
Percent Change	-18.9%	-13.6%	-1.2%	0.1%	5.8%	-0.7%	8.4%	5.4%	4.0%	4.1%
Transportation, Public Utilities & Communications	71.17	68.62	68.50	70.07	71.03	72.20	74.37	75.53	77.01	78.62
Percent Change	-2.5%	-3.6%	-0.2%	2.3%	1.4%	1.7%	3.0%	1.6%	2.0%	2.1%
Transportation	40.35	38.75	38.41	39.72	41.03	42.13	43.26	44.01	45.51	46.96
Percent Change	-1.7%	-4.0%	-0.9%	3.4%	3.3%	2.7%	2.7%	1.7%	3.4%	3.2%
Communications	17.48	16.72	16.72	16.94	17.16	17.36	18.71	19.05	18.80	18.91
Percent Change	-5.6%	-4.4%	0.0%	1.3%	1.3%	1.2%	7.8%	1.8%	-1.3%	0.6%
Public Utilities	13.33	13.15	13.37	13.41	12.84	12.71	12.40	12.48	12.70	12.75
Percent Change	-0.5%	-1.4%	1.7%	0.3%	-4.2%	-1.0%	-2.4%	0.6%	1.8%	0.4%
Wholesale & Retail Trade	349.33	334.57	330.16	331.65	338.79	343.49	350.19	353.41	357.87	362.17
Percent Change	-5.2%	-4.2%	-1.3%	0.5%	2.2%	1.4%	2.0%	0.9%	1.3%	1.2%
Finance, Insurance & Real Estate	149.79	144.73	140.73	138.30	133.79	132.41	131.87	133.35	139.29	141.47
Percent Change	-1.5%	-3.4%	-2.8%	-1.7%	-3.3%	-1.0%	-0.4%	1.1%	4.5%	1.6%
Finance & Real Estate	67.26	62.86	62.86	63.44	61.18	61.30	62.62	64.11	67.74	69.61
Percent Change	-5.5%	-6.5%	0.0%	0.9%	-3.6%	0.2%	2.2%	2.4%	5.7%	2.8%
Insurance	82.53	81.88	77.88	74.86	72.62	71.11	69.26	69.24	71.55	71.86
Percent Change	2.0%	-0.8%	-4.9%	-3.9%	-3.0%	-2.1%	-2.6%	0.0%	3.3%	0.4%
Services	420.20	417.28	431.87	442.29	458.61	471.68	488.03	503.49	518.22	532.96
Percent Change	-1.7%	-0.7%	3.5%	2.4%	3.7%	2.8%	3.5%	3.2%	2.9%	2.8%
Government	209.95	206.88	208.22	213.26	220.12	221.67	224.56	225.88	231.61	239.15
Percent Change	0.6%	-1.5%	0.6%	2.4%	3.2%	0.7%	1.3%	0.6%	2.5%	3.3%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Labor Force	1,842.2	1,832.5	1,799.3	1,756.4	1,716.8	1,711.4	1,725.8	1,709.6	1,692.8	1,698.8
Percent Change	2.4%	-0.5%	-1.8%	-2.4%	-2.3%	-0.3%	0.9%	-0.9%	-1.0%	0.4%
Nonagricultural Employment	1,588.8	1,534.9	1,527.7	1,533.1	1,556.6	1,568.6	1,599.4	1,627.9	1,657.8	1,684.0
Percent Change	-3.6%	-3.4%	-0.5%	0.4%	1.5%	0.8%	2.0%	1.8%	1.8%	1.6%
Residential Employment	1,731.9	1,694.7	1,675.4	1,653.7	1,623.4	1,614.1	1,628.8	1,640.2	1,637.1	1,655.0
Percent Change	0.8%	-2.2%	-1.1%	-1.3%	-1.8%	-0.6%	0.9%	0.7%	-0.2%	1.1%
Unemployed	110.3	137.7	123.9	102.7	93.4	97.3	97.1	69.4	55.7	44.6
Percent Change	37.7%	24.9%	-10.1%	-17.1%	-9.0%	4.1%	-0.2%	-28.5%	-19.7%	-20.0%
Unemployment Rate	6.0%	7.5%	6.9%	5.9%	5.4%	5.7%	5.6%	4.1%	3.3%	2.7%
Households	1,231.6	1,233.0	1,228.3	1,220.0	1,219.3	1,226.1	1,232.1	1,236.3	1,240.4	1,247.3
Percent Change	0.0%	0.1%	-0.4%	-0.7%	0.0%	0.6%	0.5%	0.3%	0.3%	0.6%
Housing Starts	7.76	9.05	8.34	8.92	10.00	8.57	9.42	10.75	11.60	10.64
Percent Change	-27.7%	16.6%	-7.8%	7.0%	12.1%	-14.3%	10.0%	14.1%	7.9%	-8.3%
Single Family	5.95	7.29	7.74	8.13	8.33	8.03	8.26	9.03	10.15	9.22
Percent Change	-19.6%	22.4%	6.2%	5.1%	2.5%	-3.6%	2.8%	9.4%	12.3%	-9.2%
Multi Family	1.80	1.76	0.61	0.80	1.67	0.53	1.17	1.72	1.45	1.42
Percent Change	-45.7%	-2.5%	-65.4%	-30.9%	109.7%	-68.1%	118.8%	47.4%	-15.6%	-2.1%
New Car Registrations	96.75	113.15	170.61	182.42	210.47	180.28	193.32	187.23	224.61	233.76
Percent Change	-13.5%	14.5%	33.7%	6.5%	13.3%	-16.7%	6.7%	-3.3%	16.6%	3.9%
Industrial Performance Indicator (1992=100)	96.64	98.09	102.55	107.54	115.92	121.37	130.70	141.63	147.80	164.59
Percent Change	-2.7%	1.5%	4.5%	4.9%	7.8%	4.7%	7.7%	8.4%	4.4%	11.4%
Shipments of Mfg. Goods (Billions of $82)	34.01	34.57	33.87	34.16	34.82	35.08	35.07	37.09	38.20	39.65
Percent Change	-2.6%	1.6%	-2.0%	0.9%	1.9%	0.8%	-0.0%	5.8%	3.0%	3.8%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 11
ANALYTICS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Wages / Total Income	58.86%	58.27%	57.45%	57.53%	57.45%	58.40%	59.24%	59.95%	60.53%	60.97%
Other Labor Income / Total Income	8.15%	8.22%	8.25%	8.34%	7.95%	7.62%	7.11%	6.44%	6.25%	6.11%
Social Insurance / Total Income	4.22%	4.25%	4.19%	4.26%	4.31%	4.38%	4.41%	4.42%	4.43%	4.47%
Transfer Payments / Total Income	10.24%	11.53%	12.16%	12.05%	12.28%	12.40%	12.10%	11.77%	11.34%	11.12%
Proprietor's Income / Total Income	6.41%	6.65%	7.38%	7.68%	7.79%	7.47%	7.51%	7.78%	7.89%	8.06%
Property Income / Total Income	20.56%	19.58%	18.94%	18.65%	18.84%	18.50%	18.45%	18.48%	18.41%	18.21%
Average Wages (Thousands in 1996 $)	37.07	37.83	38.53	38.90	38.88	40.09	41.35	42.84	44.11	45.39
Average Mfg. Wages (Thousands in 1996 $)	44.05	45.54	46.49	46.98	47.75	49.86	52.49	53.93	57.22	57.78
Average Nonmfg. Wages (Thousands in 1996 $)	35.22	35.85	36.58	37.03	36.91	38.00	39.03	40.55	41.53	43.06
Manufacturing Share of Employment	20.86%	20.43%	19.61%	18.84%	18.17%	17.59%	17.19%	17.06%	16.47%	15.82%
Residential Employment / Total Nonagricultural	1.090	1.104	1.097	1.079	1.043	1.029	1.018	1.008	0.987	0.983

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 12
NEW HAVEN-BRIDGEPORT-STAMFORD-WATERBURY-DANBURY
PERSONAL INCOME & DEFLATED PERSONAL INCOME (MILLIONS–SAAR)

Nominal ($)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	47,631.3	49,202.6	51,749.5	53,680.4	56,295.2	58,888.0	62,642.9	66,019.6	69,181.4	71,873.8
Percent Change	2.9%	3.3%	5.2%	3.7%	4.9%	4.6%	6.4%	5.4%	4.8%	3.9%
Disposable Income	41,039.3	41,900.8	43,663.6	45,213.2	47,332.7	48,853.7	51,383.5	53,599.8	55,745.5	58,115.5
Percent Change	3.0%	2.1%	4.2%	3.5%	4.7%	3.2%	5.2%	4.3%	4.0%	4.3%
Total Wages	24,682.4	25,108.8	26,171.9	27,441.8	28,624.3	30,051.2	32,316.0	34,689.0	36,610.4	38,395.8
Percent Change	1.5%	1.7%	4.2%	4.9%	4.3%	5.0%	7.5%	7.3%	5.5%	4.9%
Other Labor Income	2,887.7	3,053.4	3,236.2	3,449.5	3,604.8	3,569.4	3,542.9	3,630.9	3,711.4	3,778.0
Percent Change	4.9%	5.7%	6.0%	6.6%	4.5%	-1.0%	-0.7%	2.5%	2.2%	1.8%
Proprietor's Income	3,079.0	3,291.0	3,741.1	3,822.9	4,079.1	4,256.9	4,398.3	4,677.6	5,043.5	5,315.4
Percent Change	3.2%	6.9%	13.7%	2.2%	6.7%	4.4%	3.3%	6.4%	7.8%	5.4%
Property Income	10,448.7	10,185.9	10,265.6	10,491.6	11,277.9	11,955.3	12,978.4	13,205.7	13,646.4	13,959.6
Percent Change	0.7%	-2.5%	0.8%	2.2%	7.5%	6.0%	8.6%	1.8%	3.3%	2.3%
Transfer Payments	5,137.6	5,920.3	6,445.2	6,684.4	7,111.6	7,555.5	7,811.3	8,165.9	8,451.8	8,632.8
Percent Change	12.4%	15.2%	8.9%	3.7%	6.4%	6.2%	3.4%	4.5%	3.5%	2.1%
Social Insurance	1,966.0	2,041.3	2,114.1	2,243.9	2,371.5	2,482.9	2,640.0	2,813.9	2,960.2	3,067.9
Percent Change	4.4%	3.8%	3.6%	6.1%	5.7%	4.7%	6.3%	6.6%	5.2%	3.6%
Deflated ($96)										
Personal Income	53,989.9	54,174.5	55,695.5	56,502.7	57,987.0	59,451.3	62,021.2	64,349.7	66,512.6	67,972.2
Percent Change	-1.1%	0.3%	2.8%	1.4%	2.6%	2.5%	4.3%	3.8%	3.4%	2.2%
Disposable Income	46,518.0	46,134.9	46,993.1	47,590.3	48,755.1	49,321.0	50,873.5	52,244.1	53,595.0	54,960.7
Percent Change	-1.0%	-0.8%	1.9%	1.3%	2.4%	1.2%	3.1%	2.7%	2.6%	2.5%
Total Wages	27,977.4	27,646.0	28,167.6	28,884.6	29,484.5	30,338.7	31,995.2	33,811.6	35,198.0	36,311.5
Percent Change	-2.4%	-1.2%	1.9%	2.5%	2.1%	2.9%	5.5%	5.7%	4.1%	3.2%
Other Labor Income	3,273.2	3,361.9	3,482.9	3,630.9	3,713.1	3,603.5	3,507.7	3,539.1	3,568.2	3,572.9
Percent Change	0.9%	2.7%	3.6%	4.2%	2.3%	-3.0%	-2.7%	0.9%	0.8%	0.1%
Proprietor's Income	3,490.1	3,633.6	4,026.3	4,023.9	4,201.6	4,297.6	4,354.6	4,559.3	4,848.9	5,026.8
Percent Change	-0.8%	3.8%	11.1%	-0.1%	4.4%	2.3%	1.3%	4.7%	6.4%	3.7%
Property Income	11,843.6	11,215.2	11,048.4	11,043.2	11,616.8	12,069.7	12,849.6	12,871.7	13,119.9	13,201.8
Percent Change	-3.2%	-5.3%	-1.5%	0.0%	5.2%	3.9%	6.5%	0.2%	1.9%	0.6%
Transfer Payments	5,823.5	6,518.6	6,936.7	7,035.8	7,325.3	7,627.7	7,733.8	7,959.3	8,125.8	8,164.1
Percent Change	8.1%	11.9%	6.4%	1.4%	4.1%	4.1%	1.4%	2.9%	2.1%	0.5%
Social Insurance	2,228.6	2,247.6	2,275.3	2,361.9	2,442.8	2,506.6	2,613.7	2,742.7	2,846.0	2,901.3
Percent Change	0.3%	0.9%	1.2%	3.8%	3.4%	2.6%	4.3%	4.9%	3.8%	1.9%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 13
HARTFORD-NEW BRITAIN-MIDDLETOWN-BRISTOL
PERSONAL INCOME & DEFLATED PERSONAL INCOME (MILLIONS–SAAR)

Nominal ($)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	28,170.1	28,940.7	29,842.6	30,601.3	31,892.8	33,020.0	35,059.7	37,441.5	39,743.8	41,829.0
Percent Change	2.3%	2.7%	3.1%	2.5%	4.2%	3.5%	6.2%	6.8%	6.1%	5.2%
Disposable Income	24,271.3	24,648.7	25,179.7	25,775.2	26,815.8	27,448.4	28,812.6	30,397.6	32,024.9	33,824.5
Percent Change	2.4%	1.6%	2.2%	2.4%	4.0%	2.4%	5.0%	5.5%	5.4%	5.6%
Total Wages	18,767.0	19,121.4	19,406.3	19,760.4	20,247.2	20,718.7	22,156.8	24,084.7	25,790.3	27,314.6
Percent Change	0.7%	1.9%	1.5%	1.8%	2.5%	2.3%	6.9%	8.7%	7.1%	5.9%
Other Labor Income	2,249.0	2,364.1	2,473.1	2,547.0	2,538.2	2,449.9	2,477.6	2,575.5	2,678.9	2,768.7
Percent Change	5.4%	5.1%	4.6%	3.0%	-0.3%	-3.5%	1.1%	4.0%	4.0%	3.4%
Proprietor's Income	1,558.7	1,645.4	1,835.0	1,992.4	2,124.2	2,208.0	2,325.1	2,551.3	2,837.8	2,996.8
Percent Change	-1.9%	5.6%	11.5%	8.6%	6.6%	3.9%	5.3%	9.7%	11.2%	5.6%
Property Income	5,419.5	5,188.2	5,123.8	5,140.6	5,594.2	5,899.0	6,304.0	6,485.0	6,766.4	7,107.0
Percent Change	1.8%	-4.3%	-1.2%	0.3%	8.8%	5.4%	6.9%	2.9%	4.3%	5.0%
Transfer Payments	3,427.4	3,920.3	4,294.0	4,474.5	4,682.1	4,960.3	5,172.7	5,431.9	5,636.0	5,834.7
Percent Change	13.0%	14.4%	9.5%	4.2%	4.6%	5.9%	4.3%	5.0%	3.8%	3.5%
Social Insurance	1,405.7	1,460.3	1,471.6	1,510.5	1,566.5	1,602.9	1,710.8	1,852.1	1,971.8	2,065.7
Percent Change	3.2%	3.9%	0.8%	2.6%	3.7%	2.3%	6.7%	8.3%	6.5%	4.8%
Deflated ($96)										
Personal Income	31,930.7	31,865.1	32,118.2	32,210.2	32,851.2	33,335.9	34,711.7	36,494.5	38,210.6	39,558.3
Percent Change	-1.7%	-0.2%	0.8%	0.3%	2.0%	1.5%	4.1%	5.1%	4.7%	3.5%
Disposable Income	27,511.5	27,139.4	27,099.7	27,130.3	27,621.7	27,710.9	28,526.6	29,628.7	30,789.5	31,988.4
Percent Change	-1.6%	-1.4%	-0.1%	-0.1%	1.8%	0.3%	2.9%	3.9%	3.9%	3.9%
Total Wages	21,272.3	21,053.6	20,886.1	20,799.3	20,855.6	20,916.9	21,936.9	23,475.5	24,795.4	25,831.9
Percent Change	-3.2%	-1.0%	-0.8%	-0.4%	0.3%	0.3%	4.9%	7.0%	5.6%	4.2%
Other Labor Income	2,549.3	2,603.0	2,661.6	2,680.9	2,614.5	2,473.3	2,453.0	2,510.4	2,575.6	2,618.4
Percent Change	1.3%	2.1%	2.3%	0.7%	-2.5%	-5.4%	-0.8%	2.3%	2.6%	1.7%
Proprietor's Income	1,766.8	1,811.6	1,974.9	2,097.2	2,188.1	2,229.2	2,302.1	2,486.7	2,728.3	2,834.1
Percent Change	-5.7%	2.5%	9.0%	6.2%	4.3%	1.9%	3.3%	8.0%	9.7%	3.9%
Property Income	6,143.0	5,712.4	5,514.5	5,410.8	5,762.3	5,955.4	6,241.5	6,321.0	6,505.3	6,721.2
Percent Change	-2.1%	-7.0%	-3.5%	-1.9%	6.5%	3.4%	4.8%	1.3%	2.9%	3.3%
Transfer Payments	3,585.0	4,316.5	4,621.4	4,709.7	4,882.8	5,007.8	5,121.3	5,294.5	5,418.6	5,518.0
Percent Change	8.6%	11.1%	7.1%	1.9%	2.4%	3.8%	2.3%	3.4%	2.3%	1.8%
Social Insurance	1,593.3	1,607.8	1,583.8	1,590.0	1,613.6	1,618.2	1,693.8	1,805.3	1,895.7	1,953.6
Percent Change	-0.8%	0.9%	-1.5%	0.4%	1.5%	0.3%	4.7%	6.6%	5.0%	3.1%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 14
NEW LONDON-NORWICH, CT-RI
PERSONAL INCOME & DEFLATED PERSONAL INCOME (MILLIONS–SAAR)

Nominal ($)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income	5,403.1	5,563.8	5,808.8	6,148.4	6,508.7	6,774.1	7,103.1	7,439.7	7,708.1	8,004.0
Percent Change	2.8%	3.0%	4.4%	5.8%	5.9%	4.1%	4.9%	4.7%	3.6%	3.8%
Disposable Income	4,655.4	4,738.5	4,901.1	5,178.7	5,472.5	5,630.9	5,837.5	6,040.5	6,211.1	6,471.7
Percent Change	2.9%	1.8%	3.4%	5.7%	5.7%	2.9%	3.7%	3.5%	2.8%	4.2%
Total Wages	3,211.7	3,269.8	3,395.8	3,677.9	3,931.0	4,113.1	4,364.9	4,649.9	4,852.3	5,085.2
Percent Change	1.6%	1.8%	3.9%	8.3%	6.9%	4.6%	6.1%	6.5%	4.4%	4.8%
Other Labor Income	360.1	384.5	409.1	457.7	486.4	476.0	470.6	479.0	484.0	498.8
Percent Change	5.7%	6.8%	6.4%	11.9%	6.3%	-2.1%	-1.1%	1.8%	1.1%	3.1%
Proprietor's Income	271.9	284.3	332.3	358.3	365.7	372.5	388.9	409.5	436.5	460.9
Percent Change	-3.6%	4.5%	16.9%	7.8%	2.1%	1.8%	4.4%	5.3%	6.6%	5.6%
Property Income	989.9	957.9	940.8	968.3	1,091.1	1,180.0	1,239.1	1,248.8	1,275.5	1,289.2
Percent Change	1.6%	-3.2%	-1.8%	2.9%	12.7%	8.1%	5.0%	0.8%	2.1%	1.1%
Transfer Payments	760.5	870.8	948.8	982.6	1,033.6	1,093.0	1,130.0	1,169.9	1,197.1	1,226.9
Percent Change	12.5%	14.5%	9.0%	3.6%	5.2%	5.8%	3.4%	3.5%	2.3%	2.5%
Social Insurance	233.4	242.9	250.8	274.4	296.2	308.7	324.0	342.7	356.4	369.2
Percent Change	3.5%	4.1%	3.3%	9.4%	8.0%	4.2%	4.9%	5.8%	4.0%	3.6%
Deflated ($96)										
Personal Income	6,124.4	6,126.1	6,251.7	6,471.7	6,704.3	6,838.9	7,032.6	7,251.5	7,410.7	7,569.5
Percent Change	-1.2%	0.0%	2.1%	3.5%	3.6%	2.0%	2.8%	3.1%	2.2%	2.1%
Disposable Income	5,276.8	5,217.3	5,274.8	5,450.9	5,636.9	5,684.8	5,779.6	5,887.7	5,971.5	6,120.4
Percent Change	-1.1%	-1.1%	1.1%	3.3%	3.4%	0.8%	1.7%	1.9%	1.4%	2.5%
Total Wages	3,640.4	3,600.2	3,654.7	3,871.3	4,049.2	4,152.5	4,321.5	4,532.3	4,665.1	4,809.2
Percent Change	-2.3%	-1.1%	1.5%	5.9%	4.6%	2.6%	4.1%	4.9%	2.9%	3.1%
Other Labor Income	408.1	423.4	440.3	481.8	501.0	480.6	465.9	466.8	465.3	471.7
Percent Change	1.6%	3.7%	4.0%	9.4%	4.0%	-4.1%	-3.0%	0.2%	-0.3%	1.4%
Proprietor's Income	308.2	313.0	357.7	377.1	376.7	376.1	385.1	399.1	419.7	435.9
Percent Change	-7.4%	1.6%	14.3%	5.4%	-0.1%	-0.2%	2.4%	3.7%	5.1%	3.9%
Property Income	1,122.1	1,054.7	1,012.5	1,019.2	1,123.9	1,191.3	1,226.8	1,217.2	1,226.3	1,219.2
Percent Change	-2.3%	-6.0%	-4.0%	0.7%	10.3%	6.0%	3.0%	-0.8%	0.8%	-0.6%
Transfer Payments	862.1	958.8	1,021.1	1,034.3	1,064.6	1,103.5	1,118.8	1,140.3	1,150.9	1,160.3
Percent Change	8.1%	11.2%	6.5%	1.3%	2.9%	3.7%	1.4%	1.9%	0.9%	0.8%
Social Insurance	264.5	267.4	269.9	288.8	305.1	311.7	320.7	334.0	342.7	349.2
Percent Change	-0.6%	1.1%	0.9%	7.0%	5.6%	2.1%	2.9%	4.1%	2.6%	1.9%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 15
NECMA EMPLOYMENT
(THOUSANDS--SA)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
HARTFORD-NEW BRITAIN-MIDDLETOWN-BRISTOL										
Nonagricultural	605.9	578.1	568.7	565.6	567.6	566.7	577.6	591.3	605.6	616.8
Percent Change	-3.7%	-4.6%	-1.6%	-0.6%	0.4%	-0.2%	1.9%	2.4%	2.4%	1.9%
Manufacturing	116.5	107.7	101.3	95.8	92.5	89.8	89.6	90.6	90.1	89.1
Percent Change	-4.7%	-7.6%	-5.9%	-5.5%	-3.4%	-2.9%	-0.2%	1.1%	-0.7%	-1.0%
Nonmanufacturing	489.5	470.5	467.4	469.8	475.1	476.9	487.9	500.6	515.5	527.7
Percent Change	-3.4%	-3.9%	-0.7%	0.5%	1.1%	0.4%	2.3%	2.6%	3.0%	2.4%
NEW HAVEN-BRIDGEPORT-DANBURY-STAMFORD-WATERBURY										
Nonagricultural	742.8	715.2	710.5	716.7	728.7	734.9	750.4	765.1	779.7	790.7%
Percent Change	-4.1%	-3.7%	-0.7%	0.9%	1.7%	0.9%	2.1%	2.0%	1.9%	1.4%
Manufacturing	160.5	153.2	148.0	143.8	140.4	137.3	135.9	137.2	136.5	135.1
Percent Change	-5.5%	-4.6%	-3.4%	-2.9%	-2.4%	-2.2%	-1.1%	1.0%	-0.5%	-1.1%
Nonmanufacturing	582.3	562.0	562.5	573.0	588.3	597.5	614.6	627.9	643.2	655.6
Percent Change	-3.8%	-3.5%	0.1%	1.9%	2.7%	1.6%	2.9%	2.2%	2.4%	1.9%
NEW LONDON-NORWICH, CT-RI										
Nonagricultural	105.6	104.3	105.6	108.5	119.1	128.2	130.0	132.6	134.2	139.4
Percent Change	-3.9%	-1.3%	1.3%	2.7%	9.9%	7.6%	1.4%	2.0%	1.2%	3.8%
Manufacturing	29.2	27.3	25.1	24.0	26.2	27.1	25.2	24.4	24.0	24.2
Percent Change	-5.4%	-6.6%	-7.9%	-4.4%	9.1%	3.7%	-7.1%	-3.1%	-1.7%	0.6%
Nonmanufacturing	76.4	77.0	80.5	84.5	93.0	101.1	104.8	108.2	110.2	115.3
Percent Change	-3.3%	0.8%	4.5%	4.9%	10.1%	8.7%	3.7%	3.3%	1.9%	4.6%

MAJOR REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 16
REGIONAL CONSUMER PRICE INDEXES
(1982-84=100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Boston	142.6	146.7	151.1	153.7	156.9	160.7	165.9	169.8	173.3	179.6
Percent Change	6.0%	2.9%	3.0%	1.7%	2.1%	2.5%	3.2%	2.3%	2.1%	3.6%
Chicago	134.8	138.9	143.4	146.9	151.2	155.0	159.8	163.4	166.5	171.0
Percent Change	5.1%	3.0%	3.2%	2.5%	3.0%	2.5%	3.1%	2.2%	1.9%	2.7%
Miami	131.1	133.3	136.9	141.1	146.3	150.9	156.5	159.5	161.2	165.0
Percent Change	5.6%	1.7%	2.7%	3.1%	3.7%	3.2%	3.7%	1.9%	1.1%	2.4%
New York	142.2	147.3	152.6	156.3	160.1	164.6	169.0	172.2	175.1	179.6
Percent Change	5.9%	3.6%	3.6%	2.4%	2.4%	2.9%	2.6%	1.9%	1.7%	2.6%
Detroit	131.4	134.5	137.6	141.6	146.6	150.6	154.4	158.0	161.7	166.7
Percent Change	5.1%	2.3%	2.3%	2.9%	3.5%	2.7%	2.6%	2.4%	2.3%	3.1%
Cleveland	132.1	135.7	138.1	142.5	146.3	149.6	154.2	157.9	161.0	164.9
Percent Change	5.3%	2.7%	1.8%	3.2%	2.7%	2.3%	3.1%	2.4%	2.0%	2.4%
Philadelphia	139.6	144.4	148.4	152.3	156.9	160.6	165.0	167.2	169.6	174.4
Percent Change	6.0%	3.5%	2.8%	2.6%	3.0%	2.4%	2.7%	1.3%	1.5%	2.8%
Los Angeles	139.0	144.0	148.7	151.3	153.7	155.7	158.8	161.0	164.1	168.5
Percent Change	5.4%	3.6%	3.3%	1.8%	1.6%	1.3%	2.0%	1.4%	1.9%	2.6%
N.E. Region	140.0	144.8	149.6	153.1	157.1	161.3	165.8	168.8	171.5	176.4
Percent Change	6.0%	3.4%	3.3%	2.4%	2.6%	2.7%	2.8%	1.8%	1.6%	2.9%
N.C. Region	130.4	134.2	138.2	141.8	146.4	150.5	155.1	158.0	160.7	165.5
Percent Change	5.0%	2.9%	3.0%	2.7%	3.3%	2.8%	3.1%	1.8%	1.7%	3.0%
South Region	130.9	134.7	138.7	142.7	146.9	151.3	155.5	157.9	160.2	164.6
Percent Change	5.3%	2.9%	2.9%	2.9%	2.9%	3.0%	2.8%	1.5%	1.5%	2.7%
West Region	134.8	139.7	144.3	147.8	151.8	155.4	159.6	162.9	166.5	171.5
Percent Change	5.6%	3.6%	3.3%	2.4%	2.7%	2.4%	2.7%	2.1%	2.2%	3.0%