FY 2002 – 2003 MIDTERM

ECONOMIC REPORT OF THE GOVERNOR

CONNECTICUT

JOHN G. ROWLAND, GOVERNOR

February 6, 2002

TABLE OF CONTENTS

LIST OF TABLES

LIST OF TABLES

LIST OF TABLES

LIST OF CHARTS

APPENDIX

ECONOMIC REPORT OF THE GOVERNOR 2002 - 2003

INTRODUCTION

This report is 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 Midterm Budget Adjustment report, 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 Midterm 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 Midterm Budget; (7) the revenue forecasts of the General Fund and the Special Transportation Fund; and (8) the expected impact of the Governor's Midterm 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 more than 50% 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 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, 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 1990s, 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	13.2	13,923	5.4	3,406	3.6

* The census is taken on April 1 of each census year.

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 13.2% 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 significantly 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 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 1990s 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 1990 census and 2000 census with their corresponding percentage increases are shown in the following Table. Connecticut counties experiencing faster growth during the 1990s 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	1990 Census	2000 Census	Percent Change
Fairfield	827,645	882,567	6.6
Hartford	851,783	857,183	0.6
Litchfield	174,092	182,193	4.7
Middlesex	143,196	155,071	8.3
New Haven	804,219	824,008	2.5
New London	254,957	259,088	1.6
Tolland	128,699	136,364	6.0
Windham	102,525	109,091	6.4

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

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 Economic Analysis estimates for mid-year population for the United States, New England and Connecticut. (The Bureau of the Census has not yet reconciled and revised their estimates for years 1991 to 1999 to be consistent with the results of the 2000 census. Because the previous estimates for these years appear inconsistent with the result of the 2000 census, the Bureau of Economic Analysis has published estimates in the interim, until the Bureau of the Census publishes revised estimates in 2002.)

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	252,775	1.3	13,237	0.1	3,300	0.3
1992	256,290	1.4	13,259	0.2	3,297	(0.1)
1993	259,700	1.3	13,323	0.5	3,305	0.2
1994	262,918	1.2	13,386	0.5	3,312	0.2
1995	266,085	1.2	13,463	0.6	3,320	0.2
1996	269,215	1.2	13,546	0.6	3,333	0.4
1997	272,493	1.2	13,632	0.6	3,345	0.4
1998	275,695	1.2	13,721	0.6	3,360	0.5
1999	278,890	1.2	13,826	0.8	3,381	0.6
2000	282,238	1.2	13,940	0.8	3,409	0.8

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

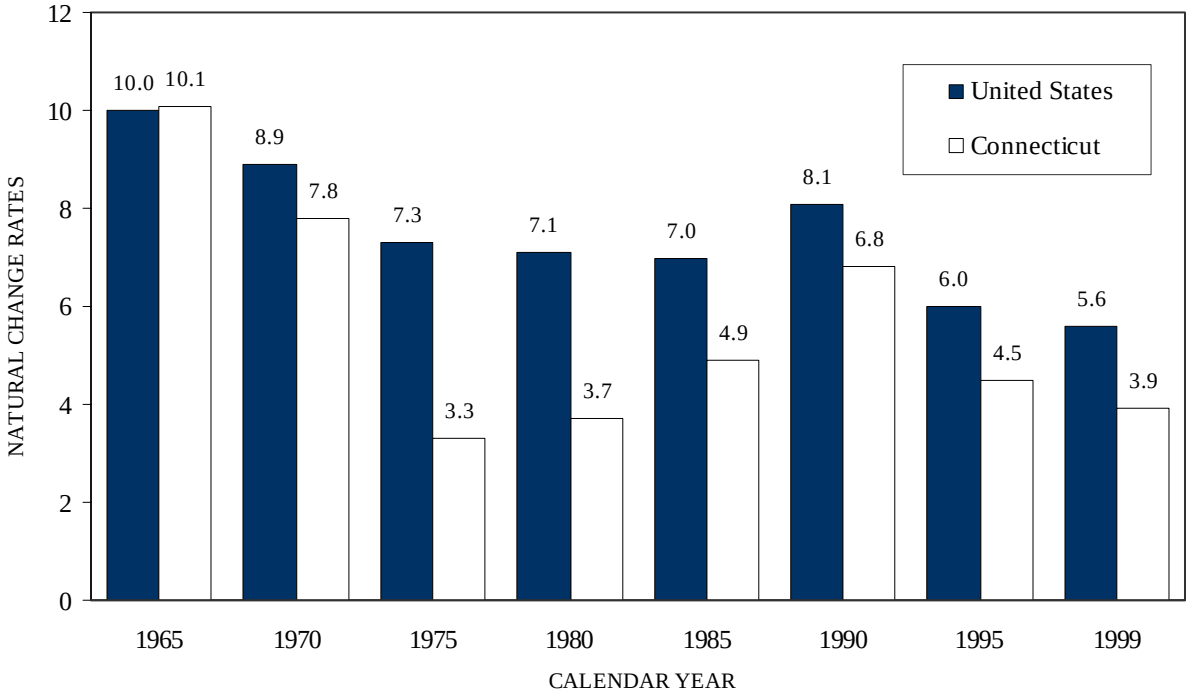
Natural Change Rates

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 through the 1990s. In 1999, the Connecticut birth rate was approximately 12.8 per 1,000, compared to the national average of 14.2. This is a slight decrease from the 13.0 in 1998. The mortality rate for Connecticut for the last few years, however, has remained fairly stable, 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 provide a graphic presentation of the natural change rates for the United States and Connecticut, using interim population estimates from the Bureau of Economic Analysis of the Department of Commerce.

NATURAL CHANGE RATES
PER THOUSAND



Source: Bureau of Economic Analysis of the Dept. of Commerce, Connecticut Dept. of Health, & 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	1999
Birth Rates:								
United States	19.4	18.4	16.1	15.9	15.8	16.7	14.7	14.2
Connecticut	19.2	16.7	11.6	12.5	13.7	15.2	13.4	12.8
Death Rates:								
United States	9.4	9.5	8.8	8.8	8.8	8.6	8.7	8.6
Connecticut	9.1	8.9	8.3	8.8	8.8	8.4	8.9	8.9
Natural Change Rates:								
United States	10.0	8.9	7.3	7.1	7.0	8.1	6.0	5.6
Connecticut	10.1	7.8	3.3	3.7	4.9	6.8	4.5	3.9

Source: Bureau of Economic Analysis of the Dept. of Commerce

Households

Demand for housing, household goods and services depends upon the level 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 following Table shows the household structures for the United States and Connecticut during the past decade.

TABLE 5
HOUSEHOLD STRUCTURE
(In Thousands)

	United States			Connecticut		
	1990 Number of Households	1995 Number of Households	2000 Number of Households	1990 Number of Households	1995 Number of Households	2000 Number of Households
Family	66,090	69,305	71,787	864	857	881
• Married	52,317	53,858	54,493	685	675	676
• Male	2,884	3,227	4,394	39	39	48
• Female	10,890	12,220	12,900	140	143	157
Non-Family	27,257	29,685	33,693	366	365	421
Total	93,347	98,990	105,480	1,230	1,222	1,302
	Percent of Households	Percent of Households	Percent of Households	Percent of Households	Percent of Households	Percent of Households
Family	70.8	70.0	68.1	70.2	70.1	67.7
• Married	56.0	54.4	51.7	55.7	55.2	51.9
• Male	3.1	3.3	4.2	3.2	3.2	3.7
• Female	11.7	12.3	12.2	11.4	11.7	12.1
Non-Family	29.2	30.0	31.9	29.8	29.9	32.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
	% Change 1990-1995	% Change 1995-2000	% Change 1990-2000	% Change 1990-1995	% Change 1995-2000	% Change 1990-2000
Family	4.9	3.6	8.6	(0.8)	2.8	2.0
• Married	2.9	1.2	4.2	(1.5)	0.0	(1.3)
• Male	11.9	36.2	52.4	0.0	23.1	23.1
• Female	12.2	5.6	18.5	2.1	9.8	12.1
Non-Family	8.9	13.5	23.6	(0.8)	15.3	15.0
Total	5.7	6.6	13.0	(0.7)	6.5	5.9

Source: U.S. Bureau of the Census (Some numbers may not add due to rounding.)

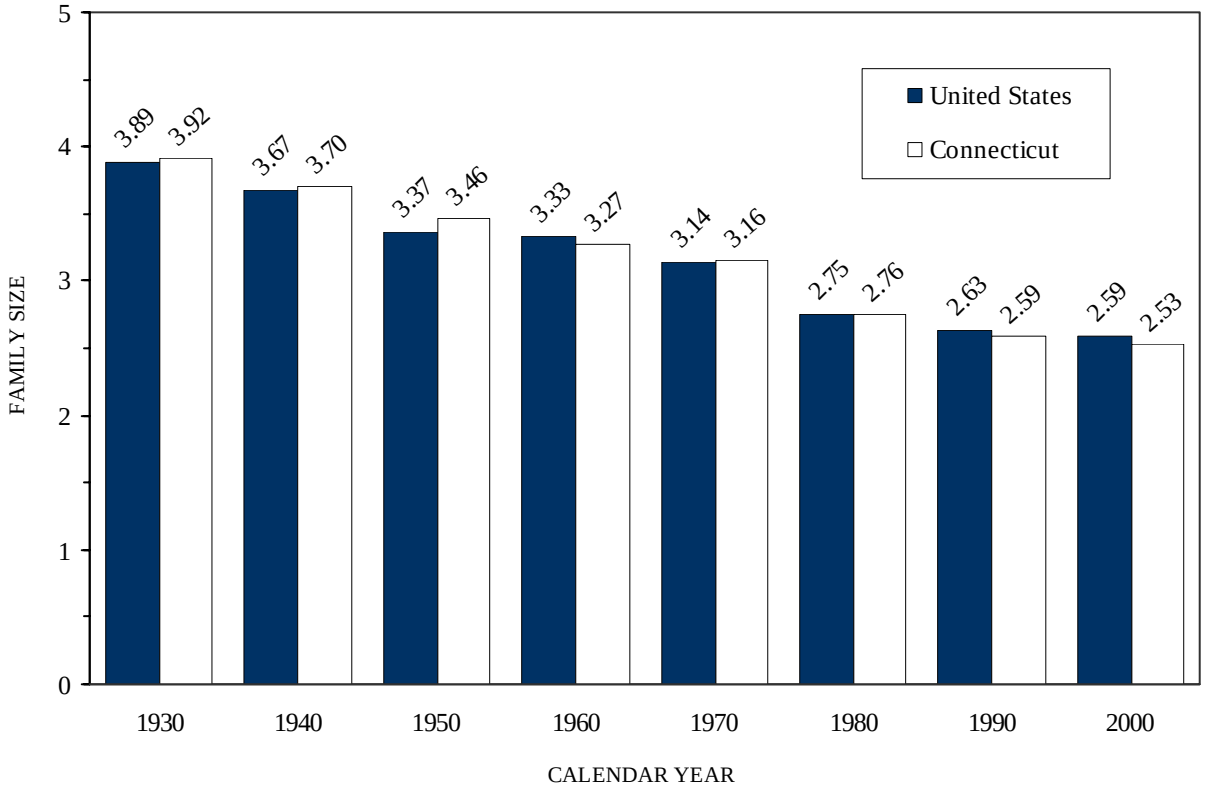
The number of households in Connecticut, according to the 2000 U.S. Census, was 1,301,670, up 5.8% from 1,230,475 in the 1990 Census, and up 6.5% from the 1995 Census estimate of 1,222,000. This is not unusual in that it reflects the gradual decline in Connecticut's population during the early 1990s and the increase in population during the second half of the decade.

Family households include a householder and one or more other persons living in the same household who are related by birth, marriage or adoption. Non-family households include a householder living alone or with non-relatives. Both nationally and in Connecticut some 70 percent of households are family households. However, five-year growth patterns 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 the state, between 1990 and 1995, while expanding in the U.S. The out-migration of state residents during the early 1990s contributed significantly to the dip in overall household growth. As the economy improved, growth trends improved at both the state and national levels.

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 seven 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.

PERSONS PER HOUSEHOLD

1930 - 2000



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 general 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 lower concentration of persons aged 18 to 24 years and 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. The National Center for Health Statistics estimated average life expectancy at birth to be 76.7 years in 1998, 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 2000
(In Thousands)

	17 & Less	18 to 24	25 to 44	45 to 64	65 & Above	Total
United States	72,294	27,143	85,040	61,953	34,992	281,422
% of Total	25.7	9.7	30.2	22.0	12.4	100.0
New England	3,348	1,221	4,261	3,200	1,892	13,923
% of Total	24.0	8.8	30.6	23.0	13.6	100.0
Connecticut	842	272	1,033	789	470	3,406
% of Total	24.7	8.0	30.3	23.2	13.8	100.0

Source: U.S. Bureau of the Census (Numbers may not add due to rounding.)

Significant Trends

The following three Tables call attention to some implications of certain trends which might be considered as resource allocation decisions are made for the future.

First, as shown in the following Table, Connecticut is 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 7
POPULATION DENSITY BY YEAR
(Persons per Square Mile)

	Census 1980	Census 1990	Census 2000
United States	64.0	70.3	79.5
Northeast	301.9	313.1	330.1
Connecticut	637.9	678.4	702.9

Source: U.S. Bureau of the Census

In addition, as shown in the following Table, cultural implications might be suggested by the racial distribution of the population. 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 8
POPULATION DISTRIBUTION BY RACE AND YEAR
(Percent of Total Population Based On Each Census)

	United States			Northeast Region			Connecticut		
	1980	1990	2000	1980	1990	2000	1980	1990	2000
White	86.0	83.9	77.0	88.5	85.6	79.3	92.0	89.6	83.5
African-American	11.8	12.3	12.6	10.1	11.4	11.6	7.1	8.6	9.3
Asian	1.6	3.0	3.7	1.2	2.7	4.0	0.7	1.6	2.5
American Indian	0.6	0.8	0.9	0.2	0.3	0.3	0.2	0.2	0.3
Other	-	-	5.8	-	-	4.8	-	-	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hispanic Origin	6.4	9.0	12.5	5.4	7.6	9.8	4.1	6.5	9.4

Note: The method of counting by race changed in 2000.

Source: U.S. Bureau of the Census

Finally, 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 9
DEPENDENCY RATIOS*
(Number of Dependent Population per 100 Provider Population)

	1980	1990	2000
Dependency Ratio			
United States	65.1	61.5	61.6
Northeast	63.9	59.0	61.5
Connecticut	61.9	57.0	62.7
Youth Dependency Ratio			
United States	46.5	41.3	41.5
Northeast	43.6	37.3	39.3
Connecticut	42.9	35.8	40.2
Aged Dependency Ratio			
United States	18.6	20.2	20.1
Northeast	20.3	21.7	22.2
Connecticut	19.0	21.2	22.5
Aged Female Dependency Ratio			
United States	11.1	12.1	11.8
Northeast	12.3	13.3	13.3
Connecticut	11.5	12.8	13.4

* 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 slowing economy weakened the housing market. Housing starts declined 7.6% during the first half of fiscal 2001. However, by the second half of the year, housing starts had experienced a strong boost, in part because of the Federal Reserve's aggressive rate cuts. Overall, housing starts nationally declined 4.0% during fiscal 2001. Notwithstanding the decline, housing starts remained healthy despite being below their 1999 peak; approximately 1.6 million starts were recorded in fiscal 2001. However, since the economy has continued to lose steam, rising unemployment and low consumer confidence have begun to outweigh the short-term beneficial effects of low mortgage rates, further softening the housing market. This would suggest, at the very least, 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 recovery. The upturn began to build upon itself, with the late 1990s witnessing dazzling growth, culminating in a decade high for the northeast region in fiscal 1999. Since then, the pace of housing starts has been slowly diminishing.

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 10
HOUSING STARTS AND MORTGAGE RATES

Fiscal Year	United States (000's)	New England (000's)	Connecticut (000's)	Mortgage Rate %
1991-92	1,130.0	38.1	9.1	8.46
1992-93	1,212.5	38.9	8.5	7.38
1993-94	1,397.5	41.1	9.0	6.87
1994-95	1,382.5	42.3	10.1	7.74
1995-96	1,450.0	38.7	8.7	7.46
1996-97	1,457.5	41.5	9.4	7.68
1997-98	1,530.0	45.0	11.1	7.24
1998-99	1,657.5	47.5	11.5	6.88
1999-00	1,640.0	46.4	10.4	7.67
2000-01	1,575.0	44.0	9.6	7.23

PERCENT CHANGE IN HOUSING STARTS AND MORTGAGE RATES

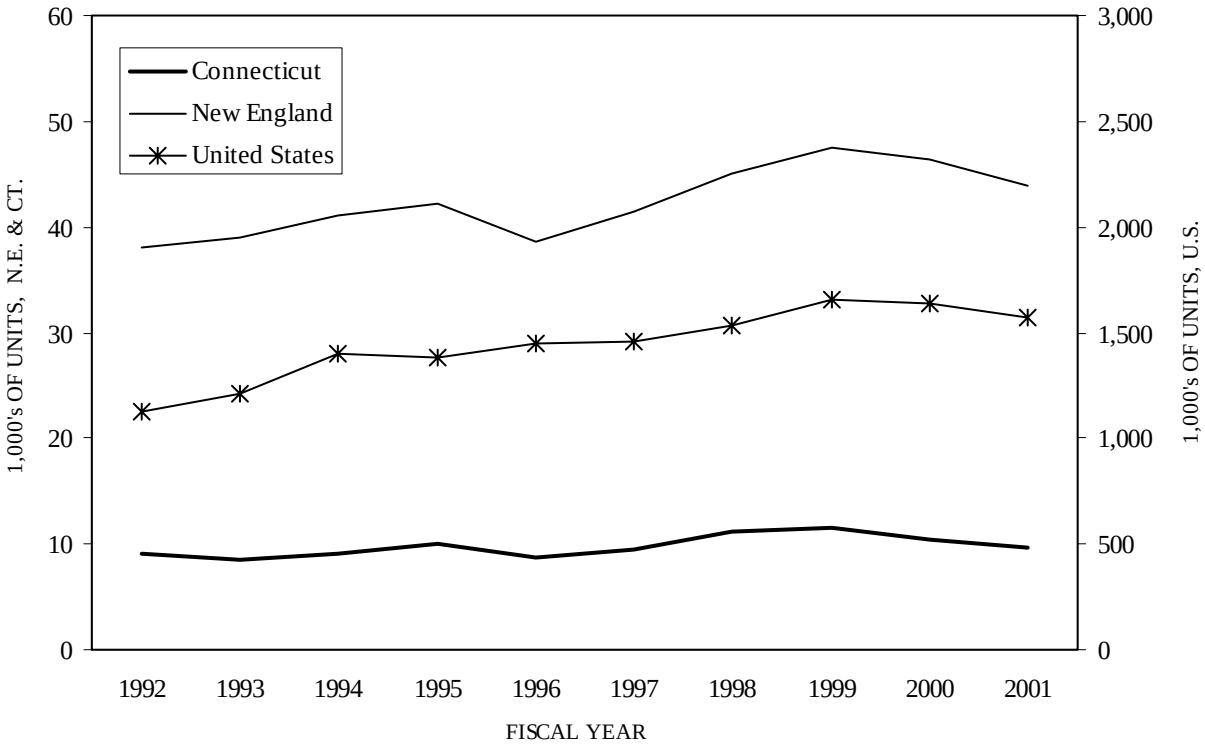
Fiscal Year	United States % Change	New England % Change	Connecticut % Change	Mortgage Rate % Change
1991-92	11.1	11.3	15.9	(10.9)
1992-93	7.3	2.0	(7.0)	(12.8)
1993-94	15.3	5.6	5.8	(7.0)
1994-95	(1.1)	2.9	13.1	12.6
1995-96	4.9	(8.4)	(14.7)	(3.6)
1996-97	0.5	7.0	8.6	2.9
1997-98	5.0	8.7	18.0	(5.7)
1998-99	8.3	5.5	4.0	(5.0)
1999-00	(1.1)	(2.4)	(10.1)	11.6
2000-01	(4.0)	(5.2)	(7.1)	(5.7)

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.

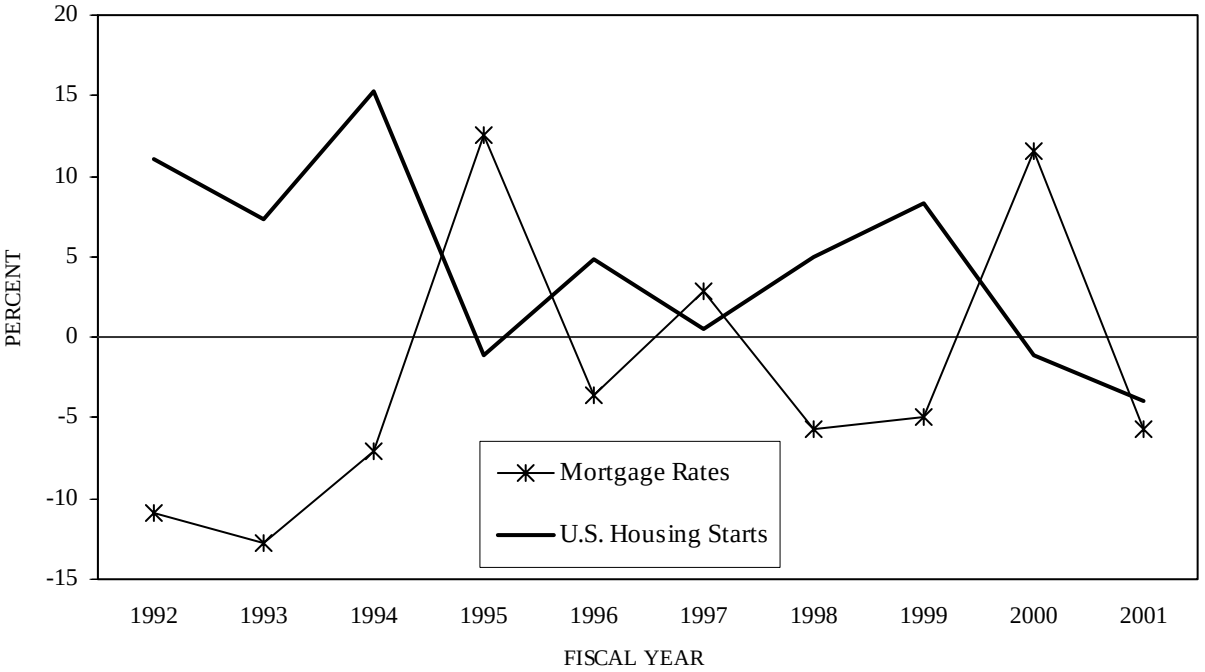
HOUSING STARTS

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, despite expectations of continued low mortgage rates, permits for new dwelling units declined in fiscal 2001. Although sales dropped back from the decade high set in fiscal 1999, their level through year-end remained in the vicinity of the recent benchmark. For fiscal 2001 in total, the number of starts slowed to an annual rate of 9,620 units, slightly below the ten-year average of 9,740 units. While housing activity in Connecticut is expected to weaken in the near term, any decline will be limited. The low mortgage rates and lack of any significant overbuilding anywhere in Connecticut places a solid floor under the market. Therefore, the severe real estate downturn of the early 1990s is unlikely to repeat itself this time.

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 2000, indicating the geographic distribution of housing construction activity.

County	Total Units Authorized	Percent of Total	Growth Rate
Fairfield	2,278	24.3	(2.8)
Hartford	1,705	18.2	(21.9)
Litchfield	725	7.7	(14.3)
Middlesex	867	9.2	(0.2)
New Haven	1,918	20.5	(17.8)
New London	814	8.7	(7.4)
Tolland	693	7.4	(12.5)
Windham	376	4.0	(4.1)
State Total	9,376	100.0	(11.9)

According to the report, calendar 2000 registered a year-over-year decline in housing permit activity. Permit activity totaling 9,376 units was authorized and added to the state's housing unit inventory, a decline of 11.9% when compared with the 10,637 units approved in 1999. In regard to local municipalities, the top five accounted for roughly 17% of the total permits authorized. The town of Stamford led all Connecticut communities with 571 permits issued followed by Danbury, Southington, Hamden and Milford.

In addition, residential demolition permits issued during calendar 2000 totaled 1,790. The town of Hartford issued the most demolition permits with 248, followed by Bridgeport, New Haven, Waterbury, and New London. These five cities accounted for about 43% of all demolition permits**.** As a result, the net gain to Connecticut's housing inventory totaled 7,586 units in calendar 2000. This was a decrease of roughly 12.2% from 1999's net gain of 8,636 units. At the

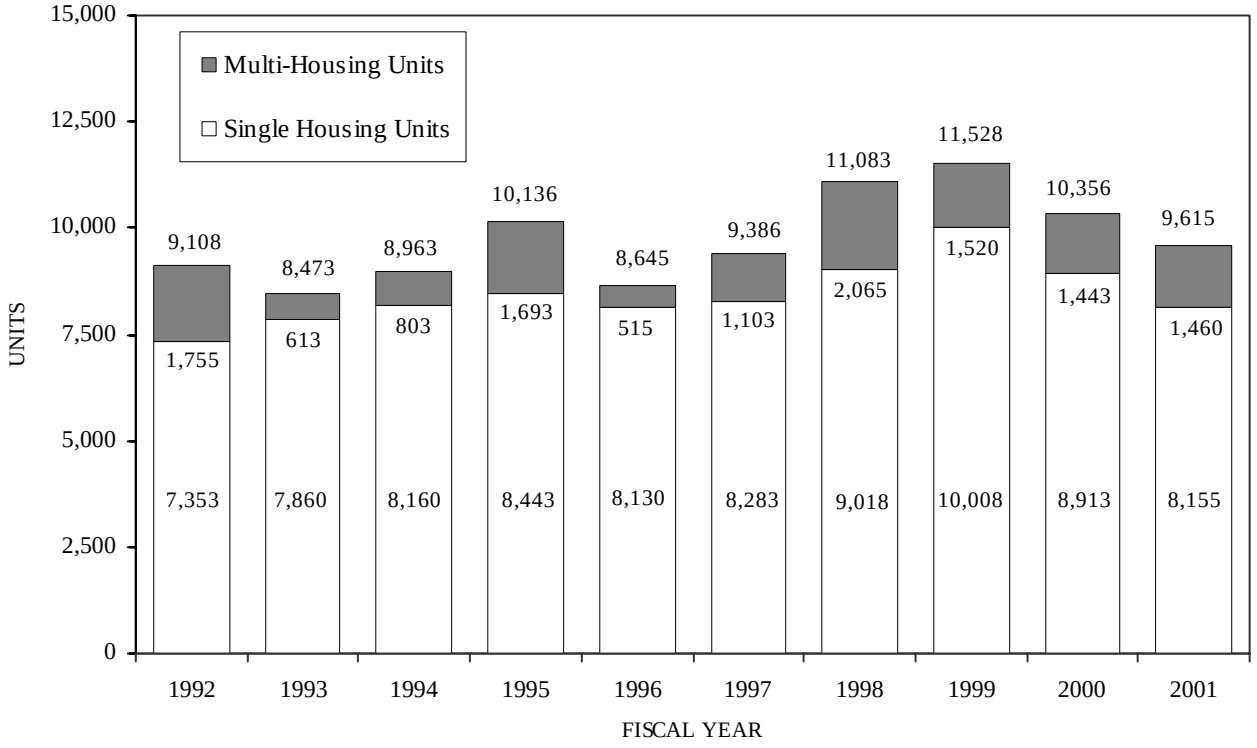
end of 2000, an estimated 1,399,819 housing units existed in Connecticut. This is based on a net gain of 80,078 housing units authorized from January of 1991 through December of 2000 added to the base of 1,319,741 housing units reported in the 1990 census as modified by the Department of Economic & Community Development. The following Table shows changes in housing unit inventory from 1990 to 2000.

TABLE 11
CONNECTICUT HOUSING INVENTORY

Structure Type	Inventory 1990	% of Total	Inventory 2000	% of Total	Net Gain	Growth Rate
One-Unit	815,307	61.8	889,770	63.6	74,463	9.1
Two-Unit	121,177	9.2	121,349	8.7	172	0.1
Three & Four-Unit	122,423	9.3	122,155	8.7	(268)	(0.2)
Five Or More Unit	230,989	17.5	239,742	17.1	8,753	3.8
Other	30,954	2.3	30,964	2.2	10	0.0
Demolitions	(1,109)	(0.1)	(4,161)	(0.3)	(3,052)	NA
Total Inventory	1,319,741	100.0	1,399,819	100.0	80,078	6.1

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 515 units in fiscal 1996 (6.0% of total starts) and a high of 2,065 units in fiscal 1998 (18.6% 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%. The recent national census by the Bureau of the Census indicates PPH for 2000 approximates 2.59 nationally. Changes in household size can heavily influence housing construction activity. For example, between 1990 and 2000, PPH in Connecticut has fallen from 2.59 to 2.53, a decline of 2.3% . During the same period, population in Connecticut has risen from 3,287,000 to approximately 3,406,000, an increase of 119,000 or 3.6%. Dwelling unit stock, however, has risen from 1,319,741 units (as counted in the 1990 Census) to 1,399,819 units in 2000 (as estimated by the Department of Economic & Community Development), an increase of 80,078 units or 6.1%.

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, which no longer needs space for children and which may be unable or unwilling to maintain a single family residence, changes housing.

In 2000, the Census of Population and Housing was undertaken by the Bureau of the Census. Listed below are actual statistics from the Census for 1980 - 2000. 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
25-34	491	534	584	504	452
% Change		8.8%	9.4%	-13.7%	-10.3%
65 and over	365	408	446	469	470
% Change		11.8%	9.3%	5.2%	0.2%

In Connecticut during the 1980s, the 25-34 year old homebuyer group increased in size by 93,000 individuals or 18.9%. However, the same age group, one decade later, declined by 132,000 individuals or 22.6%. 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, similar to what occurred in Connecticut during the 1990s, 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 grew during the 1990s, albeit at a very modest rate of less than 1%. 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. These changes include not only variation in the price of borrowed money, i.e. the interest rate, but also other developments that affect the availability of credit. In the past twenty years, the market has seen the development of adjustable rate mortgages (ARMs) and the deregulation of the financial markets. These past two decades have also witnessed the impact that a severe economic contraction can have on housing and the resultant tightening of credit standards and credit availability. Furthermore, the ever-present Internet with its ability to provide consumers with a competitive edge in comparing among lenders has begun to make its presence felt in the mortgage market. The combination of these and other factors ultimately affect the availability and the price of credit.

During fiscal 2000, thirty-year fixed rate loans and one-year adjustable rate loans began the year hovering around their lows of 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 rein in the economy. This indirectly caused mortgage rates to rise in anticipation of rising inflation. Finally, by fiscal year end, rates on thirty-year mortgages hit a five-year high of 8.6%.

In stark contrast to fiscal 2000, thirty-year fixed rate loans and one-year adjustable rate loans began fiscal 2001 perched around their highs of 8.5% and 7.0% respectively. By mid-October, mortgage rates showed only a slight drop as the risks on the economic outlook remained tilted in the direction of higher inflation. Once November rolled around, mortgage rates began to decline as signs of slower economic growth appeared on the horizon. By January, thirty-year fixed-rate mortgages were 7.5%, their lowest levels since August of 1999. The catalyst this time around for lower rates was twofold, the slumping economy and the Federal Reserve's decision to cut interest rates six times by fiscal year-end to boost the sagging economy. This indirectly caused mortgage rates to fall. By fiscal year end, rates on thirty-year mortgages were as low as 7.0% and adjustable-rate mortgages averaged 5.2%.

The climate of falling rates caused a shift in the balance between fixed-rate mortgages and ARMs. The share of thirty-year fixed rate loans to all loans increased because most of the interest rate risk in the near term was expected to be in the short term markets, where ARM

rates are determined. Fifteen-year mortgages, a popular option for those refinancing mortgages, averaged 6.7% in fiscal 2001.

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 2000, CHFA expanded homeownership opportunities by providing $383 million in mortgage financing to help 4,196 first-time homebuyers statewide. Through the state's Down Payment Assistance Program, down payments and, in some cases, closing costs totaling $5.5 million were provided for 1,300 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 2000, the Authority exceeded its goal by financing 803 rental housing units. Furthermore, the Authority provided mortgage financing in the amount of $23 million and received an estimated $35 million in private equity for the development of 803 rental housing units. Finally, the Authority also allocated $640,000 of Employer Assisted Housing Tax Credits in 2000 to nine 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, residential employment in fiscal 2001 grew for the fifth straight year, by adding 17,900 jobs. Moreover, establishment employment increased for the eighth consecutive year. Since fiscal 1993, the level of establishment employment in Connecticut has increased by 171,000 jobs.

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

TABLE 12
CONNECTICUT SURVEY EMPLOYMENT COMPARISONS
(In Thousands)

Fiscal Year	Residential Employment	% Growth	Establishment Employment	% Growth
1991-92	1,694.7	(2.15)	1,534.9	(3.39)
1992-93	1,675.4	(1.14)	1,527.7	(0.47)
1993-94	1,653.7	(1.30)	1,533.1	0.35
1994-95	1,623.4	(1.83)	1,556.6	1.53
1995-96	1,614.8	(0.53)	1,568.5	0.76
1996-97	1,629.9	0.93	1,599.5	1.98
1997-98	1,644.9	0.92	1,627.8	1.77
1998-99	1,647.5	0.16	1,656.8	1.78
1999-00	1,683.0	2.15	1,681.3	1.48
2000-01	1,700.9	1.06	1,698.7	1.03

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 year historical profile of nonagricultural employment in the United States, the New England Region and Connecticut.

TABLE 13
NONAGRICULTURAL EMPLOYMENT
(In Thousands)

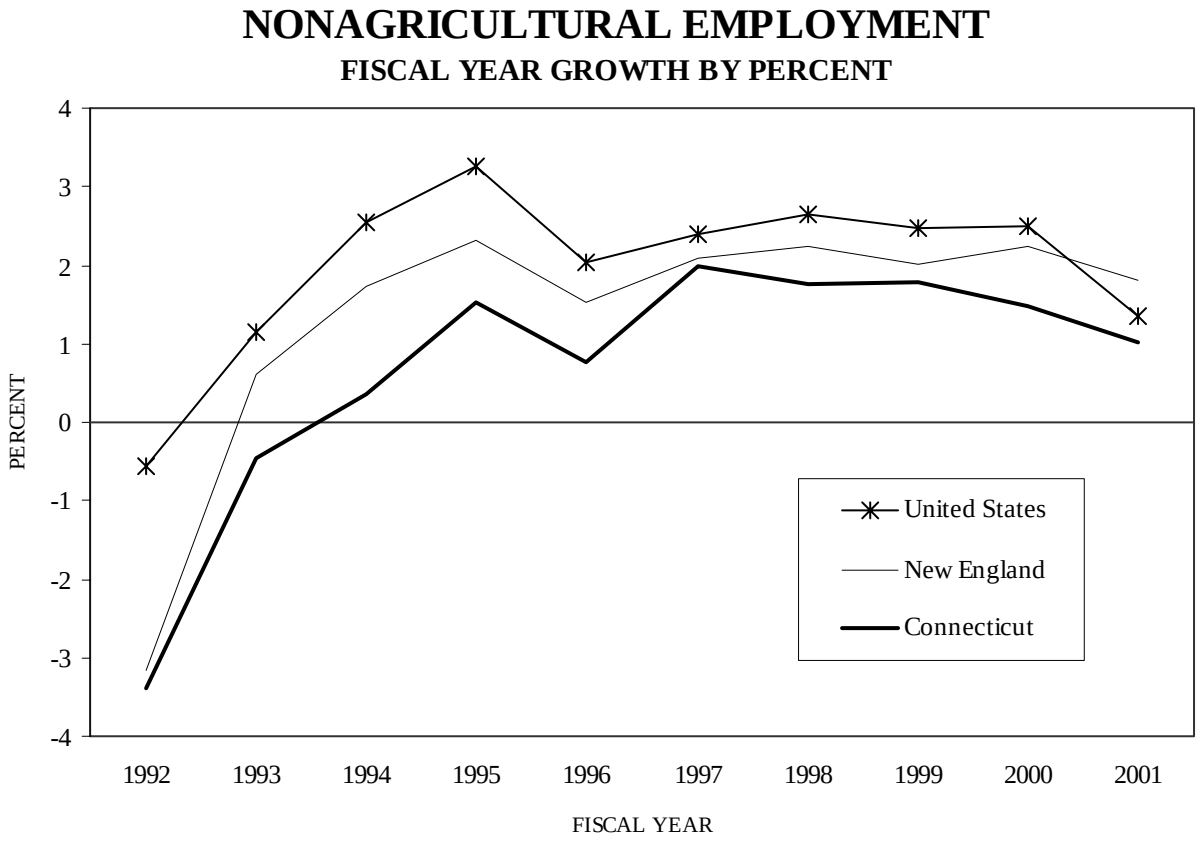
Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1991-92	108,220	(0.57)	5,991.7	(3.17)	1,534.9	(3.39)
1992-93	109,460	1.15	6,028.2	0.61	1,527.7	(0.47)
1993-94	112,260	2.56	6,133.2	1.74	1,533.1	0.35
1994-95	115,913	3.25	6,275.5	2.32	1,556.6	1.53
1995-96	118,263	2.03	6,371.5	1.53	1,568.5	0.76
1996-97	121,098	2.40	6,505.3	2.10	1,599.5	1.98
1997-98	124,305	2.65	6,650.1	2.23	1,627.8	1.77
1998-99	127,358	2.46	6,784.6	2.02	1,656.8	1.78
1999-00	130,540	2.50	6,935.6	2.23	1,681.3	1.48
2000-01	132,308	1.35	7,061.8	1.82	1,698.7	1.03

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

In Connecticut, approximately 62% 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 decade-long high in nonagricultural employment 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 2001, nonagricultural employment performed admirably, increasing by 17,400 jobs. Over the course of the last eight fiscal years, the state has not only regained all of the nonagricultural jobs that were lost during the last recession but has added 27,300 new jobs. This surpasses the state's prior nonagricultural employment peak, and establishes fiscal 2001 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

Throughout the last two decades, while manufacturing employment in Connecticut has been steadily declining, employment growth in nonmanufacturing industries has surged. Relatively rapid growth in the nonmanufacturing sector is a trend that is in evidence nationwide and reflects the increased importance of the service industry. This shift in employment provides for relatively more stable economic growth in the long run through the moderation of the peaks and troughs of economic cycles. In calendar 2000, approximately 85% 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 $93.4 billion in calendar 2000. Of the $93.4 billion, $9.2 billion or approximately 9.9% is derived from Connecticut residents. The other 90.1% is derived from sales outside of the state. This provides an additional source of incoming funds to bolster the economy of the state.

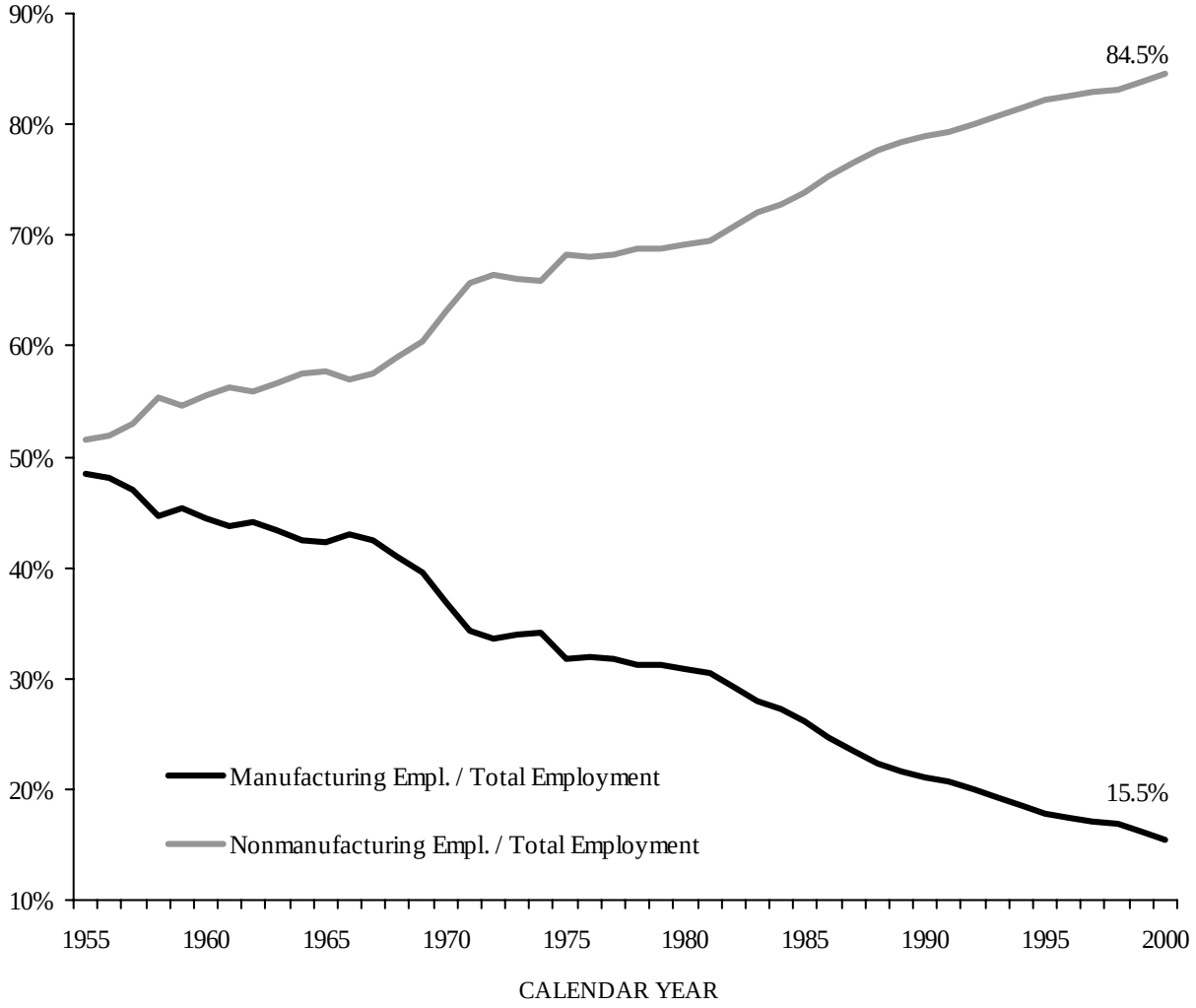
The following Table depicts the decrease in the ratio of manufacturing employment to total employment in Connecticut over the last 50 years.

TABLE 14
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
1966	1,095.7	471.5	624.2	43.0
1967	1,130.3	479.6	650.7	42.4
1968	1,158.1	474.4	683.7	41.0
1969	1,194.5	471.7	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	279.0	1,282.8	17.9
1996	1,583.7	274.8	1,308.9	17.3
1997	1,612.7	276.1	1,336.6	17.1
1998	1,642.9	276.9	1,366.0	16.9
1999	1,668.5	268.3	1,400.2	16.1
2000	1,693.2	262.3	1,430.9	15.5

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

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 this sector in Connecticut is defense-related business. The largest employers in these industries are United

Technologies Corporation, including its Pratt & Whitney Aircraft Division in East Hartford, and General Dynamics Corporation's Electric Boat Division in Groton.

In fiscal 2000 Connecticut ranked seventeenth in total defense dollars awarded and ninth 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 15
CONNECTICUT MANUFACTURING EMPLOYMENT*
(In Thousands)

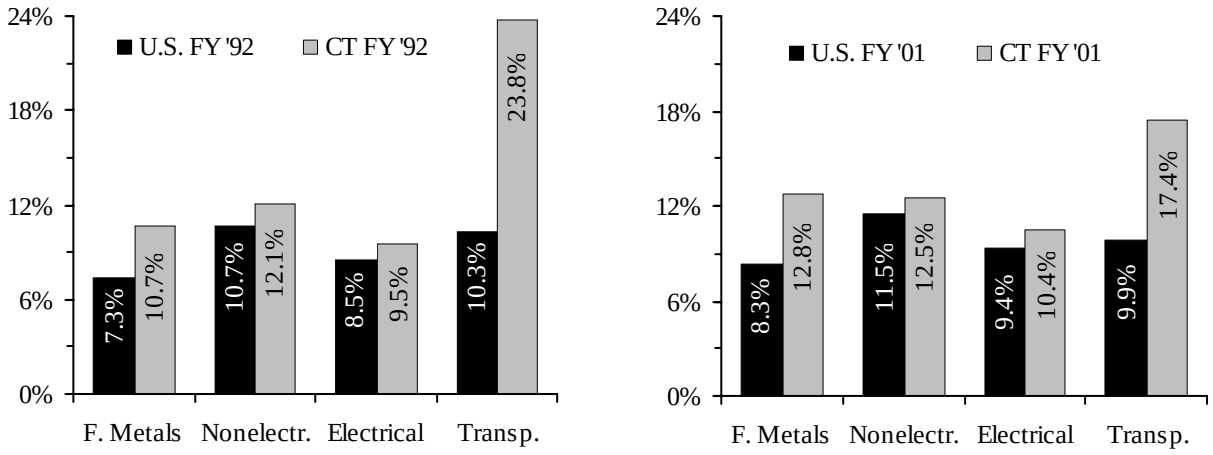
Fiscal Year	Transportation Equipment	Nonelectrical Machinery	Fabricated Metals	Electrical Equipment
1991-92	74.6	38.0	33.6	29.9
1992-93	66.7	36.6	33.4	28.5
1993-94	59.4	35.6	33.6	27.7
1994-95	54.7	35.3	34.4	27.8
1995-96	51.3	35.1	33.9	27.9
1996-97	50.2	34.5	34.4	28.6
1997-98	50.2	35.0	35.1	28.9
1998-99	49.8	33.9	34.6	27.7
1999-00	46.1	32.9	33.8	26.8
2000-01	45.3	32.4	33.3	27.2

* Excludes workers idled by labor management disputes.

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

Over the last decade the state's manufacturing sector has become less dependent on defense related production, as the percentage of manufacturing employment in the transportation equipment sector (aircraft engines, helicopters & submarines) has fallen from 23.8% in fiscal 1992 to 17.4% by fiscal 2001. The transformation in the state's manufacturing base, illustrated on the following page, confirms that the state's employment levels in the manufacturing sector are much closer to reflecting nationwide trends. As a result, Connecticut has been successfully diversifying itself away from dependence on just one industry. With the state's share of prime defense contracts declining, the state's shift towards the national trend should result in a moderation of potential manufacturing job losses. The following charts provide a historical comparison of the employment levels in the U.S. and in Connecticut in the state's most highly concentrated manufacturing sectors over the last ten fiscal years.

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



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

The following Table provides a ten year historical picture of manufacturing employment in the United States, the New England Region and Connecticut.

TABLE 16
MANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
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	1,044.0	(0.84)	276.0	(2.38)
1996-97	18,558	0.38	1,040.1	(0.38)	274.9	(0.40)
1997-98	18,808	1.35	1,052.3	1.18	277.7	1.01
1998-99	18,668	(0.74)	1,030.0	(2.12)	272.9	(1.73)
1999-00	18,508	(0.86)	1,012.4	(1.71)	264.3	(3.14)
2000-01	18,235	(1.47)	1,003.7	(0.86)	260.4	(1.49)

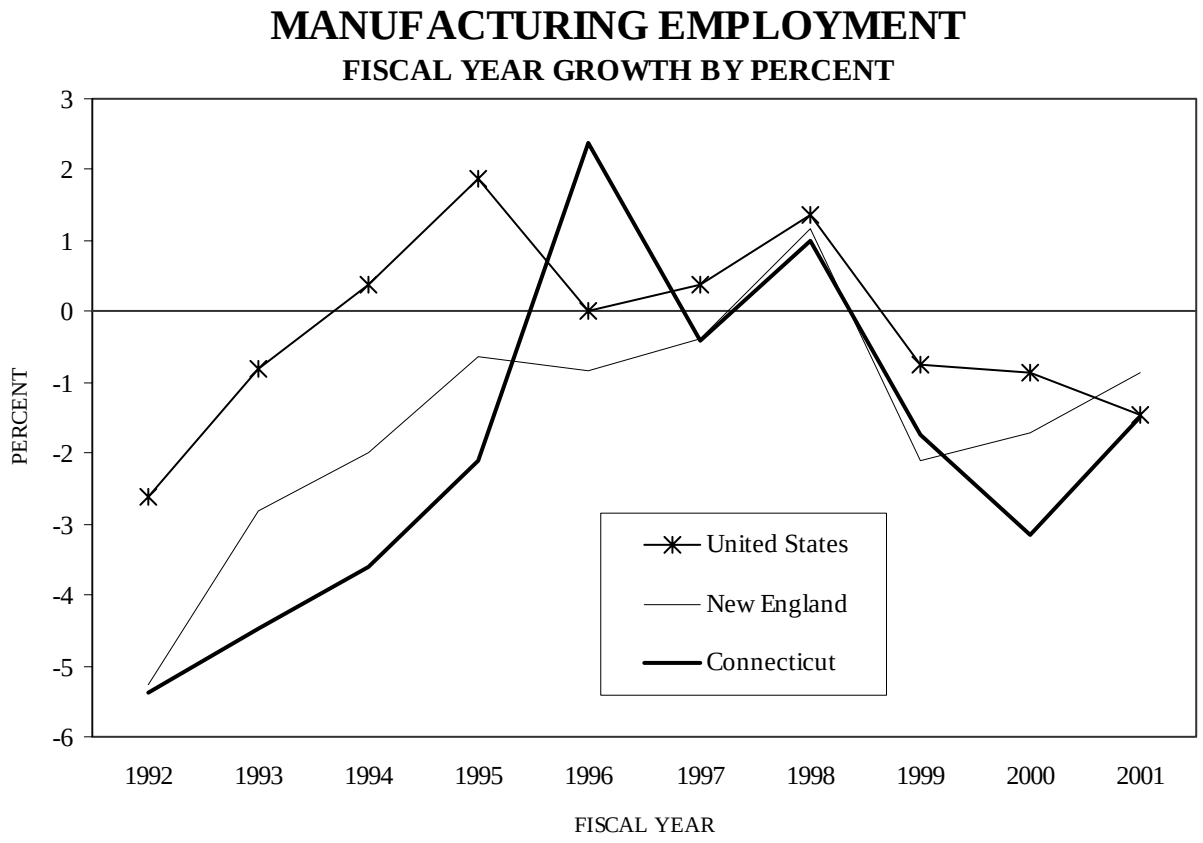
Source: U.S. Bureau of Labor Statistics, Connecticut State Labor Department

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% per fiscal year. By fiscal 1995 the loss of jobs had abated to roughly 2% per year. Increased demand for durable manufacturing orders played a pivotal role in reducing the rate of decline to 0.4% 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. Unfortunately, the growth was short-lived, as renewed weakness throughout the sector pushed employment levels lower between fiscal 1999 and fiscal 2001.

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 2001, employment in the state's manufacturing sector declined by roughly 3,900 jobs. In addition, activity in the manufacturing sector weakened during the course of the fiscal year as output produced by manufacturer's fell by roughly 2.9%, as measured by the Connecticut Manufacturing Production Index, (CMPI). The drop was attributed to the decline in production work hours. Total work hours registered an annual average loss of 4.5%. This coupled with the state's current shortage of skilled workers further dampened any employment growth for the 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 15.3% of all nonfarm payroll jobs, compared to only 13.8% in the United States.

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.

TABLE 17
CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
Industry	F.Y. 2000-01	F.Y. 1999-00	F.Y. 1991-92	FY 2000 to FY 2001	FY 1992 to FY 2001
Durable Manufacturing	181.49	183.93	228.49	(1.3)	(20.6)
Primary Metals	9.09	9.27	9.72	(1.9)	(6.5)
Fabricated Metals	33.32	33.80	33.58	(1.4)	(0.8)
Machinery - NonElectrical	32.43	32.88	38.04	(1.4)	(14.7)
Electrical Equipment	27.17	26.78	29.92	1.5	(9.2)
Transportation Equipment	45.26	46.11	74.55	(1.8)	(39.3)
Instruments and Clocks	19.15	19.93	27.87	(3.9)	(31.3)
NonDurable Manufacturing	78.88	80.40	85.17	(1.9)	(7.4)
Food	7.73	8.13	10.19	(4.8)	(24.1)
Textiles	2.06	2.16	2.51	(4.6)	(17.8)
Apparel	2.92	3.09	4.83	(5.5)	(39.5)
Paper	7.64	7.93	8.56	(3.6)	(10.7)
Printing and Publishing	23.69	24.52	24.92	(3.4)	(4.9)
Chemicals	22.79	22.58	21.89	0.9	4.1
Rubber & Misc. Plastic Products	10.34	10.12	10.98	2.2	(5.8)
Total Manufacturing Employment	260.37	264.32	313.65	(1.5)	(17.0)

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

In fiscal 2001, employment gains by manufacturer's were concentrated solely in electrical equipment, rubber & plastics, and chemicals. 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 most modern technology-laden computer-aided equipment. Such cost saving measures have definitely made a difference in worker

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 due to changing world events, (See Table 41 – Defense Contract Awards and Related Employment) some of Connecticut's defense-related industries could begin new rounds of hiring to meet the demand. Military producers like Sikorsky Aircraft, Pratt & Whitney, Northrup-Grumman and Electric Boat are the most likely recipients of military contracts to build and supply hardware to the nation's armed forces. 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 latter part of this decade.

The following 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
AVERAGE WEEKLY EARNINGS, HOURS AND WAGES OF CONNECTICUT MANUFACTURING AND CONSTRUCTION WORKERS

Fiscal Year 2000-01	Weekly Earnings	Hourly Wages	Weekly Hours
Durable Manufacturing	$693.29	$16.15	42.94
Primary Metals	691.15	15.54	44.48
Fabricated Metals	617.93	14.61	42.30
Machinery	740.83	16.98	43.64
Electrical Equipment	579.00	13.65	42.41
Transportation Equipment	896.69	20.42	43.92
Instruments and Clocks	619.57	14.84	41.75
NonDurable Manufacturing	636.62	15.15	42.04
Food	543.90	12.75	42.67
Printing and Publishing	655.71	16.18	40.53
Textiles	525.38	12.50	42.05
Apparel	383.68	9.63	39.84
Rubber & Misc. Plastic Products	553.03	13.15	42.05
Paper	740.84	16.64	44.52
Chemicals	788.24	18.54	42.51
Construction	886.36	21.88	40.51
Manufacturing	$677.36	$15.87	42.68

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 12.4% 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: 9.9%, 9.7%, 6.4% and 9.6%.

TABLE 19
MANUFACTURING WAGES AS A PERCENT OF PERSONAL INCOME BY STATE
(In Millions of Dollars)

State	Personal Income	Mfg. Wages	%	FY 01 Rank	State	Personal Income	Mfg. Wages	%	FY 01 Rank
Michigan	$294,026	$53,502	18.20	1	Rhode Island	$31,533	$3,053	9.68	26
Indiana	167,068	30,157	18.05	2	New Jersey	321,522	30,869	9.60	27
Wisconsin	154,983	25,417	16.40	3	Washington	186,052	17,747	9.54	28
Ohio	323,231	47,804	14.79	4	Georgia	235,268	22,356	9.50	29
N.Hampshire	42,337	6,078	14.36	5	Maine	33,469	3,153	9.42	30
North Carolina	223,699	29,319	13.11	6	Utah	54,006	4,796	8.88	31
South Carolina	99,128	12,807	12.92	7	Texas	600,686	51,804	8.62	32
Iowa	78,919	9,909	12.56	8	Arizona	132,702	11,086	8.35	33
Minnesota	162,587	20,373	12.53	9	Nebraska	48,131	3,979	8.27	34
Arkansas	60,312	7,540	12.50	10	Oklahoma	83,828	6,713	8.01	35
Vermont	16,960	2,117	12.48	11	West Virginia	40,336	3,171	7.86	36
Delaware	25,149	3,114	12.38	12	South Dakota	19,944	1,568	7.86	37
Connecticut	144,063	17,837	12.38	13	Louisiana	105,188	7,760	7.38	38
Kentucky	100,228	12,309	12.28	14	Virginia	227,947	16,216	7.11	39
Tennessee	151,920	18,281	12.03	15	Colorado	145,433	10,302	7.08	40
Alabama	106,894	12,564	11.75	16	New York	679,661	43,803	6.44	41
Mississippi	60,690	7,012	11.55	17	Maryland	184,802	10,569	5.72	42
Oregon	97,399	11,067	11.36	18	North Dakota	16,322	776	4.76	43
Kansas	75,905	8,486	11.18	19	New Mexico	41,235	1,763	4.28	44
Illinois	407,532	45,193	11.09	20	Florida	461,382	19,702	4.27	45
Pennsylvania	373,814	41,249	11.03	21	Montana	20,950	816	3.90	46
Idaho	31,565	3,296	10.44	22	Wyoming	13,936	411	2.95	47
Massachusetts	248,226	24,771	9.98	23	Nevada	61,607	1,804	2.93	48
Missouri	156,458	15,610	9.98	24	Alaska	19,104	414	2.17	49
California	1,131,116	111,750	9.88	25	Hawaii	34,568	514	1.49	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 14). 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 sectors.

TABLE 20
CONNECTICUT NONMANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

Industry	F.Y. 2000-01	F.Y. 1999-00	F.Y. 1991-92	Percent Change 1999-00 To 2000-01	Percent Change 1991-92 To 2000-01
Construction	67.28	64.37	49.21	4.5	36.7
Transportation	46.43	45.72	38.75	1.6	19.8
Communications	20.75	19.61	16.72	5.8	24.1
Utilities	12.69	12.88	13.15	(1.5)	(3.4)
Trade	366.09	362.47	334.57	1.0	9.4
Wholesale	82.94	82.17	79.67	0.9	4.1
Retail	283.15	278.30	254.91	1.0	11.1
Finance (FIRE)	141.70	140.44	144.73	0.9	(2.1)
Finance & Real Estate	70.42	69.13	62.86	1.9	12.0
Insurance	71.28	71.32	81.88	0.0	(12.9)
Services	540.64	532.03	417.28	1.6	29.6
Business Services	167.21	162.27	105.82	3.0	58.0
Health Services	158.25	158.17	139.33	0.1	13.6
All Other Services	215.17	211.60	172.12	1.7	25.0
Government	242.79	239.50	206.88	1.4	17.4
Federal	22.37	23.37	24.55	(4.2)	(8.9)
State and Local	220.42	216.14	182.32	2.0	20.9
Total Nonmanufacturing Employment	1,438.35	1,417.02	1,221.29	1.5	17.8

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

Source: Connecticut State Labor Department

The state's nonmanufacturing sector created roughly 21,300 new jobs in fiscal 2001. Over the course of the last ten years, there were approximately 217,100 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 2001, service industry employment expanded by about 8,600 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 more than one out of every four jobs statewide in fiscal 2001, is comprised of

firms in computer programming, data processing, personnel services, public relations, advertising management and the numerous entities classified under miscellaneous business services. Moreover, with the exception of the utility industry and the federal government sector, job growth 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 state & local 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 personal income. In addition, construction employment, for the fifth 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 2001, per the state's Department of Labor, approximately 19,000 combined employees worked at the Foxwood Casino & Mohegan Casino.)

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

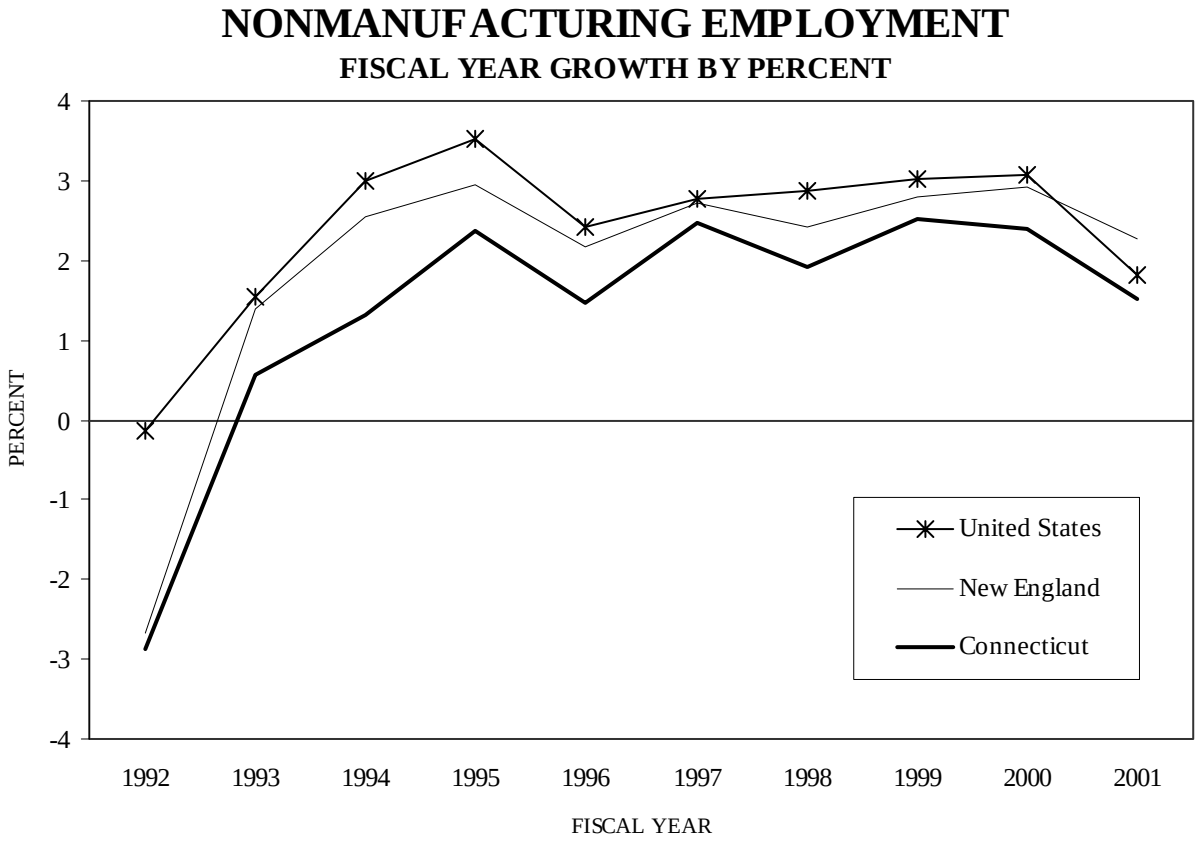
TABLE 21
NONMANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
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	1,273.9	2.38
1995-96	99,770	2.41	5,320.0	2.18	1,292.5	1.46
1996-97	102,543	2.78	5,465.2	2.73	1,324.6	2.48
1997-98	105,500	2.88	5,597.6	2.42	1,350.0	1.92
1998-99	108,690	3.02	5,754.6	2.80	1,383.9	2.51
1999-00	112,028	3.07	5,923.2	2.93	1,417.0	2.39
2000-01	114,073	1.83	6,058.2	2.28	1,438.4	1.51

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. Finally, momentum in employment growth is slowing due to the weakening global economy, tight labor markets, and slower export growth.

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 22
CONNECTICUT NONMANUFACTURING ANNUAL SALARIES

	-- Calendar Year --			Percent Change	
	2000	1999	1991	99 to 00	91 to 00
Construction	$47,094	$45,650	$22,403	3.2%	100.2%
Transport., Com. & Public Util.	55,735	54,264	31,745	2.7%	75.6%
Wholesale Trade	63,702	61,231	38,290	4.0%	66.4%
Retail Trade	24,609	21,967	14,774	12.0%	66.6%
Finance, Ins. & Real Estate	64,513	59,632	26,594	8.2%	142.6%
Service	39,581	37,784	20,631	4.8%	91.8%

Government	47,008	45,631	29,148	3.0%	61.3%

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.

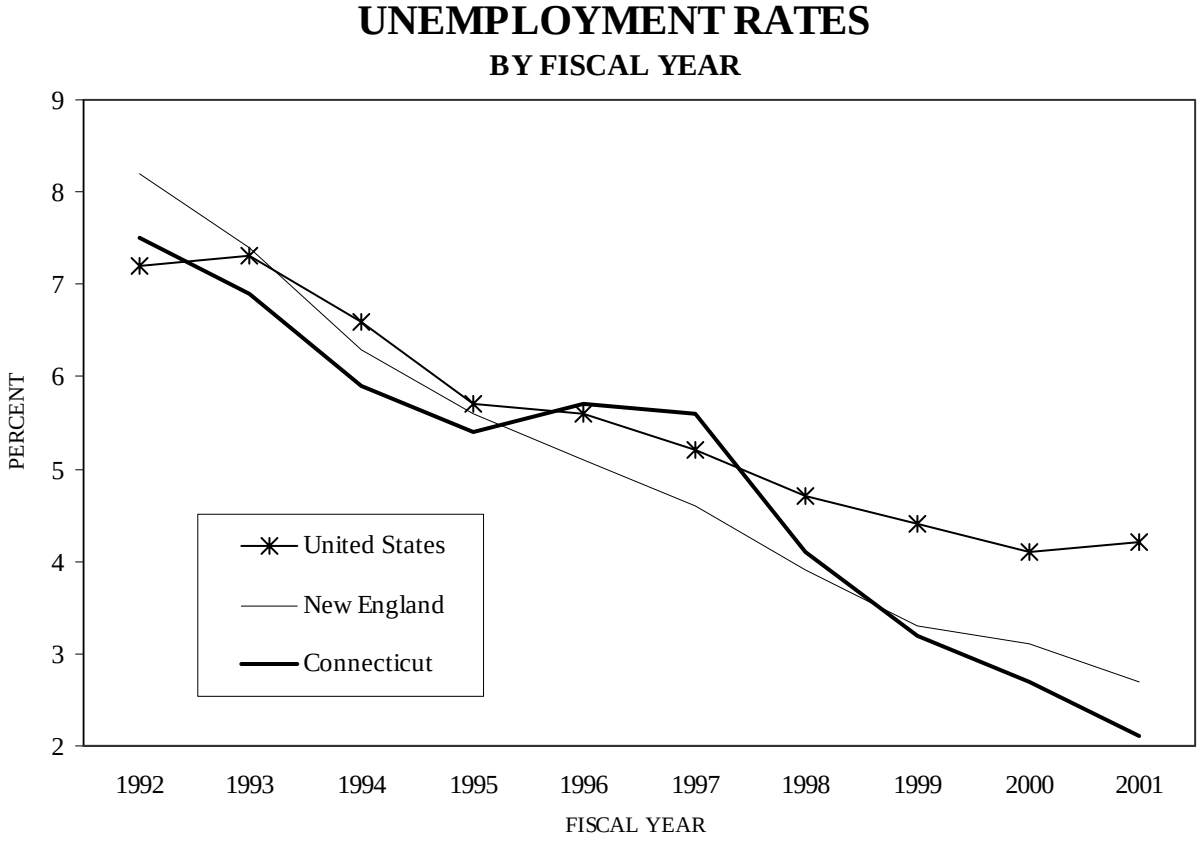
The following Table shows the unemployment rate for the United States, the New England Region and Connecticut over a ten year period.

TABLE 23
UNEMPLOYMENT RATES

Fiscal Year	United States	New England	Connecticut
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	4.7	3.9	4.1
1998-99	4.4	3.3	3.2
1999-00	4.1	3.1	2.7
2000-01	4.2	2.7	2.1

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.
- Suspending the sales tax on hospital services through June of 2003.
- 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).
- Phasing out corporation business taxes on S-corporation's net income.
- 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.
- Enacting a five year local property tax exemption for newly acquired machinery used in manufacturing and expanding the number of enterprise zones in the state.
- 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 30 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). The current recession, which began in March 2001, also follows an energy supply disturbance that occurred in late 2000 when petroleum inventories remained relatively low and the price reached a high of $37.80 per barrel, the highest since the Gulf War 10 years ago.

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; 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. In 2000, they accounted for 80% of total energy production and were valued at an estimated $148 billion. The following three sections describe energy production and consumption for the world, the United States, and Connecticut.

Worldwide

In the world oil market, supply and demand among countries or regions is 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 40.2% of total world supply in 2000, up from 39.6% 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 United States' market share has continued to decline. The United States consumed 19.70 million barrels of oil a day in 2000, representing 26% of total world demand. However, the United States produced only 9.06 million barrels per day (MBPD), or 11.8% of world supply, slightly up from 8.99 MBPD, but 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 remains large. For example, the Organization for Economic Cooperation and Development (OECD), which includes the United States, 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 2000, the OECD consumed 42.87 million barrels per day, or 56.5% of the world total, while supplying only 19.80 MBPD, or 25.8% of the world total, registering a 23.07 million barrel deficit a day. This compares to a 23.42 MBPD deficit in 1999, and 22.55 MBPD deficit in 1998. China, which used to be in balance between demand and supply, began running an oil deficit as its economy continues to grow at a fast pace while the countries making up the former USSR supplied more than they demanded.

TABLE 24
WORLD OIL SUPPLY AND DEMAND
Calendar 2000

	Supply Millions of Barrels Per Day	% of Total		**Demand** Millions of Barrels Per Day	% of Total
Total OECD	19.80	25.8	Total OECD	42.87	56.5
United States	9.06	11.8	United States	19.70	26.0
Canada	2.74	3.6	Canada	1.95	2.6
North Sea	6.37	8.3	Japan	5.60	7.4
Other OECD	1.51	2.0	Germany	2.76	3.6
			France	2.02	2.7
Total OPEC	30.87	40.2	Italy	1.88	2.5
Saudi Arabia	8.40	10.9	United Kingdom	1.70	2.2
Iran	3.72	4.8	Other OECD	7.26	9.6
Other OPEC	18.75	24.4			
Total Non-OECD	26.19	34.1	Total Non-OECD	32.96	43.5
Former USSR	8.13	10.6	China	4.60	6.1
China	3.25	4.2	Former USSR	3.74	4.9
Other	14.81	19.3	Other	24.62	32.5
Total Supply	76.86	100.0	**Total Demand**	75.83	100.0

Source: U.S. Department of Energy, Energy Information Administration, "*International Petroleum Monthly*", September 2001

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 relies heavily on OPEC and major consumers produce inadequate levels 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 are 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 25
WORLD OIL & NATURAL GAS RESERVES
January 1, 2000

	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 2000*", July 2001

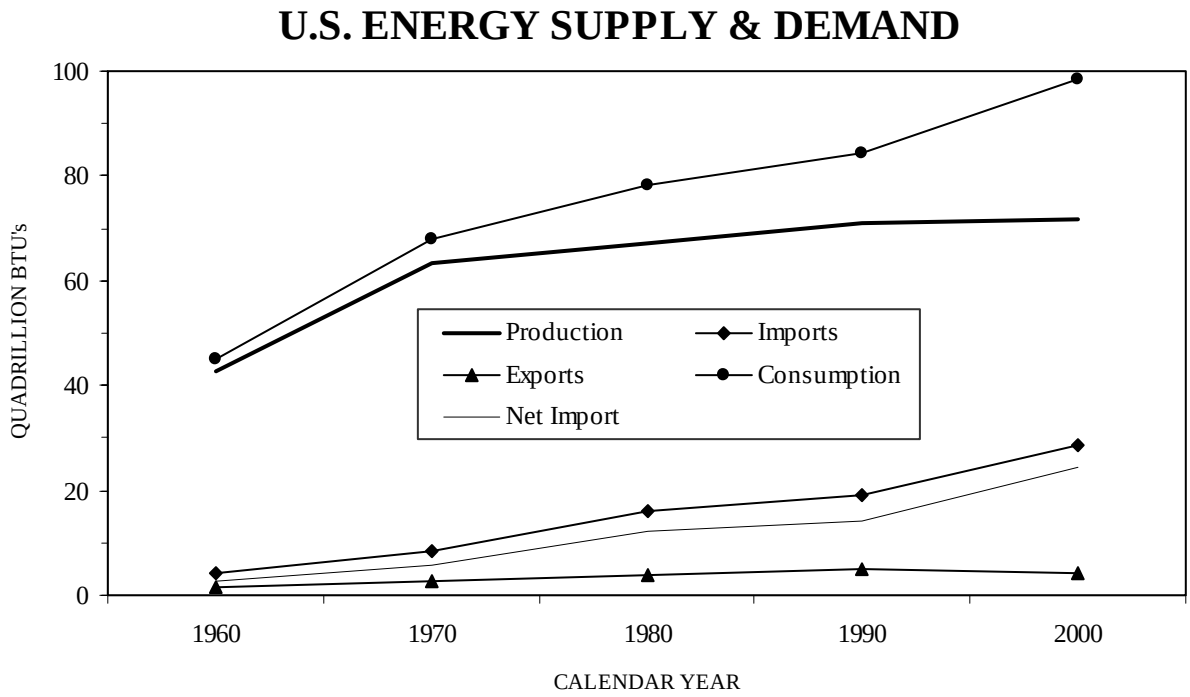
While the Middle East countries dominate crude oil reserves, they share almost equally with Eastern Europe and the countries comprising the former USSR for the bulk of natural gas reserves. Together, these two regions hold 73.2% of the world's gas reserves. The United States and Western Europe each controls 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 2000 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. The possible development of Alaska's Artic National Wildlife Refuge in the future would increase domestic oil production.

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 late 1990s. In 2000, according to the *Annual Energy Review 2000* which is published by the U.S. Department of Energy, the U.S. consumed 98.50 quadrillion British Thermal Units (BTU's) of energy, 2.2 times the 1960 level. Whereas the U.S. produced only 71.90 quadrillion BTU's and exported 4.10 quadrillion BTU's, it required net imports of 24.42 quadrillion BTU's, which represented 24.8% of total national consumption. Although U.S. energy production comes from many sources, fossil fuels that include coal, natural gas, crude oil, and natural gas plant liquids far exceed all other forms such as nuclear electric power, wood and waste, and hydroelectric power, etc. In 2000, fossil fuels accounted for 79.7% of total energy production with coal accounting for 31.5%; natural gas, 27.3%; crude oil, 17.2% and natural gas plant liquids 3.6%.



Source: U.S. Dept. of Energy, Energy Information Adm. "*Annual Energy Review 2000*", Sept. 2001
National energy consumption has increased at an average annual rate of 1.2% over the past two decades. 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 2000 by fuel type and by economic sector. According to the September 2001 issue of "*Monthly Energy Review*", petroleum products are the most important energy source for the U.S. economy. In 2000, the U.S. consumed 99.05 quadrillion BTU's of energy. (The figure differs from the 98.50 quadrillion BTU's reported on the prior page due to a difference in the estimation approach). The 38.40 quadrillion petroleum generated BTU's accounted for 38.8% of U.S. fuel consumption. Natural gas consumption of 23.34 quadrillion BTU's made up 23.6% of the total. Coal followed with 22.5 quadrillion BTU's, accounting for 22.7% of consumption. These three fuel sources together accounted for 85.0% of U.S. fuel consumption. Nuclear and hydroelectric power were distant followers.

TABLE 26
U.S. ENERGY CONSUMPTION
Calendar 2000

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

Fuels	Residential	Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	5.11	3.35	10.98	0.79	3.10	23.34
Petroleum	1.49	0.72	9.16	26.25	0.78	38.40
Coal	0.05	0.07	2.26	0.00	20.09	22.46
Nuclear	0.00	0.00	0.00	0.00	8.01	8.01
Hydroelectric	0.00	0.00	0.00	0.00	3.15	3.15
Other	0.50	0.06	2.06	0.00	0.06	2.68
Electricity	4.07	3.90	3.65	0.02	1.01	12.65
Electric Losses	8.58	8.22	7.70	0.04	(36.19)	(11.65)
Total Demand	19.81	16.33	35.81	27.10	0.00	99.05

B. As a Percentage of Total

Fuels	Residential	Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	5.2%	3.4%	11.1%	0.8%	3.1%	23.6%
Petroleum	1.5	0.7	9.2	26.5	0.8	38.8
Coal	0.0	0.1	2.0	0.0	20.3	22.7
Nuclear	0.0	0.0	0.0	0.0	8.1	8.1
Hydroelectric	0.0	0.0	0.0	0.0	3.2	3.2
Other	0.5	0.1	2.1	0.0	0.1	2.7
Electricity	4.1	3.9	3.7	0.0	1.0	12.8
Electric Losses	8.7	8.3	7.8	0.0	(36.5)	(11.8)
Total Demand	20.0	16.5	36.2	27.4	0.0	100.0

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, "*Monthly Energy Review*", September 2001

There are five energy-use sectors: residential, commercial, industrial, transportation, and electric power generation. The first four sectors are end-users while the last one is the intermediate-user that consists of all utility and nonutility facilities and equipment used to generate, transmit, and distribute electricity. Of the four end-users, the industrial sector was the largest energy consumer in 2000, consuming 35.8 quadrillion BTU's or accounting for 36.2% of total energy. The industrial sector was followed by transportation at 27.4%, residential at 20.0%, and commercial at 16.5%. In contrast to the relatively smooth trends in the other sectors, industrial consumption has fluctuated sharply. About three-fifths of the energy consumed in the industrial sector is used for manufacturing, with the remainder going for mining and construction, etc. The electric power generation sector consumes and also produces energy. Energy losses occur in the electrical system, beginning with utility generation in fossil-fired, nuclear and hydroelectric power plants to the end-users. Energy losses are approximately two-thirds of total energy input during the conversion process of changing heat energy into mechanical energy for turning electric generators. Of the electricity generated, approximately 5% is lost in plant use and 9% is lost in transmission and distribution.

The industrial sector in 2000 used natural gas and petroleum as the predominant fuel sources. The transportation sector was overwhelmingly dependent on petroleum. The electric generation sector's major fuel source was coal that accounted for 56% of its consumption, followed by nuclear generation with 22%. Nationally, 24% of all residential and commercial energy consumption was provided by natural gas. As mentioned previously, 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.

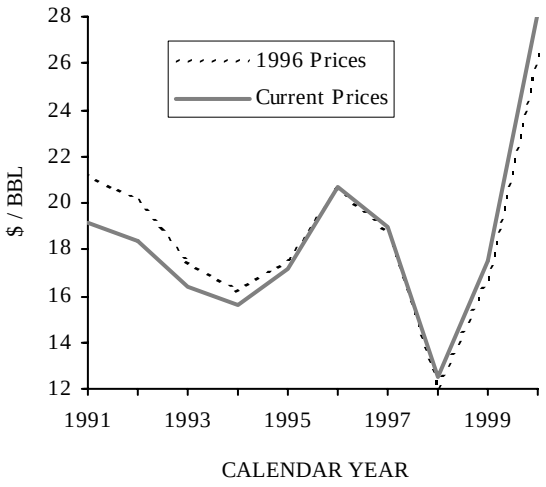
TABLE 27
CRUDE OIL PRICES AND U.S. DEPENDENCE ON IMPORTED OIL

	REFINERS' CRUDE OIL ACQUISITION COSTS			IMPORT % SHARE OF U.S. OIL CONSUMPTION			
Calendar Year	$/BL Current $	$/BL Chained 1996$	Calendar Year	Persian Gulf	Other OPEC	Non-OPEC	Total Imports
1975	10.38	25.93	1975	7	15	15	37
1980	28.07	49.21	1980	9	16	15	41
1985	26.75	36.30	1985	2	10	21	32
1990	22.22	25.68	1990	12	14	22	47
1995	17.23	17.56	1995	9	14	27	50
2000	28.23	26.40	2000	13	14	31	57

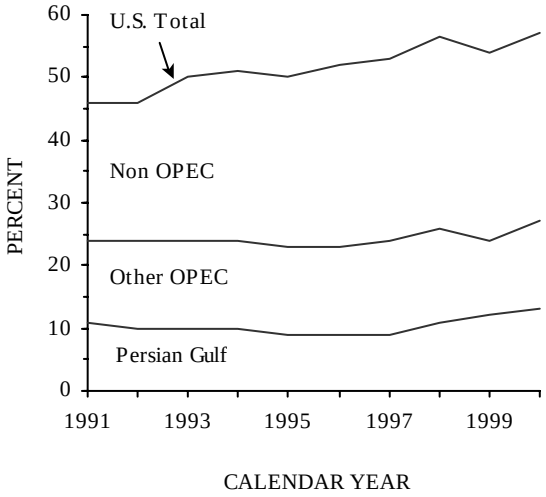
Note: Refiner's crude oil acquisition costs peaked at $35.24 per barrel in 1981. Its inflation-adjusted cost of $56.50 (chained 1996 dollars) per barrel was also a record high.

Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 2000*", July 2001 and "*International Petroleum Monthly*", September 2001

REFINERS' CRUDE OIL ACQUISITION COSTS



U.S. OIL IMPORTS AS A % OF CONSUMPTION



Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 2000*", July 2001 and "*International Petroleum Monthly*", September 2001

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 until late 2000 when low inventory levels caused a price spike. The downward trend in oil prices for the past three decades has been 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 2000, oil production by OPEC members rose slightly to 30.87 MBPD, with their share of production dropping to 40.2% of a total 76.86 MBPD. Non-OPEC countries production increased from 25.05 MBPD in 1973 to 45.99 MBPD in 2000, increasing their share from 45.0% in 1973 to 59.8% in 2000. However, the OPEC cartel still plays a significant role in the world oil market, albeit with less market share.

The average price of crude oil in 2000 rose to $28.23 per barrel after falling to a two-decade low of $12.52 per barrel in 1998. 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. The average oil price in 2001 is however estimated to have fallen to the twenty dollar per barrel range. Oil prices continued to decline to the high teens per barrel in late 2001 as demand was sharply reduced, caused by a contraction in the U.S. economy, reduced travel due to the World Trade Center attack, along with a slowdown in the world economy. Despite the OPEC decision to cut production in order to maintain the price within a $22-$28 range, members disregarded their quotas and produced more oil. The International Energy Agency recorded 10 members of OPEC (excluding Iraq that is under United Nations' supervision and does not take part in the quota system) produced 24.47 million barrels a day in September 2001, which was 1.27 million barrels higher than their agreed upon ceiling of 23.20 million barrels.

Historically, it takes 6 months for a change in energy prices to affect the CPI core inflation (the measure of inflation excluding energy and food components). This allows flexibility for the Federal Reserve Bank to take an aggressive monetary policy in cutting interest rates, spurring economic activity and likely shortening the economic downturn.

Oil Consumption

Petroleum consumption in the United States has steadily grown from 15.2 MBPD in 1983 to an all-time high of 19.7 MBPD in 2000. As shown in the Table on U.S. Energy Consumption, in 2000, petroleum consumption accounted for 38.8% 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 25.3 barrels per capita in 2000, 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 notably, 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 57.0% in 2000.

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

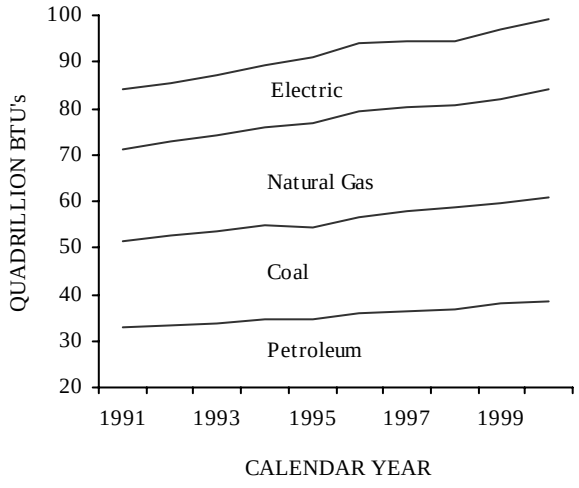
Product (GDP). The following Table and Chart compares U.S. consumption of fuel sources and illustrates the nation's improvement in energy efficiency.

TABLE 28
U.S. PRIMARY ENERGY CONSUMPTION & ENERGY EFFICIENCY

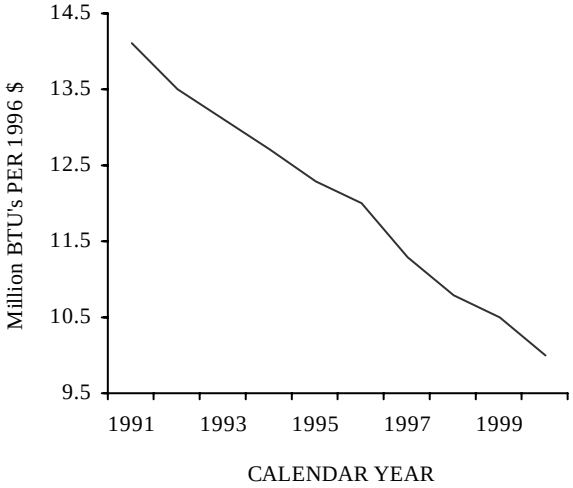
	U.S. Energy Consumption*								
Calendar Year	Petro-leum	Coal	Nat. Gas	Others	Total	% Change	GDP Billion (96$)	Million BTU Per 96$	% Change
A. Five-Year Comparison									
1975	32.7	12.7	19.9	5.2	72.0		4,085	17.64	
1980	34.2	15.4	20.4	5.9	78.4	8.87	4,901	16.00	(9.26)
1985	30.9	17.5	17.8	7.7	77.1	(1.75)	5,717	13.48	(15.77)
1990	33.6	19.1	19.3	9.3	84.3	9.45	6,708	12.57	(6.72)
1995	34.6	20.0	22.2	14.2	90.9	7.82	7,401	12.29	(2.27)
2000	38.4	22.4	22.3	14.8	99.0	2.25	9,873	10.03	(18.37)
B. One-Year Comparison									
1991	32.8	18.8	19.6	13.1	84.3		5,986	14.08	
1992	33.5	19.2	20.1	12.8	85.5	1.44	6,319	12.53	(3.90)
1993	33.8	19.8	20.8	12.9	87.3	2.09	6,642	13.14	(2.88)
1994	34.7	20.0	21.3	13.3	89.2	2.19	7,052	12.65	(3.78)
1995	34.6	20.0	22.2	14.2	90.9	1.94	7,401	12.29	(2.83)
1996	35.8	20.9	22.6	14.6	93.9	3.29	7,813	12.02	(2.17)
1997	36.3	21.4	22.5	14.1	94.3	0.44	8,318	11.34	(5.66)
1998	36.9	21.7	21.9	14.1	94.6	0.28	8,782	10.77	(5.00)
1999	38.0	21.7	22.3	14.9	96.9	2.37	9,269	10.45	(3.01)
2000	38.4	22.4	23.3	14.8	99.0	2.25	9,873	10.03	(4.00)

* Units are in quadrillion BTU's.

U.S. PRIMARY ENERGY CONSUMPTION



U.S. ENERGY EFFICIENCY



Source: U.S. Department of Energy, "*Monthly Energy Review*", September 2001
In 1980, it required 16.00 million BTU's of energy to produce $1 of GDP measured in 1996 dollars. This gradually fell to 10.03 million BTU's by 2000. This reflects that energy efficiency has increased at an average annual rate of 2.4% over the past 20 years. During the 10-year period between 1980 and 1990, the number of BTU's used per constant dollar of GDP declined 21.4% compared to an 18.4% reduction for the period between 1990 and 2000. 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. Energy efficiency increased at an average rate of 4.42% from 1997 to 2000 compared to only a 3.11% increase between 1991 and 1996.

Oil Stability Program

To protect against supply disruptions, the United States began to create a Strategic Petroleum Reserve (SPR) under the Energy Policy and Conservation Act of 1975 (EPCA). The SPR program was established as a 750 million barrel capacity crude oil reserve with the objective to achieve a maximum draw down rate within 15 days of the notice to proceed. By 1985 the reserve's holdings reached 493 million barrels, which would have provided enough crude oil to replace about 115 days' worth of net petroleum imports that year when the import rate was 4.3 million barrels per day. As of October 2001, the reserve held 545 million barrels of crude oil. Due to the increased rate of imports at an average of 11 million barrels per day, that amount would replace only 53 days' worth of net imported petroleum. The crude oil is stored in underground salt caverns along the coastline of the Gulf of Mexico and the maximum storage capacity was reduced to 700 million barrels as a result of the decommissioning of one storage site.

In early 2000, a shortage of home heating oil sent prices to a high of $2.45 a gallon compared to $1.00 a gallon the year before. To reduce the risk of a heating oil shortage and assist in crises that impact the commercial heating oil supply and distribution, President Clinton on July 10, 2000 directed the U.S. Department of Energy to establish the Northeast Heating Oil Reserve. The maximum inventory of heating oil in the reserve is 2 million barrels, which will provide relief from weather-related shortages for approximately 10 days. The heating oil is stored in Woodbridge, New Jersey; New Haven, Connecticut; and Providence, Rhode Island. The reserve was full as of September 2001. An $8 million budget appropriation for the reserve in fiscal 2002 was signed into law on November 5, 2001 under the SPR program.

Connecticut

When compared to the national average, Connecticut residents are moderate energy consumers. Connecticut consumed 255.7 million BTU's (MBTU) of energy per person in 1999, according to the Department of Energy, compared to the national average of 350.9 MBTU's. Connecticut consumed 27% less than the national average, ranking it 44th among the 50 states. These figures were far less than Alaska's consumption of 1,121.5 MBTU's and Wyoming's at 879.4 MBTU's, the largest two consumers in the nation. Because the state lacks indigenous energy sources, it must import nearly all the energy that it consumes. This situation affects Connecticut's energy choices

and results in prices that are more than 33% higher than the national average, according to the American Chamber of Consumer Research Association (please see the Section "Cost of Living Index" elsewhere in this publication).

The following Table shows a breakdown of the amount and percentage share of total energy consumed in Connecticut by fuel in 1999, the latest available data. Because it is more easily transported than other types of fuel, petroleum has come to supply 52% 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.

TABLE 29
CONNECTICUT ENERGY CONSUMPTION IN 1999

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

Fuels	Residential	Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	39.3	48.7	32.8	0.8	13.4	135.0
Petroleum	80.9	22.4	39.8	234.1	62.9	440.1
Coal	0.1	0.0	0.0	0.0	0.0	0.1
Nuclear	0.0	0.0	0.0	0.0	134.6	134.6
Hydroelectric	0.0	0.0	0.6	0.0	13.7	14.3
Other	7.6	1.0	30.3	0.0	4.8	43.7
Deliv. Elec.	39.6	42.1	19.9	0.0	5.9	107.5
Deliv. Losses	77.7	82.6	39.0	0.0	(235.3)	(36.0)
Total Demand	245.2	196.8	162.4	234.9	0.0	839.3

B. As a Percentage of Total

Fuels	Residential	Commercial	Industrial	Transportation	Electric Generation	Total
Natural Gas	4.7	5.8	3.9	0.1	1.6	16.1
Petroleum	9.6	2.7	4.7	27.9	7.5	52.4
Coal	0.0	0.0	0.0	0.0	0.0	0.0
Nuclear	0.0	0.0	0.0	0.0	16.0	16.0
Hydroelectric	0.0	0.0	0.1	0.0	1.6	1.7
Other	0.9	0.1	3.6	0.0	0.6	5.2
Deliv. Elec.	4.7	5.0	2.4	0.0	0.7	12.8
Deliv. Losses	9.3	9.8	4.6	0.0	(28.0)	(4.3)
Total Demand	29.2	23.4	19.3	28.0	0.0	100.0

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, "*State Energy Data Report, 1999*", May 2001

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 2.2% of total consumption, in Connecticut it accounts for 12.3%. When compared to the rest of the U.S., Connecticut consumes proportionately much less natural gas. Connecticut consumed 16.1% of

natural gas energy versus 23.6% for the nation. A comparison of the U.S. and Connecticut's electric generation sectors shows additional differences in energy mixes. The United States 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 Connecticut's electricity generated from petroleum has been declining, down from 57% in 1998 to 11% in 2000. The role that coal and gas has played for the generation of electricity is also on the wane, dropping from 9.8% and 6.5%, respectively, in 1998 to 0.0% and 3.3%, respectively, in 2000. 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. In 2000, Connecticut generated 20,066 gigawatt hours out of total electricity sales of 29,917 gigawatt hours. This implies that, in 2000, the state generated only 67.1% of its demand, relying heavily on imports from other states and Canada for the balance of its need.

TABLE 30
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	5,794	28.3	2,207	11.0
Gas	959	6.1	1,546	11.7	977	6.5	1,179	5.8	657	3.3
Nuclear	6,225	39.5	(125)	(0.9)	3,243	21.4	12,675	61.9	16,365	81.6
Others	967	6.1	819	6.2	813	5.4	835	4.1	837	4.2
Total Generation	15,774	100.0	13,230	100.0	15,123	100.0	20,483	100.0	20,066	100.0
Total Sales	28,391		28,432		28,956		29,803		29,917	
Generation As a % of Total Sales	55.6%		46.5%		52.2%		68.7%		67.1%	

Source: U.S. Department of Energy, Energy Information Administration, "*Electricity Power Monthly*", March 2001

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.

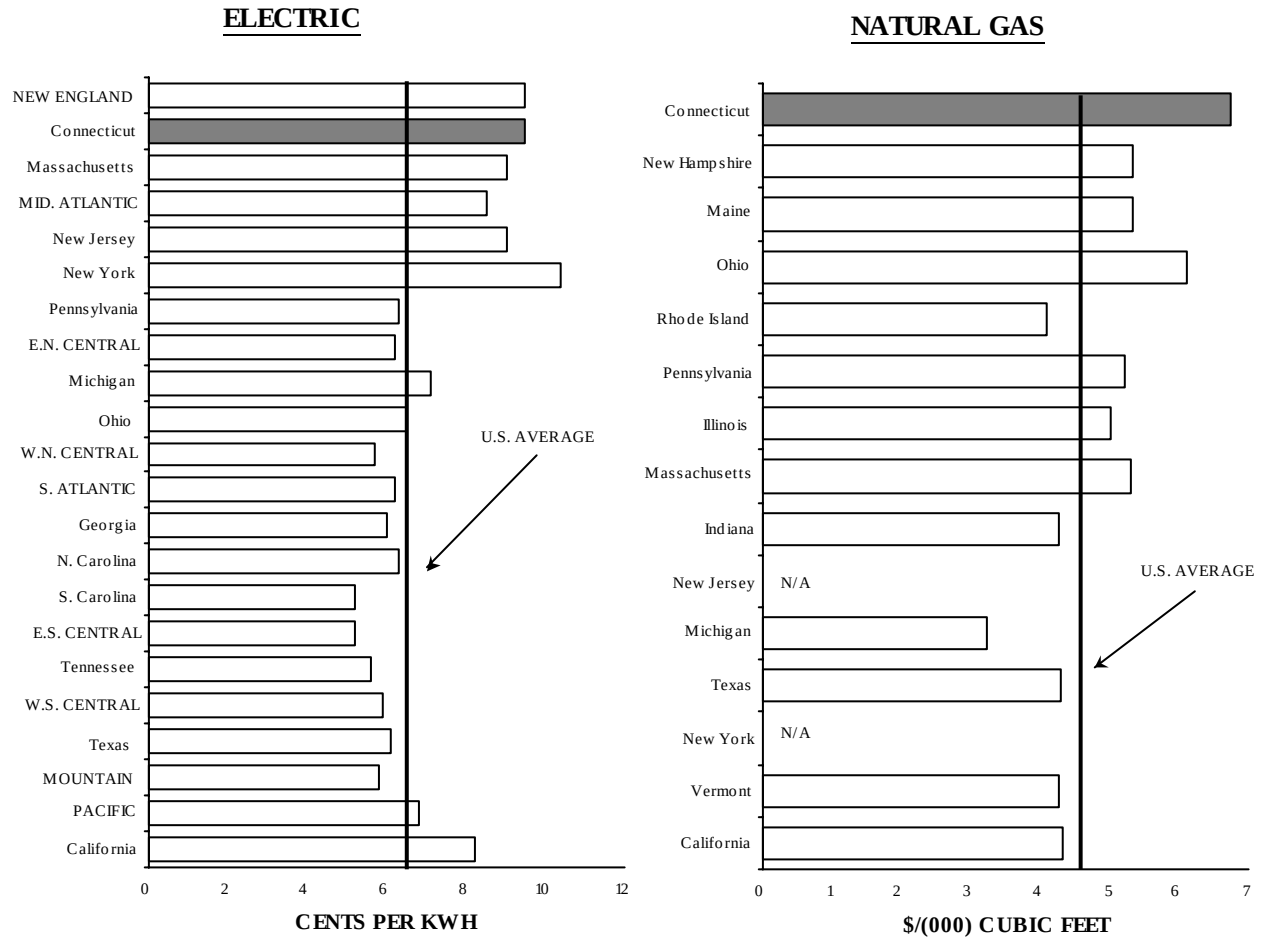
Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. As of July 2000, most consumers in the state can choose an independent electric supplier as their provider of electricity. The electricity is still delivered to the consumer over the wires of the regulated distribution companies (United Illuminating Company and Connecticut Light & Power 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 compare the state's average electric and natural gas prices for all sectors including residential, commercial, and industrial with other national regions and states for 2000. In 2000, the average cost of electricity was 9.5 cents per kilowatt hour for all end-users, compared to 6.5 cents in the nation. Rates in 2000 for both Connecticut and the nation were lower. In 1999, the average cost of electricity for Connecticut and the nation was 10.0 cents and 6.6 cents, respectively. The high electric price in Connecticut 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 2000, the average cost of natural gas was $6.73 per 1,000 cubic feet, compared to $4.65 in the nation. In 2000, the United States experienced a drastic supply shortage in natural gas, which increased prices sharply. By the end of 2000, the national natural gas storage was 1,720 billion cubic feet (BCF), down 30% from 2,437 BCF the year before. In 1999, the average cost of natural gas was $5.03 per 1,000 cubic feet in Connecticut, 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 Department of Public Utility Control 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 2000



Source: U.S. Department of Energy, Energy, Information Administration, "*Electric Power Monthly*", September 2001; and "*Natural Gas Monthly*", August 2001

Automotive Fuel Economy and Gasoline Consumption

In the United States, highway vehicles consume approximately 98% of all gasoline. Only about 2% is used for other purposes such as agriculture, aviation, industrial, commercial, construction and boating. During 2000, gasoline consumption in the United States totaled 132.3 billion gallons, the equivalent of 3,149.5 million barrels annually or 8.63 million barrels per day. This is the ninth 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 31
GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT

Calendar Year	U.S. Consumption Gallons (000's)	Percent Change	Connecticut Consumption Gallons (000's)	Percent Change
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
1999	132,260,590	3.3	1,551,446	8.9
2000	132,279,950	0.0	1,476,340	(4.8)

Source: U. S. Department of Transportation, Office of Highway Information Management, "*Highway Statistics 2000* ", November 2001

In Connecticut, gasoline consumption totaled 1.48 billion gallons or 35.2 million barrels during 2000. Consumption declined by 4.8%, versus remaining flat at the national level. This converts to consumption of 456 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 24.5 MPG in MY 1999 before it rose slightly to 24.7 MPG in MY 2000. 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, four-wheel drive 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 sales increased from 4.43 million units in MY 1990 to 8.39 million units in MY 2000. In terms of market share, it increased from 31.3% of the total light vehicle fleet in MY 1990 to 47.1% in MY 2000. In MY 2000, a larger portion of products had MPGs that not only declined below MY 1999 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.

TABLE 32
AUTOMOTIVE FUEL ECONOMY
Domestic vs. Imported Passenger Cars & Trucks
(Model Year, Average Miles Per Gallon)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
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	20.2	20.2	20.4	20.5	20.6	20.7	20.7	20.7	20.7	20.7
Cars Produced	28.4	27.9	28.4	28.3	28.6	28.5	28.7	28.8	28.3	28.5
Domestic Cars	27.3	27.0	27.8	27.5	27.7	28.1	27.8	28.6	28.0	28.5
Import Cars	30.1	29.2	29.6	29.6	30.3	29.6	30.1	29.2	29.0	28.3
Light Trucks Produced										
(up to 8,500 lbs.)	21.3	20.8	21.0	20.8	20.5	20.8	20.6	21.1	20.9	21.2
Total Fleet	25.6	25.1	25.2	24.7	24.9	24.9	24.6	24.7	24.5	24.7

Source: U.S. Department of Transportation, National Highway Traffic Safety Administration, "*Twenty-Fourth Annual Report to Congress, Calendar Year 2000*"

The above 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. This gap was reversed in MY 2000 as fuel economy performance in domestic passenger cars continued to improve while imported cars experienced a decline. Only four of the 16 imported cars in MY 2000 increased their CAFE values. 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 2000 increased by 15 pounds compared to only 8 pounds for the domestic produced fleet. This followed an increase of 108 pounds for imported cars and only 5 pounds for the domestic produced fleet in MY 1999. Average engine displacement for foreign produced cars in MY 2000 increased by 2 cubic inches compared to only 1 cubic inch for domestic cars. This followed an increase of 9 cubic inches in MY 1999 for imported cars and only 2 cubic inches for domestic cars. The average fuel efficiency

of foreign produced 2000 model year passenger cars was 28.3 MPG, down from 29.0 MPG for MY 1999, 29.2 MPG for MY 1998 and down from the high of 30.3 MPG in the 1997 model year.

Fuel economy for passenger cars varies, depending upon the car size, manual or automatic transmission, or type of travel, etc. For MY 2002, the two-seater Honda, for example, using an hybrid electric system with automatic transmission gets 57 miles per gallon in the city, while the mid-size Honda Accord and the large Chevrolet Impala using gasoline gets only 26 miles and 21 miles, respectively, in the city. To date, hybrid-electric vehicles, which combine the best features of internal combustion engines and electric motors, attain the highest fuel economy. When braking or coasting to a stop, the hybrid vehicle uses its electric motor as a generator to produce electricity, which is then stored in its battery pack. As the economy continues to rely on foreign oil and seeks to increase supply by drilling in environmentally sensitive areas such as Alaska's Artic National Wildlife Refuge, tougher auto fuel-economy standards have been fiercely debated for both energy security and environmental concerns. CAFE standards for passenger cars have remained at 27.5 miles per gallon since 1990 and light trucks at 20.7 miles since 1996. Bills drafted to increase the CAFE standard to 37.5 MPG and 29 MPG, respectively, by 2011 have been proposed. A mandated increase in the CAFE standard would have a beneficial impact on engine technologies, automotive design and the use of materials as well as the consumption of energy.

Recently, fuel cell technology has been developing in the auto industry as an alternative energy source. A fuel cell is a device that directly and indirectly produces electricity from hydrogen or hydrocarbon fuel through a non-combustive electro-chemical process. To encourage the development of this new technology, the State's Public Act 01-6 exempts sales tax on materials, tools, fuel, machinery and equipment used in a fuel cell manufacturing facility in Connecticut.

Total U.S. emissions of greenhouse gases in 1999 were estimated at 1,833 million metric tons of carbon equivalent (MTCE), up 0.8% from the estimated 1998 level of 1,818 million MTCE. 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 U.S. 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, Denver, 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 with domestically produced ethanol 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. Since 1998, model year 1981 and newer vehicles are required to undergo a biennial emissions test based on a simulated drive cycle, instead of an idle tailpipe test. Vehicles of model years 1980 and older 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. Changes enacted during the 2000 legislative session provide for a four year exemption from the periodic inspections for new vehicles commencing October 1, 2002.

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

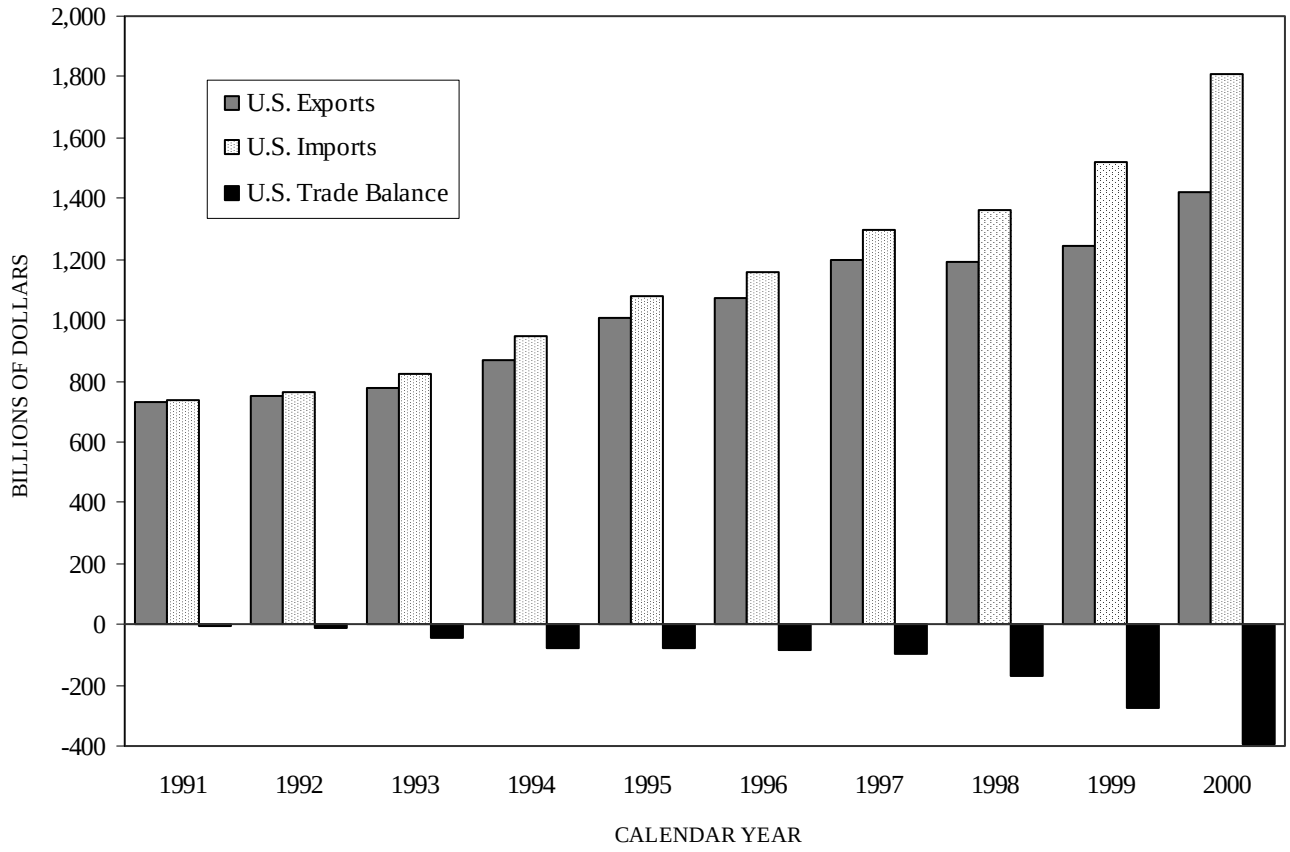
The United States is increasingly becoming a world trade oriented economy. U.S. real exports and imports accounted for 28.6% of Gross Domestic Product (GDP) in 2000, up from 26.9% in 1999, 19.4% in 1990, 13.8% in 1980, 12.4% in 1970, and 9.4% in 1960. Exports, and a favorable balance of payments, have 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 12.1% of real GDP in 2000, up from 11.6% in 1999, 10.4% in 1990, 8.5% in 1980, and 5.6% in 1970. The following Chart 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 $275.5 billion by 1999 and reached a new record high of $390.5 billion in 2000 due to more rapid growth in imports over exports. A combination of strong U.S. economic growth and weakness abroad has widened the U.S. trade gap.

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 2000, however, the surplus in services leveled off, while the deficit in merchandise sharply deteriorated, resulting in a record trade deficit of $390.5 billion.

U.S. TRADE BALANCE
BY CALENDAR YEAR



In 2000, although merchandise imports continued to grow rapidly, the growth in exports actually increased. This can be attributed to the healthy and accelerating increases in real GDP growth of America's major trade partners. America's closest neighbors, Canada and Mexico, experienced growth of 4.8% and 6.9% respectively. Europe also registered impressive gains with the United Kingdom, up 3.0%; Germany, up 3.0%; France, up 3.3%; and Italy, up 2.9%. Even Japanese economic growth accelerated from 0.2% in 1999 to 1.9% in 2000. 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 2000 registered a $14.8 billion deficit, up slightly from a deficit of $13.6 billion in 1999. A two-year listing of the detail for these three categories is broken down in the following Table.

TABLE 33
U.S. TRADE DEFICIT BY CATEGORY
(In Billions of Dollars)

	1999			2000		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**1,242.7**	**1,518.1**	**(275.5)**	**1,418.6**	**1,809.1**	**(390.5)**
Merchandise	**684.6**	**1030.0**	**(345.4)**	**772.2**	**1,224.4**	**(452.2)**
Foods / Beverages	45.5	43.6	2.0	47.5	46.0	1.5
Industrial Supplies & Materials	147.1	224.7	(77.6)	172.0	302.9	(131.0)
Capital Goods, Excluding Autos	311.3	295.3	16.0	357.0	346.7	10.4
Autos	75.1	179.0	(103.9)	80.2	195.9	(115.7)
Consumer Goods	82.0	241.8	(159.9)	90.6	281.6	(191.0)
Others	23.6	45.6	(22.0)	25.0	51.4	(26.4)
Services	**272.8**	**189.2**	**83.6**	**293.5**	**217.0**	**76.5**
Travel & Transportation	121.4	114.3	7.1	133.0	129.8	3.2
Royalties, License fees, etc.	135.4	61.6	73.9	146.5	73.7	72.8
Other Services	15.9	13.3	2.6	14.1	13.6	0.5
Investment Income	**285.3**	**298.9**	**(13.6)**	**352.9**	**367.7**	**(14.8)**
Receipts / Payments on Assets						
Direct Investment	123.7	56.7	67.0	149.2	68.0	81.2
Other Private Investment	156.2	139.8	16.4	197.4	184.5	13.0
U.S. Gov't Receipts / Payments	3.2	95.1	(91.9)	3.8	107.7	(103.8)
Compensation of Employees	2.2	7.3	(5.1)	2.3	7.5	(5.2)
	Percent Change From Previous Year					
Total Trade	**4.3**	**11.2**	**59.2**	**14.2**	**19.2**	**41.8**
Merchandise	**2.1**	**12.3**	**40.0**	**12.8**	**18.9**	**30.9**
Foods / Beverages	(1.9)	5.7	(62.1)	4.2	5.5	(24.3)
Industrial Supplies & Materials	(0.8)	10.8	42.5	16.9	34.8	68.7
Capital Goods, Excluding Autos	3.8	9.6	(47.5)	14.7	17.4	(35.1)
Autos	3.7	20.4	36.2	6.8	9.4	11.3
Consumer Goods	2.1	11.4	16.8	10.5	16.4	19.5
Others	2.0	20.5	49.7	6.0	12.8	20.2
Services	**4.0**	**3.7**	**4.7**	**7.6**	**14.7**	**(8.5)**
Travel & Transportation	3.8	7.0	(29.9)	9.5	13.5	(55.3)
Royalties, License fees, etc.	6.0	(2.9)	14.6	8.1	19.7	(1.5)
Other Services	(8.8)	9.4	(50.9)	(11.7)	1.7	(80.7)
Investment Income	**10.1**	**12.6**	**119.5**	**23.7**	**23.0**	**8.7**

Receipts / Payments on Assets						
Direct Investment	19.1	50.8	1.2	20.6	20.0	21.2
Other Private Investment	4.2	7.7	(18.3)	26.4	32.0	(20.8)
U.S. Gov't Receipts / Payments	(11.2)	4.4	5.0	20.3	13.2	12.9
Compensation of Employees	14.3	5.6	2.2	5.9	2.7	1.4

Note: Percent changes were derived before rounding to billions.

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2001

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 $452.2 billion from $345.4 billion in 1999 and $246.7 billion in 1998, 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 2000 increased 12.8% after an increase of 2.1% in 1999 and a decrease of 1.4% in 1998. Growth in U.S. imports increased 18.9% after increases of 12.3% in 1999 and 4.6% in 1998.

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 $452.2 billion, consumer goods accounted for the largest portion of the deficit, reaching $191.0 billion in 2000. This category continues to register double-digit growth, up 19.5% in 2000 and 16.8% in 1999. Consumer goods consist of durables and nondurables. Durable 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.

Industrial supplies and materials including energy products, iron and steel, metal products, lumber and paper and chemicals accounted for the second highest portion of the deficit. While imports increased 34.8% to $302.9 billion, exports increased 16.9% to $172.0 billion, resulting in a $131.0 billion deficit. Imports of petroleum increased dramatically for the second year in a row, up 77% to $120.3 billion, after rising by 33.0% the year before. The imported price of petroleum, measured by the refiner's acquisition cost of crude oil, averaged $28.21 per barrel in 2000, compared to $17.41 in 1999.

The third largest portion of the deficit occurred in the auto category at $115.7 billion, an 11.3% increase from 1999's deficit of $103.9 billion. Both exports and imports experienced single-digit growth. Imports of automotive products grew 9.4%, compared to increases of 20.4% in 1999 and 6.3% in 1998. Imports of automotive vehicles, engines, and parts slowed sharply after a strong

increase in 1999. Imports from Canada changed little, whereas those from Mexico and other areas accounted for much of the increase. Overall, U.S. imports of cars and light trucks rose from 2.5 million units (MU) to 2.8 MU capturing 16.3% of the domestic market, up from 14.9% in 1999 and 13.0% in 1998.

Capital goods continued to post a surplus at $10.4 billion in 2000. However, it declined 35.1%, after a reduction of 47.5% in 1999. 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 2000 surplus. Imports grew by 17.4% compared to a 14.7% increase in exports. The increase in imports was attributable to a strong demand for high-technology products, primarily for telecommunications equipment and semiconductors. Imports of civilian aircraft, engines and parts increased slightly to $26.4 billion from $23.8 billion in 1999. Exports of civilian aircraft, engines, and parts decreased 9.0% to $48.0 billion, after falling by 1.1% in 1999.

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 held within the $75 billion to $85 billion range over the past three years. The surplus declined 8.5% to $76.5 billion in 2000, after an increase of 4.7% in 1999. Spending by foreign visitors was up 9.6% over the previous year as the number of visitors to America increased by 6%. Receipts were fueled by a large increase from Mexico, up 24%, while other Asian countries jumped 18%. Modest increases came from Canada, up 5%, Japan, up 5% and Western Europe, up 3%. 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 $76.5 billion of total surplus in 2000, $72.8 billion, or 95%, was attributable to royalty and license fees, rising from 88% in 1999. This reflects that the U.S. continues to lead in technology worldwide.

Investment Income

The balance in investment income registered a deficit of $14.8 billion in 2000, up modestly from a deficit of $13.6 billion in 1999. This component has traditionally experienced surpluses 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 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 surplus in direct investment income increased 21.2% to $81.2 billion. Receipts from U.S. direct investment abroad increased 20.6% compared to a 20.0% increase in payments on foreign investments in the U.S. The increase of U.S. earnings from direct investment abroad reflected healthy economic growth 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 primarily a rise in petroleum earnings as a result of higher prices which raised profit margins for oil companies, as well as, numerous large foreign acquisitions. The surplus in the "other private income" category continued to decline, falling 20.8% to $13.0 billion as payments increased faster than receipts. Receipts from foreign financial accounts, stocks, and bonds jumped by 26.4% to $197.4 billion while payments of income to foreign investors increased 32.0% to $184.5 billion. Foreign holdings of U.S. corporate bonds and U.S. Treasury securities continued to increase substantially in 2000.

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 34
INTERNATIONAL INVESTMENT
(Millions of Dollars At Current Cost)

	1999	2000	Change	Percent Change
A. U.S.-owned assets abroad	**5,921,099**	**6,167,212**	**246,113**	**4.2%**
U.S. official reserve assets	136,418	128,400	(8,018)	(5.9%)
U.S. government assets	84,227	85,171	944	1.1%
U.S. credit & long-term assets	81,657	82,577	920	1.1%
Currency holdings & short-term assets	2,570	2,594	24	0.9%
U.S. private assets	5,700,454	5,953,641	253,187	4.4%
Direct investment abroad	1,327,954	1,445,177	117,223	8.8%
Foreign securities	2,604,383	2,406,504	(197,879)	(7.6%)
Bonds	577,745	577,694	(51)	0.0%
Stocks	2,026,638	1,828,810	(197,828)	(9.8%)
Financial instruments	1,768,117	2,101,960	333,843	18.9%
B. Foreign-owned assets in the U.S.	**7,020,885**	**8,009,875**	**988,990**	**14.1%**
Foreign official assets	870,364	922,429	52,065	6.0%
Government securities	628,907	676,897	47,990	7.6%
Others	241,457	245,532	4,075	1.7%
Foreign private assets	6,150,521	7,087,446	936,925	15.2%
Direct investment	1,094,439	1,369,505	275,066	25.1%
Foreign securities	3,433,359	3,855,443	422,084	12.3%
Treasury securities & currency	911,350	891,470	(19,880)	(2.2%)
Corporate & Municipal Bonds	1,061,924	1,374,259	312,335	29.4%
Stocks	1,460,085	1,589,714	129,629	8.9%
Financial instruments	1,622,723	1,862,498	239,775	14.8%
C. Net U.S. Total Investment Position (A-B)	**(1,099,786)**	**(1,842,663)**	**(742,877)**	**67.5%**
Net U.S. private investment position	(450,067)	(1,133,805)	(683,738)	151.9%
Direct Investment	233,515	75,672	(157,843)	(67.6%)

Other Indirect investment	(828,976)	(1,448,939)	(619,963)	74.8%
Net Government liabilities and Others	(649,719)	(708,858)	(59,139)	9.1%

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2001

The deficit in government receipts / payments account increased. U.S. government receipts were $3.8 billion in 2000 whereas payments on U.S. government liabilities increased to $107.7 billion, resulting in a 12.9% increase in the deficit to $103.8 billion. The deficit in compensation receipts / payments of employees remained virtually unchanged. 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.

According to the U.S. Department of Commerce, in calendar 2000, foreign assets in the U.S., measured at current cost, increased by $989.0 billion, or 14.1%, to $8,009.9 billion, compared to an increase of $246.1 billion, or 4.2%, to $6,167.2 billion for U.S. assets abroad. This placed U.S. international investment at a net negative of $1,842.7 billion, which deteriorated notably from $1,099.8 billion in 1999. U.S. direct investment in assets abroad continues to exceed foreign direct investment in the U.S. In 2000, the U.S.'s direct investment abroad was $1,445.2 billion, registering $75.7 billion in net investment when compared to $1,369.5 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 Treasury and corporations. Net foreign purchases of U.S. stocks and bonds posted a record in 2000 with purchases of U.S. stocks and bonds up 74% and 26%, respectively.

The following Table shows U.S. trade transactions by area. Except for Australia, U.S. net trade deteriorated across all areas in 2000. Deficits with Asia & Africa were by far the largest at $187.9 billion, followed by Japan at $97.2 billion and Western Europe at $84.3 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. The deficit with Latin America rose to $18.8 billion from a small deficit of $2.8 billion in 1999, 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 35
U.S. INTERNATIONAL TRANSACTIONS
(By Area, In Billions of Dollars)

	1998			1999			2000		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**$1,191.9**	**$1,365.0**	**($173.0)**	**$1,242.7**	**$1,518.1**	**($275.5)**	**$1,418.6**	**$1,809.1**	**($390.5)**
Western Europe	367.7	400.2	(32.5)	385.5	445.2	(59.7)	437.2	521.4	(84.3)
Canada	195.1	198.4	(3.2)	211.3	225.3	(14.0)	229.6	259.6	(30.0)
Japan	95.8	170.3	(74.5)	98.2	185.9	(87.7)	112.3	209.5	(97.2)
Australia	21.9	10.2	11.7	22.9	10.0	13.0	25.4	11.9	13.5
Eastern Europe	13.6	15.4	(1.8)	12.9	16.2	(3.3)	14.5	21.3	(6.7)
Latin America (1)	252.2	234.0	18.2	255.1	257.8	(2.8)	304.1	322.9	(18.8)
Asia & Africa (2)	214.1	326.2	(112.2)	222.7	366.0	(143.3)	259.9	447.9	(187.9)

Others (3)	31.6	10.4	21.2	34.1	11.8	22.3	35.5	14.6	20.9

(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 2001

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 $8,648.3 million in 2000. 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 $3.3 billion and income receipts of approximately $4.0 billion on Connecticut direct investment abroad also play a vital role in Connecticut. These bring Connecticut's total export related receipts to $15.9 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 educational 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 7,358 foreign students attending Connecticut colleges in the 2000-01 school year, up 3.5% from 1999-00 and compared to the national increase of 7.5%, 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), nonelectrical machinery (SIC 35), instruments (SIC 38), electrical equipment (SIC 36) and chemicals (SIC 28). These five industries account for about three-fourths of Connecticut's foreign sales. The following Table shows the breakdown of major products by SIC code for the past six years. In 2000, transportation equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters, etc. accounted for 38.1% of total exports, followed by nonelectrical equipment at 13.2%, instruments at 9.1%, electrical equipment at 9.0%, and chemicals (SIC 28) at 7.3%. In terms of average annual growth for this period, transportation posted the strongest growth at 14.8%, followed by increases of 8.7% in primary metals, 7.5% in nonelectrical equipment, and 4.5% in instruments.

TABLE 36
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT
(In Millions of Dollars)

Commodity	1995	1996	1997	1998	1999	2000	% of 2000 Total	Avg. Growth 95-00
SIC 28 Chemicals	753.4	679.5	594.5	588.7	570.5	634.3	7.3%	(3.0%)
SIC 33 Primary Metals	278.4	226.6	390.5	244.5	259.7	313.9	3.6%	8.7%
SIC 34 Fabricated	301.9	355.7	333.9	291.9	318.5	359.7	4.2%	4.2%
SIC 35 Nonelectrical	825.0	783.7	994.7	954.1	972.1	1,144.0	13.2%	7.5%
SIC 36 Electrical	669.9	710.6	747.6	615.1	593.4	778.0	9.0%	4.2%
SIC 37 Transportation	1,712.5	1,907.0	2,261.2	3,002.1	2,761.9	3,298.2	38.1%	14.8%
SIC 38 Instruments	667.9	754.6	919.1	940.9	1,008.2	790.7	9.1%	4.5%
SIC 91 Waste & Scrap	119.0	136.9	152.8	127.4	93.9	94.7	1.1%	(3.1%)
SIC 99 Others	1,217.1	1,274.9	1,390.1	1,347.6	1,299.5	1,234.9	14.3%	0.4%
Total Commodity Exports	6,545.1	6,829.5	7,784.4	8,112.3	7,877.7	8,648.3	100.0%	5.9%
% Growth	2.4%	4.3%	14.0%	4.2%	(2.9%)	9.8%		
Gross State Product ($B)	118.6	124.2	135.0	143.2	151.8	163.4		6.6%
% Growth	5.6%	4.6%	8.7%	6.1%	6.0%	7.7%		
Exports as a % of GSP	5.5%	5.5%	5.8%	5.7%	5.2%	5.3%		

Note: GSP for 2000 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 5.9%, 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 seven 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 27.6% in 1991 to 31.8% in 2000. To mitigate the annual fluctuations for better analysis, a 2-year moving average of commodity exports is used. For the period between 1991 and 2000, Connecticut's manufacturing exports grew 52% relative to an 82% increase for the nation. Connecticut's commodity exports share as a percentage of the U.S. total dropped to 1.13% in 2000 from 1.36% in 1991, a decade high. The following Table compares Connecticut's exports with the performance of the nation.

TABLE 37
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	1991 =100	U.S. Comm. Exports	U.S. Exports 2-year Moving Average	1991 =100	CT % Share Of U.S. Exports
1991	5,699.2	20,622	27.6%	5,443.1	100	414,083	400,742	100	1.36
1992	5,710.7	20,243	28.2%	5,705.0	105	439,631	426,857	107	1.34
1993	6,325.1	19,305	32.8%	6,017.9	111	456,943	448,287	112	1.34
1994	6,389.1	19,841	32.2%	6,357.1	117	502,859	479,901	120	1.32
1995	6,545.1	20,859	31.4%	6,467.1	119	575,204	539,032	135	1.20
1996	6,829.5	22,156	30.8%	6,687.3	123	612,113	593,659	148	1.13
1997	7,784.4	23,962	32.5%	7,307.0	134	678,366	645,240	161	1.13
1998	8,112.3	25,344	32.0%	7,948.4	146	670,416	674,391	168	1.18
1999	7,877.9	26,199	30.1%	7,995.1	147	684,553	677,485	169	1.18
2000	8,648.3	27,228	31.8%	8,263.1	152	772,210	728,382	182	1.13

* Goods products, including those in manufacturing, agricultural, and mining industries, for 1990 through 1999 are from Gross State Product while 2000 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 2001
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 15% between 1991 and 2000 versus only a 0.2% reduction for the nation. Commodity exports, however, increased 52% for Connecticut as compared to a 87%

increase for the nation during the same period. Exports per goods producing employee for both the U.S. and Connecticut grew by 87% and 79% respectively. 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, Xerox, Champion, Perkin & Elmer, Pitney Bowes, and the Stanley Works.

TABLE 38
COMPARISON OF COMMODITY EXPORTS BETWEEN CONNECTICUT & THE U.S.
(In Millions of Dollars)

Cal. Year	CT Commodity Exports ($)	CT Employment In Goods Industry (000's)	CT Exports Per Employee ($)	1991 =100	U.S. Commodity Exports ($)	U.S. Empl. In Goods Industry (000's)	U.S. Exports Per Employee ($)	1991 =100	Relative Exports Per Employee CT/US%
1991	5,699.2	348.4	16,357	100	414,083	22,355	18,523	100	88.3
1992	5,710.7	332.3	17,186	105	439,631	21,988	19,994	108	86.0
1993	6,325.1	323.3	19,566	120	456,943	21,807	20,954	113	93.4
1994	6,389.1	315.4	20,256	124	502,859	22,341	22,509	122	90.0
1995	6,545.1	308.5	21,214	130	575,204	22,548	25,510	138	83.2
1996	6,829.5	305.7	22,341	137	612,113	22,522	27,179	147	82.2
1997	7,784.4	307.7	25,299	155	678,366	22,671	29,922	162	84.5
1998	8,112.3	308.6	26,287	161	670,416	22,766	29,448	159	89.3
1999	7,877.9	300.8	26,194	160	684,553	22,377	30,592	165	85.6
2000	8,648.3	295.4	29,274	179	772,210	22,317	34,601	187	84.6
% Change (From '91 to '00)	52%	(15%)	79%		87%	(0.2%)	87%		

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 2000, exports originating from Connecticut totaled $8,648.3 million, with 57.0% of the total being shipped by air, 16.5% being delivered by sea, and the remaining 26.5% 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 the demand for meeting just-in-time inventory requirements, as 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 2000, Canada remained by far the largest destination country at 22.6%, followed by France, Germany, Japan, and the United Kingdom. These five countries accounted for 54.7% of total state exports in 2000. 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 5.1% in 2000, compared to a steady rise to 14.4% in 2000, up from 10.1% in 1994 for the nation.

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 180 countries worldwide in 2000.

TABLE 39
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY COUNTRY
(In Millions of Dollars)

Destination	2000 Rank	1995	1996	1997	1998	1999	2000	% of 2000 Total	1995-00 Avg. Growth Rate
Canada	1	1,739.6	1,662.5	1,855.0	1,895.2	1,901.9	1,953.5	22.6%	2.5%
France	2	307.2	306.8	400.8	937.2	1,006.7	1,155.2	13.4%	37.3%
Germany	3	346.9	398.7	468.2	496.5	430.5	592.2	6.8%	12.5%
Japan	4	519.9	540.4	563.9	487.6	540.5	530.1	6.1%	0.7%
United Kingdom	5	449.6	532.0	653.8	468.9	463.8	499.4	5.8%	3.9%
Mexico	6	331.3	366.3	364.6	332.0	369.4	445.2	5.1%	6.6%
Taiwan	7	148.7	130.6	176.8	255.8	164.3	423.9	4.9%	38.0%
Turkey	8	31.3	29.9	18.9	19.4	197.0	311.2	3.6%	187.0%
Singapore	9	245.2	218.8	245.0	246.5	189.9	207.6	2.4%	(2.4%)
South Korea	10	224.9	176.3	377.4	285.3	394.8	203.2	2.3%	11.6%
Other Areas		2,200.5	2,467.2	2,660.0	2,687.9	2,218.9	2,326.8	26.9%	1.7%
TOTAL		6,545.1	6,829.5	7,784.4	8,112.3	7,877.7	8,648.3	100.0%	5.9%

Source: Connecticut Department of Economic Development

Increased exports play an important role in the State's employment growth. 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 2000, Connecticut had an estimated 132,400 jobs directly related to exports that comprised approximately 45% of the state's work force in the goods sector. These jobs, which were directly involved in exporting, in turn, generated an estimated 92,700 jobs in the service sector in areas such as transportation, communication, retail sales, as well as banking and financial services, bringing the total to 225,100 jobs that are directly or indirectly associated with exports. This implies that, in Connecticut, 155 out of every 1,000 private sector workers were employed in export related jobs in 2000, 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 1999, there were 806 manufacturing and non-manufacturing foreign affiliates in Connecticut, employing 103,400 workers with $11.38 billion of investment. This compares to 777 foreign affiliates employing 89,100 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 1999, Germany comprised 24.5% of total foreign investment at $2.78 billion, followed by the United Kingdom at $1.23 billion, the Netherlands at $1.17 billion, Japan at $0.95 billion, and Switzerland at $0.72 billion. 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, but rose to $716 million in 1999.

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, Mexico, and Turkey. 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 still affected by the volume of defense contracts awarded or subcontracted to Connecticut firms.

In FFY 2000, according to information supplied by the U.S. Department of Defense, Connecticut received $2.18 billion in defense-related prime contract awards. This was down 31.3% from the $3.17 billion received in awards for FFY 1999, and was down 64.3% from the peak of $6.08 billion in FFY 1989. The following Table shows the breakdown by type and value of contracts since FFY 1991. 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 less than 0.1% 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 4.3%. 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 81.4% in FFY 1991 to 61.0% in FFY 1997, and rebounding to 75.2% in FFY 2000. Construction contracts experienced the greatest growth nationally during this period, but only accounted for an average of 0.4% of the state's total. During the 1990s, defense policy strategies 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.

TABLE 40
CONNECTICUT PRIME CONTRACT AWARDS
(In Thousands of Dollars)

Type of Contract	Supply	R&D*	Service	Construction	Civil Function	Total
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
FFY 2000	1,636,417	223,364	303,910	7,012	6,762	2,177,465
(% of Total)	75.2	10.2	14.0	0.3	0.3	100.0
Average % of Total	73.8	10.5	14.8	0.4	0.5	100.0
Average** Growth (FFY 1991-00)	(3.8)	13.7	(9.0)	(4.8)	4.8	(3.2)
U.S. FFY 2000	57,111,001	19,077,688	40,685,660	3,777,762	2,642,891	123,295,002
(% of Total)	46.3	15.5	33.0	3.1	2.1	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"

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 that 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 2000, contractors in the state were awarded $2.2 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. Of the total awarded, $1.7 billion, or 78.7%, went to the following five companies primarily for the described areas of work:

1.	General Dynamics Corp.	$863,014,000	Submarines
2.	United Technologies Corp.	$713,726,000	Aircraft Rotary Wing
3.	Azimuth Technologies Inc.	$58,043,000	Engineering Technical Services
4.	Engineered Support Systems, Inc.	$51,605,000	Military Support Equipment
5.	Dynamic Gunver Technologies	$26,930,000	Gas Turbines & Jet Engines, Aircraft

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 41
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
1990-91	4,978,594	17.4	79.78	(2.2)	5,128,464	12.6
1991-92	3,099,444	(37.7)	74.55	(6.6)	3,099,444	(39.6)
1992-93	2,894,638	(6.6)	66.68	(10.6)	2,810,503	(9.3)
1993-94	2,450,069	(15.4)	59.42	(10.9)	2,319,465	(17.5)

1994-95	2,718,021	10.9	54.74	(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)	50.24	(2.1)	2,216,549	(6.0)
1997-98	3,408,719	34.4	50.21	(0.0)	2,934,008	32.4
1998-99	3,169,394	(7.0)	49.83	(0.8)	2,669,063	(9.0)
1999-00	2,177,465	(31.3)	46.11	(7.5)	1,774,090	(33.5)
Coefficient of Variation	0.261		0.199		0.327	

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 0.327 compared with only 0.199 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 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 $5.1 billion in FFY 1991, real defense contract awards declined to $1.8 billion in FFY 2000. This represents an average decline of 11.1% per year from FFY 1991 to FFY 2000.

Connecticut's 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 0.261, compared to 0.053 for the U.S., reflecting the fluctuations in the state's annual levels of defense contract awards.

TABLE 42
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
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

1999-00	2,177	(31.3)	2,918	(3.9)	123,295	7.3	115,852	5.1
Coefficient of Variation	0.261				0.053			

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 1996, and have begun to show a small sign of reversal in the last few 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. 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 1991 to 1.8% in FFY 2000. 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 43
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
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	151,779	3,038	2.0

1999-00	2,177	123,295	1.8	163,405	2,918	1.8
Coefficient of Variation	0.261	0.053				

Note: GSP for 2000 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 2000, while Connecticut ranked seventeenth in total defense contracts awarded, it ranked ninth in per capita defense dollars awarded with a figure of $639. This figure was more than 45% greater than the national average of $439.

The following Table shows, by state, federal fiscal year 2000 total awards, per capita awards and their corresponding rank.

TABLE 44
COMPARISON OF STATE PRIME CONTRACT AWARDS
Federal Fiscal Year 2000

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	13,636,633	2	$1,926	1	Pennsylvania	3,967,288	9	$323	26
Alaska	831,218	32	1,326	2	New Hampsh.	398,302	38	322	27
Hawaii	1,159,586	26	957	3	Minnesota	1,458,270	22	296	28
Maryland	4,977,457	5	940	4	Ohio	3,077,325	13	271	29
Arizona	4,547,306	7	886	5	Indiana	1,611,382	19	265	30
Missouri	4,507,548	8	806	6	S. Carolina	1,054,856	28	263	31
Massachusetts	4,736,567	6	746	7	Kentucky	910,009	30	225	32
Alabama	3,298,464	12	742	8	Iowa	620,854	36	212	33
Connecticut	2,177,462	17	639	9	North Dakota	134,278	45	209	34
Maine	771,512	33	605	10	Wyoming	100,108	46	203	35
Texas	12,145,186	3	582	11	New York	3,839,357	10	202	36
Mississippi	1,557,484	21	548	12	Tennessee	1,077,464	27	189	37
California	18,100,086	1	534	13	Idaho	212,534	44	164	38
Colorado	2,214,033	15	515	14	N. Carolina	1,199,092	25	149	39
Georgia	3,665,322	11	448	15	Michigan	1,446,089	23	146	40
Louisiana	1,938,478	18	434	16	Wisconsin	767,676	34	143	41
Utah	949,993	29	425	17	Nebraska	238,318	43	139	42
Oklahoma	1,400,907	24	406	18	Nevada	275,570	41	138	43
Florida	6,470,237	4	405	19	Illinois	1,609,443	20	130	44
Rhode Island	418,189	37	399	20	Arkansas	343,321	39	128	45
Vermont	242,532	42	398	21	Delaware	94,859	47	121	46

Washington	2,192,148	16	372	22	S. Dakota	87,036	49	115	47
New Mexico	654,029	35	360	23	Montana	87,211	48	97	48
New Jersey	2,944,330	14	350	24	Oregon	284,097	40	83	49
Kansas	890,728	31	331	25	West Virginia	74,041	50	41	50
U.S. Total	123,294,978		$439						

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 some programs of particular interest to Connecticut contained in the Department of Defense Budget for 2002.

TABLE 45
SAMPLE OF U.S. DEFENSE PROGRAMS OF INTEREST TO CONNECTICUT

Item	Contractor	Component	Budget FFY 2001 ($M)	Proposed 2002 by DoD ($M)	Quantity	
RAH-66 Commanche Helicopter	Sikorsky Aircraft	Airframe and avionics systems development	$ -	$ -	N / A	(a)
UH-60 Blackhawk Hel.	Sikorsky Aircraft	Prime Contractor for production	$187.9	$174.5	12 in 2002	
CH-60 Helicopter	Sikorsky Aircraft	Prime Contractor for production	$213.4	$182.0	15 in 2001 & 13 in 2002	
SH-60R Helicopter	Sikorsky Aircraft	Prime Contractor for airframe	$209.4	$25.1		(b)
C-17 Airlift Aircraft	Pratt & Whitney	Engine production	$2,577.4	$2,875.8	12 in 2001 & 15 in 2002	(b) (c)
E-8C Joint STARS Radar System	CT. Subsidiary of Northrup-Grumman	Prime Contractor for production & development	$3.2	$2.1		(b)
F-16 Falcon Fighter	Pratt & Whitney	Contin. engine development	$120.7	$ -	5 in 2001	(d)
F-22 Advanced Tactical Fighter	Pratt & Whitney	Engine production	$2,130.4	$2,658.2	13 in 2002	(e)
Joint Strike Fighter	Pratt & Whitney	Engine develop. and evaluation	$240.8	$ -	N / A	(f)
Virginia Class Submarine	Electric Boat Div. of General Dynamics	Prime Contractor, design, joint production	$1,193.7	$1,608.9	1 in 2004	(g)

(a) Currently in development phase. Joint venture with Boeing. 621 per year starting 2010 for total of 1,213.
(b) Includes research, development, testing and evaluation.
(c) Total of 120 planned by 2004. 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. Total of four now planned, 30 long-term.

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

TABLE 46
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
Engineered Electric Systems Corp., DBA Fermont Corp.	Bridgeport, CT	7/01	$175.0	Produce indefinite number of tactical quiet generator sets	7/2012
A&T, Inc.	North Stonington, CT, and Panama City, FL	4/01	$28.9	Research and development engineering services for diving and life-support systems	4/2006
DNE Technologies, Inc.	Wallingford, CT	6/01	$25.0	Produce commercial electronic communication equipment	6/2006
Philips Medical of Shelton	Shelton, CT The Netherlands	8/01	$20.0	Produce indefinite number of magnetic reasonance imaging (MRI) systems for the military	8/2002
Newfield Construction, Inc.	West Hartford, CT	5/01	$15.6	Alter and expand existing military training facilities	5/2006
Bayer Corp. Pharmaceutical Division	West Haven, CT	9/01	$9.9	Produce pharmaceutical antibiotics for the military	9/2001

Source: U.S. Department of Defense

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 well into the future. The new Administration is not likely to continue the declining trend seen over most of the last decade, especially given the war in Afghanistan and the war on terrorism. This new war can be expected to create a need for replacements for lost equipment and systems, spare parts, and new features on existing systems as new needs are identified in the ever-changing environment.

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 gross state 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.)

Retail sales reflect changing economic conditions: they increase as the economy expands whereas they decline during a recession. The following Table also demonstrates the fluctuating pattern of retail sales in Connecticut. Connecticut retail trade in fiscal 2001 totaled $42.2 billion, a decrease of 0.9% from fiscal 2000. This decrease reflects the State's economic slowdown after the continued, lengthy expansion in the State's economy experienced throughout most of the 1990s. Between fiscal 1995 and fiscal 1999, retail sales increased between 4.8% and 7.1%. This followed 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.

TABLE 47
RETAIL TRADE IN CONNECTICUT
(In Millions of Dollars)

SIC	FY 1997	% of Total	FY 1998	FY 1999	FY 2000	FY 2001	% of Total
A. Amounts of Retail Trade							
52 Hardware Stores	1,436	4.1%	1,512	2,320	2,418	2,376	5.6%
53 General Merchandise	3,636	10.3%	3,793	3,742	3,744	3,024	7.2%
54 Food Products	6,127	17.3%	6,479	6,922	7,139	7,521	17.8%
55 Automotive Products	7,488	21.2%	7,654	7,963	8,712	8,531	20.2%
56 Apparel & Accessory	1,696	4.8%	1,896	2,047	2,195	2,237	5.3%
57 Furniture & Appliances	3,724	10.5%	4,333	4,011	4,299	3,971	9.4%
58 Eating & Drinking	2,685	7.6%	2,799	2,966	3,148	3,327	7.9%
59 Misc. Shopping Stores	8,579	24.3%	9,425	9,865	10,975	11,247	26.6%
Total	35,371	100.0%	37,891	39,836	42,630	42,234	100.0%
Durables (SIC 52,55,57)	12,648	35.8%	13,499	14,294	15,429	14,878	35.2%
Nondurables (All Other SIC)	22,723	64.2%	24,392	25,542	27,201	27,356	64.8%
B. Change from Previous Year							FY '96 - FY 2000
52 Hardware Stores	4.7%		5.3%	53.4%	4.2%	(1.7%)	76.4%
55 Automotive Products	8.0%		2.2%	4.0%	9.4%	(2.1%)	25.6%
57 Furniture & Appliances	18.0%		16.4%	(7.4%)	7.2%	(7.6%)	36.2%
Durables (SIC 52,55,57)	10.3%		6.7%	5.9%	7.9%	(3.6%)	34.6%
53 General Merchandise	0.5%		4.3%	(1.3%)	0.0%	(19.2%)	3.5%

54 Food Products	(0.0%)	5.8%	6.8%	3.1%	5.3%	16.5%
56 Apparel & Accessory	7.0%	11.8%	7.9%	7.2%	1.9%	38.4%
58 Eating & Drinking	5.5%	4.2%	6.0%	6.1%	5.7%	23.7%
59 Misc. Shopping Stores	9.2%	9.9%	4.7%	11.3%	2.5%	39.7%
Nondurables (All Other SICs)	4.5%	7.3%	27.4%	6.5%	0.6%	25.1%
Total	6.5%	7.1%	5.1%	7.0%	(0.9%)	28.4%

Source: Connecticut Department of Revenue Services

Retail trade can be broken down into two major categories, durable and nondurable goods. Durable goods are items that presumably last three years or more and include 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. Durable goods 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 encounter a slowdown in income growth or become concerned about future employment and income stream prospects. Since the last recessionary year, 1992, durable goods sales had been gradually rising each year. In fiscal 2001, that trend reversed itself and fell from 36.2% to 35.2% of total retail trade. This occurred despite declining interest rates and healthy personal income growth. Connecticut's employment started to decline in May 2001. Changes in equity values, which are not included in the estimate of personal income, also dropped substantially from their recent peak. Nationally, stock values are estimated to have declined from a high of $12.7 trillion in the first quarter of 2000 to $9.2 trillion at the end of June 2001, a whopping 27.4% erosion in equity wealth. Connecticut residents, which tend to hold more equity assets, may have experienced more financial losses, therefore generating a bigger negative wealth effect and thereby inhibiting retail trade growth.

Sales of durable goods experience greater fluctuations during changing economic conditions. Growth in sales at retail stores that concentrate on durable goods tends to increase faster than the growth in gross state product during expansionary years and experience greater declines during recessionary years. Sales of nondurable goods are typically less volatile as most items are deemed "necessities" and relatively inelastic regardless of price variations. Necessities include such items as food, footwear, clothing, gasoline, as well as drugs. The previous Table shows that Connecticut sales of durable goods declined 3.6% after increasing 34.6% from fiscal 1996 to fiscal 2000, or an average annual growth of 7.7%. Nondurables, in contrast, increased 0.6% after increasing 25.1% during the same period with an average annual growth of 5.8%.

All three durable sales categories declined in fiscal 2001, with furniture & appliances experiencing the greatest loss, while only sales at general merchandise stores, typically businesses that carry a mix of durables and nondurables, experienced a decline within the nondurable sector. Sales at home furniture and appliance stores (SIC 57) fell 7.6%, followed by reductions of 2.1% in automotive products (SIC 55) and 1.7% in hardware stores (SIC 52). Within nondurables, eating and drinking establishments (SIC 58) increased by 5.7%, followed by increases of 5.3% in food products, 2.5% in miscellaneous shopping stores (SIC 59), and 1.9% in apparel and accessories (SIC 56). Of the total retail trade categories from SIC 52 to SIC 59, the major three sales contributors were miscellaneous shopping stores (26.6%), automotive products (20.2%) and food products (17.8%).

Sales by hardware stores (SIC 52), which include establishments selling lumber and building materials, paint, wallpaper, and hardware registered $2.38 billion in fiscal 2001, a 1.7% decline from fiscal 2000. As the State's economy has been growing for several years and mortgage interest rates and inflation have remained relatively low, the demand for new housing as well as expansion and remodeling of existing homes has increased substantially. However, reflecting the decline in housing starts in Connecticut in fiscal 2001, growth in this category declined, after a 4.2% increase in fiscal 2000 and a 53.4% increase in fiscal 1999.

Sales in the general merchandise category (SIC 53) were $3.02 billion, a drop of 19.2% from $3.74 billion in fiscal 2000. General merchandise includes three types of department stores. These are national chain stores such as Sears, conventional stores such as Filenes, and discount stores such as Wal-Mart. These merchandise stores carry a diverse range of commodities, including items such as appliances, radios, and TVs, home furnishings, household linens, dry goods, and a general line of apparel. A sharp decrease in sales of general merchandise stores reflects the ferocious competition in pricing and the continued evolution of product sources in this industry. While consumers have become more value-conscious, the industry has strived to restructure itself by establishing more attractive discount stores and “super stores” with products that are mainly produced in countries with lower labor costs. Super stores such as Sam’s Club combine a traditional discount store with a supermarket. In addition, the emergence of large discount retail companies carrying a full product line in a focused category of goods has also increased competition with local stores.

Sales by food product stores (SIC 54), which include establishments selling meat, fish, fruit, dairy products, as well as candy and confectionary products for home preparation and consumption, registered $7.52 billion in fiscal 2001, up 5.3% from the $7.14 billion in fiscal 2000. Food products are necessary goods; therefore consumption is less affected by economic conditions.

Sales of automotive products (SIC 55) were $8.53 billion, a decline of 2.1% from the $8.71 billion in fiscal 2000. Automotive product stores play an important role in the retail industry, generating over 20% of total retail trade. Auto dealers include new and used passenger cars, light trucks, and other vehicles such as boats, motorcycles, as well as recreational trailers and campers. The decline in sales in fiscal 2001 was reflected across-the-board with reductions for all dealers except new car dealers. New car registrations in Connecticut reached an all-time high of 245,033 in fiscal 2001, up from 2000’s 233,764 units, 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 for most of the fiscal year, b) enhanced competitiveness of foreign products, c) a low inflationary environment as the consumer price index (CPI) for new cars remained flat and actually decreased 3.9% for new trucks, d) discounts on optional equipment, and e) incentive programs that offered rebates or below market-rate financing which were extended to cover car and truck models 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 drive 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 50.3% of 2000 model sales, compared to 43.9% for 1995 and 40.0% in 1993, according to U.S. Department

of Commerce, "*Survey of Current Business*." While sales of new cars fluctuated within a narrow range of 9.0 million units (MU) in 1994 to 8.2 MU in 1998 and back up to 8.9 MU in 2000, new truck sales have consistently increased from 5.7 MU in 1993 to 9.0 MU in 2000. 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.

Sales by apparel and accessory stores (SIC 56) were $2.24 billion in fiscal 2001, up 1.9% from fiscal 2000. Apparel and accessory stores include establishments for men's & boys' clothing, women's clothing, women's accessory & specialty goods, children's & infants' wear, family clothing and shoes. Clothing sales by children & infancy and women stores, as well as shoe sales, all showed healthy growth in fiscal 2001, up 27.6%, 14.6%, and 4.8%, respectively. On the other hand, sales in women's accessory & specialty, family clothing, and men's and boy's clothing stores dropped, falling 26.2%, 11.0% and 9.2%, respectively.

Sales by home furniture and appliance stores (SIC 57) registered $3.97 billion in fiscal 2001, down 7.6% from $4.30 billion in fiscal 2000. These establishments are comprised of computer and software stores, furniture stores, and home furnishing stores. Sales increases were registered in musical instruments (239%), furniture stores (15.5%), household appliances (15.1%) and records (9.8%). An increase in music related business reflects a continued change in consumer lifestyles and tastes. 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. Sales, however, declined for drapery stores (27.2%), computer and software retailers (25.8%), radio, TV and electronic stores (20.9%) and floor covering stores (10.1%). After a period of strong demand, sales of computers and software, consumer digital electronics such as cameras, toys and games, handheld devices & players, radios, televisions, and communication devices flattened out in fiscal 2001. For the past decade, 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.

Sales by eating and drinking establishments (SIC 58) were $3.33 billion in fiscal 2001, up 5.7% from fiscal 2000. Of the total, sales in eating places were $2.93 billion, down 8.1% from $3.18 billion in fiscal 2000. Sales in drinking places, however, increased by 53.6% to $0.26 billion from $0.14 billion in fiscal 2000.

Sales by miscellaneous shopping stores (SIC 59) were $11.25 billion in fiscal 2001, up 2.5% from fiscal 2000. Sales growth for this type of retail establishment has been showing steady growth 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, direct selling organizations, optical goods, and other miscellaneous retail in arts, pet foods, and telephones, etc. Sales by direct selling organizations grew dramatically, up 263% in fiscal 2001. It was distantly trailed by liquor stores at 5.8%, sporting goods and bicycle shops at 4.3%, camera & photo suppliers at 3.9%, and gift, novelty & souvenir shops at 3.4%. Items sold by direct selling organizations such as Amway increased to $951 million from $261 million in

fiscal 2000 while items sold by mail order houses decreased sharply by 37% to $869 million from $1,380 million in fiscal 2000. Sales by fuel dealers decreased a drastic 50% as a result of lower prices.

As people become more conscientious about their health, demand for nutritional supplements (such as vitamins or herbal drugs and medicines for preventive purposes) and fitness & exercise equipment has increased. Sales of bicycles, treadmills, and cross-country ski machines continued to grow. Sales by drug stores, nonetheless, resumed their downward trend. Although the need for health care drugs and supplements mounts with an aging population, drug stores at the same time face fierce competition. Traditional and chain drug stores have been yielding market share to supermarket and discount stores.

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, sporting goods, books, music, apparel, flowers & cards, and toys etc. from other states.

In 1994, the Advisory Commission on Intergovernmental Relations (ACIR) estimated $1.4 billion of retail mail order activity from Connecticut residents and businesses. It is estimated these mail order sales increased to $3.5 billion in fiscal 2001. The U.S. Department of Commerce estimates e-commerce transactions quarterly. In fiscal 2001, national retail e-commerce sales are estimated at $30.8 billion, accounting for 0.99% of total retail sales of $3,126.6 billion. The estimate of e-commerce sales does not include travel agencies, financial services, manufacturers, and wholesalers. After usage of this new transaction technology mushroomed in the late 1990s, growth in e-commerce retail sales slowed. National e-commerce retail sales grew only 8.3% in the third quarter of 2001 from the same period a year ago, falling dramatically from 24.7%, 37.4%, and 68.6%, respectively, for the previous three quarters. National e-commerce sales also grew slower than total retail sales. Measuring the share of total retail sales, e-commerce retail sales accounted for 0.95% in the third quarter of 2001, down from 1.04% for the 1st quarter of 2001 and 1.09% for the 4th quarter of 2000. Retail e-commerce sales in Connecticut are estimated at $512 million in fiscal 2001.

The passage of the federal Internet Tax Freedom Act three years ago, which prohibits the imposition of certain state and local taxes on on-line computer services and electronic commerce, expired in October 2001. As most residents fail to file use taxes for the purchase of goods and services through Internet transactions, the increase in on-line businesses, accompanied with stepped up competition among national electronic retailers, is anticipated to have a detrimental impact on the state's main street retailers. Currently, two national efforts related to taxing on-line transactions are underway. One is a bill that would tax only transactions involving digital goods and services conducted through the Internet. This bill if passed would tax only

downloaded software, e-books, and music files, etc. The other is a joint effort by state and local governments as well as the private sector, aimed at fundamentally restructuring the national sales tax system by creating a uniform taxable base and simplifying tax administration among states. The Streamlined Sales Tax System Project involves approximately 40 states. Connecticut is a non-voting participant state.

The Federal Reserve cut the federal funds rate 4.25 percentage points in 2001, from 6% on January 3 to 1.75% on December 11. Connecticut's retail trade should benefit from lower interest rates which were enabling homeowners to refinance their mortgages and save hundreds of dollars on monthly payments and increase overall 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 2000, retail trade in Connecticut was estimated to constitute 37.9% of disposable income compared to a national average of 48.2%. 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. The state's per capita disposable income of $32,820 in 2000 was 32% above the national average of $24,891. In 2000, Connecticut per capita retail trade was estimated at $12,449, which was 11% higher than the national average of $11,254. 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, a survey that is done once every 5 years 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 technological 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 48
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 Economic 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 Economic 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 49
RETAIL SALES, INCOME AND POPULATION BY COUNTY

	Retail Sales % Change	Personal Income ($B)		% Change	Population (000's)		% 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 50
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

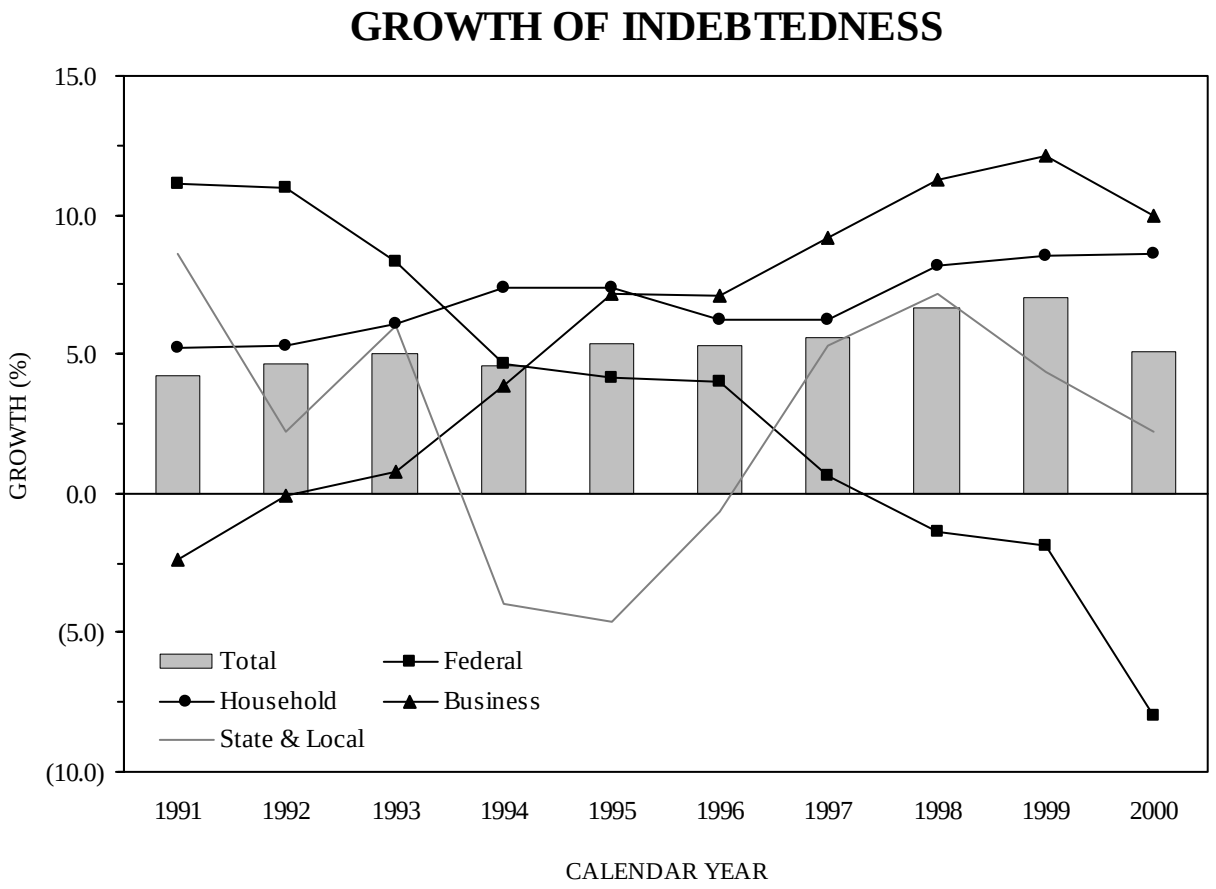
Connecticut Department of Economic & Community Development
Research Division
505 Hudson Street
Hartford, CT 06106
(860)-270-8165

Nonfinancial Debt

For many years, national attention has centered on the issue of the federal budget and trade deficits, as well as the level of indebtedness of domestic nonfinancial entities. Domestic Nonfinancial Debt (DNFD) is the aggregate net indebtedness of all nonfinancial borrowers in the United States. It includes the borrowings of all levels of government, business and households. It excludes the debt of foreigners and the liabilities of financial intermediaries such as commercial banks, thrift institutions and finance companies. As required by the Full Employment and Balanced Growth Act of 1978, 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, slowed to between 4.0% and 7.0% for the decade of the 1990s. It registered growth of 5.1% in 2000. Among the four components, the growth in debt outstanding for the federal government has shown a persistent 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 & 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. Growth in the business sector showed signs of slowing in late 2000 after a decade of fast paced expansion, reflecting a decline in fixed investment and inventories due to a weakening economy. Details for each sector are described beginning on the next page.

In 2000, according to the Federal Reserve, the seasonally adjusted year-end total domestic nonfinancial debt outstanding was $18,287.7 billion for its four major components: households, nonfinancial businesses, the federal government, and state and local governments. Of the total debt, households accounted for 38.6% of the total, followed by nonfinancial businesses at 35.9%, the federal government at 18.5%, and state and local governments at 7.0%. Prior to 1990, household borrowings trailed those of businesses; however, since 1991, faster growth in home mortgages and consumer credit coupled with a steady increase in income helped catapult household borrowings to the top. Following 1998, rapid growth of debt in the household and nonfinancial business sectors was accompanied by a pay down of federal as well as state & local government debts.



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

The DNFD-to-GDP ratio stood at 182.4% in 2000, up from 182.0% in 1999, but has gradually been edging down from 185.6% in 1990 after steadily creeping up from 140.9% in 1980. The cumulative effect of faster DNFD growth in the 1980s has resulted in DNFD levels roughly twice that of GDP. The total DNFD-to-GDP ratio reached 190% in the late 1980s as a result of a combination of nearly double-digit increases in federal borrowings and the deregulation of the financial markets. During the 1980s, non-bank financial institutions funneled funds more freely between the suppliers of capital and its consumers, creating 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. Of the total in 2000, the DNFD-to-GDP ratio for households accounted for 70.4%, followed by nonfinancial businesses at 65.4%, the federal government at 33.8%, and state and local governments at 12.8%.

Household Borrowing

Household borrowings, which accounted for more than two-thirds of total non-financial debt, include home mortgages, consumer credit, and other miscellaneous items. The chart shows that until 1995, the growth in household borrowings surpassed that of business. Growth in household borrowings accelerated to an annual average rate of 8.4% for the past three years.

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 decade as a result of the continued strong economy, a healthy growth in income from wages, capital gains, and an appreciation in home values. Household total net assets, including stocks and net home equity, climbed to $16.07 trillion at the end of 2000 from $6.33 trillion in 1990, with an average growth rate of 14.7% for the past 5 years, according to the Board of Governors of the Federal Reserve System. Household total net assets reached its all-time high of $18.02 trillion in the first quarter of 2000 when the stock market was at its peak. The increase in home values for 1999 and 2000 averaged 13.7%. A continued appreciation in home values and a decline in interest rates in 2001 have helped dilute the negative impact on borrowing brought about by a sharp decline in the stock market. Substantial increases in wealth and real income have driven up household borrowing and spending. This helped the economy in first half of 2001 from skidding into recession as business investment had been on the wane. The ratio of household net worth to disposable personal income, a definition of the wealth effect, increased from a ratio of 1.73 in late 1995 to 2.68 in late 1999, and fell to 2.29 in late 2000.

Among total household borrowings of $7.06 trillion in 2000, home mortgage loans accounted for $4.92 trillion, or 69.6%, followed by consumer credit at $1.57 trillion, or 22.2%, 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 2000, demand for single-family homes and refinancing remained brisk, supported by ongoing gains in jobs, income, wealth, and moderate mortgage rates. 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 with a higher propensity to consume by consumers relative to gains in the stock market that are volatile and ephemeral in nature. Unlike capital gains on stocks, benefits realized through mortgage refinancing due to the appreciation of homes or lower mortgage rates can be cashed out without

tax liability. Refinancing will free up more money for spending or paying off old debts. It is estimated that approximately one-tenth of cashed-out mortgage refinancing dollars is for consumption purposes. Of the 1.2% of annualized GDP growth in the first quarter of 2001, nearly 50% has been spurred by refinancing activity. 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 to lure new clients as low as a 0% rate for a portion of a year but is also making inroads in the purchase of other goods and services. 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 simplicity, speed and 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. It is estimated that 47% of small businesses used credit cards as a financing source in 2001, double the amount from two years ago. 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.

The quality of consumer credit declined in 2000. Consumer loan delinquency rates crept up from 1.16% in 1999 to 1.40% as of year-end 2000, reflecting a 21% increase in delinquent balances. Consumer debt as a percentage of disposable income grew from less than 17% in 1993 to 21.0% in 2000, increasing the likelihood of consumer defaults if the economy turns sour. Debt in margin accounts, a household liability that is not included as part of household nonfinancial debt, may also have had a detrimental impact on wealth, as well as the economy, as the stock market declined more than 20% by year-end 2000 from the peak registered in the first quarter of 2000. 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; growth in consumer spending exceeded that of 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 4.7% in 1998 and plummeted to 1.0% in 2000.

Business Borrowing

Business borrowing includes debts owed by corporations, nonfarm noncorporations and farms. Total borrowing grew by 7.5% to $7.06 trillion at the end of 2000. The bulk of the debts are owed by corporations that account for 72% of total. Corporate borrowings grew rapidly by 10.2% to $4.71 trillion at the end of 2000, the fourth consecutive year with a double-digit growth. 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 34.1%, followed by mortgages at 27.4% and bank loans at 19.2%. Both corporate bonds and mortgages grew substantially as the spreads over Treasury security yields remained low. Financing through nontraditional channels such as mutual funds, venture capital, and

initial public offerings has also increased. While inventory continued to build up in the first three quarters of 2000, business fixed investment in equipment and software as well as structures continued to grow at a fast pace. In the first half of 2001, both these two categories dropped as the economy weakened. Financings through nontraditional channels also fell; for example, venture capital investment in the U.S. for the first three quarters of 2001 dropped 72% from $76.9 billion to $29.2 billion in funding and declined in the number of deals 55% from 5,191 to 2,360 companies. The rapid increase in 2000 of corporate debt was attributed to new capital investment that was underpinned by a vigorous business expansion, widespread use of computer and telecommunication technologies, and easy access to the credit and equity markets. Borrowings related to mergers and acquisitions have been experiencing an upward trend since the latter half of the 1980s.

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, based on a unified budget that includes Social Security and Medicare reached its zenith at $290.4 billion as a result of the recession that occurred between July 1990 and March 1991. It fell to $107.5 billion in fiscal 1996 and then plummeted to $21.9 billion in fiscal 1997. The situation has improved dramatically since then, resulting in a surplus of $69.3 billion in fiscal 1998, the first surplus since 1969, and has continued with a surplus of $236.9 billion in fiscal 2000. The Congressional Budget Office recorded a surplus of $127 billion for the fiscal year that ended September 30, 2001. 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 federal fiscal 2001, gross debt outstanding registered $5,807.5 billion, up from $5,674.2 billion in fiscal 2000 and $5,656.3 billion in fiscal 1999. 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 a recent high of 66.1% in 1995 and 59.2% in 1999. As of August 30, 2001, Federal statutes limit national debt at $5,950.0 billion.

Of the 2001 federal gross total of $5,807.5 billion in debt, $3,339.2 billion is held by the public and $2,468.3 billion is held by intragovernmental agencies. Public holders include individuals, corporations, state or local governments, foreign governments, and other entities outside of the United States while intergovernmental agencies hold federal securities in trust funds, revolving funds, and other special funds. The federal statutes authorize federal agencies such as the

Federal Reserve Bank and various trust funds to invest in Treasury securities. In the past few years, while the federal government continues to shed publicly held debt, intragovernmental holdings, on the contrary, continue to build, resulting in a net increase in total national debt. Intragovernmental holdings increased by $175.7 billion in fiscal 2001 and more than offset the reduction of $66.1 billion in public holdings, bringing a net increase of $133.3 billion in total national debt.

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 $1.28 trillion at the end of 2000, a 2.2% growth after increases of 4.4% and 7.2% in 1999 and 1998, respectively. 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 $1,230 billion versus $1,171 billion for current expenditures, yielding a surplus of $59.6 billion for 2000. This surplus was up from $50.0 billion in 1999 and $41.7 billion in 1998. Major receipts include the personal income tax, property tax, and federal grants-in-aid.

According to the U.S. Department of Commerce's "State Government Finances," state and local government debt outstanding in Connecticut, from all obligations at the end of fiscal 1999, the latest available year, was $22.24 billion. Per capita state and local government debt was $6,776 compared with $5,021 for the nation. In the same year, Connecticut state government debt outstanding totaled $17.50 billion, compared to $17.73 billion in 1998 and $17.05 billion in 1997. Per capita state debt was $5,334 in fiscal 1999, compared to $5,414 in fiscal 1998 and $5,214 in fiscal 1997. Corresponding figures for the national average were $1,872 in fiscal 1999, $1,791 in fiscal 1998, and $1,706 in fiscal 1997.

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 1999, the State of Connecticut produced $151.8 billion worth of goods and services and $145.3 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 52, which provides gross state product by source in 1999, shows Connecticut’s production concentrated in three areas: finance, insurance and real estate (FIRE) which contributed $43.6 billion or 28.7%; services which contributed $33.4 billion or 22.0%; and manufacturing which contributed $25.0 billion or 16.5% to total production. Production in these three industries accounted for 67.2% of total production in Connecticut compared to 56.7% for the nation and was up from 63.7% in 1990. 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 51
GROSS PRODUCT

Calendar	United States *		New England *		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
A. Millions of Current Dollars						
1990	5,706,658	5.5	339,683	1.8	98,939	4.1
1991	5,895,430	3.3	344,025	1.3	100,395	1.5
1992	6,209,096	5.3	357,145	3.8	103,794	3.4
1993	6,513,026	4.9	373,298	4.5	107,924	4.0
1994	6,930,791	6.4	394,406	5.7	112,395	4.1
1995	7,309,516	5.5	416,166	5.5	118,645	5.6
1996	7,715,901	5.6	439,596	5.6	124,157	4.7
1997	8,224,960	6.6	471,336	7.2	134,968	8.7
1998	8,752,363	6.4	504,155	7.0	143,191	6.1
1999	9,308,983	6.4	542,347	7.6	151,779	6.0
% Increase ('90 to '99)		63.1		59.7		53.4
B. Constant Dollars**						
1990	6,630,740	1.4	398,368	(2.2)	117,289	(0.0)
1991	6,615,685	(0.2)	388,572	(2.5)	114,576	(2.3)
1992	6,774,505	2.4	391,385	0.7	114,830	0.2
1993	6,918,388	2.1	397,470	1.6	115,725	0.8
1994	7,203,002	4.1	410,014	3.2	117,489	1.5
1995	7,433,965	3.2	422,524	3.1	120,792	2.8
1996	7,715,901	3.8	439,596	4.0	124,157	2.8
1997	8,093,396	4.9	463,498	5.4	132,620	6.8
1998	8,507,978	5.1	489,127	5.5	138,749	4.6
1999	8,934,066	5.0	520,092	6.3	145,274	4.7
% Increase ('90 to '99)		34.7		30.6		23.9

* 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 71.2% of total GSP in 1999 from 65.5% in 1990. The shift toward services in Connecticut has been moving faster than the Nation. During the past decade cited, the share of service production increased 5.7 percentage points (8.7%) in Connecticut versus only 4.5 percentage points (7.4%) 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 52
GROSS PRODUCT BY SOURCE
(In Billions of Current Dollars)

	------ Calendar 1990 ------				------- Calendar 1999 -------			
Industry	U.S.	%	CT	%	U.S.	%	CT	%
Agriculture, Forest & Fisheries	108.3	1.9	0.703	0.7	125.4	1.3	1.038	0.7
Mining	111.9	2.0	0.073	0.1	111.8	1.2	0.113	0.1
Construction	248.7	4.4	4.060	4.1	416.4	4.5	4.954	3.3
Manufacturing	1,040.6	18.2	19.949	20.2	1,500.8	16.1	25.048	16.5
Transportation & Utilities	490.9	8.6	6.722	6.8	779.6	8.4	9.020	5.9
Wholesale Trade	376.1	6.6	6.574	6.6	643.3	6.9	9.750	6.4
Retail Trade	507.8	8.9	8.528	8.6	856.4	9.2	12.213	8.0
Finance, Insurance, Real Estate	1,010.3	17.7	23.814	24.1	1,792.1	19.3	43.623	28.7
Services	1,071.5	18.8	19.148	19.4	1,986.9	21.3	33.389	22.0
Government	740.6	13.0	9.370	9.5	1,096.3	11.8	12.631	8.3
Total	5,706.7	100.0	98.941	100.0	9,309.0	100.0	151.779	100.0
Sum of Three Major Industries		54.7		63.7		56.7		67.2
Broadly Defined Services		60.6		65.5		65.1		71.2
CT as a % of U.S. Total GSP			1.73				1.63	

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 53
PER CAPITA GROSS PRODUCT

A. In Current Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
1990	22,876	4.3	25,695	1.5	30,081	3.9	131
1991	23,323	2.0	25,990	1.2	30,427	1.1	130
1992	24,227	3.9	26,936	3.6	31,484	3.5	130
1993	25,079	3.5	28,019	4.0	32,655	3.7	130
1994	26,361	5.1	29,463	5.2	33,937	3.9	129
1995	27,471	4.2	30,912	4.9	35,739	5.3	130
1996	28,661	4.3	32,452	5.0	37,256	4.2	130
1997	30,184	5.3	34,575	6.5	40,348	8.3	134
1998	31,747	5.2	36,744	6.3	42,612	5.6	134
1999	33,379	5.1	39,225	6.8	44,889	5.3	134
% Increase ('90 to '99)		45.9		52.7		49.2	

B. In 1996 Chained Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
1990	26,580	0.3	30,134	(2.5)	35,660	(0.2)	134
1991	26,172	(1.5)	29,356	(2.6)	34,725	(2.6)	133
1992	26,433	1.0	29,518	0.6	34,831	0.3	132
1993	26,640	0.8	29,834	1.1	35,016	0.5	131
1994	27,396	2.8	30,629	2.7	35,475	1.3	129
1995	27,938	2.0	31,385	2.5	36,386	2.6	130
1996	28,661	2.6	32,452	3.4	37,256	2.4	130
1997	29,701	3.6	34,000	4.8	39,646	6.4	133
1998	30,860	3.9	35,649	4.9	41,290	4.1	134
1999	32,034	3.8	37,616	5.5	42,965	4.1	134
% Increase ('90 to '99)		20.5		24.8		20.5	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (including interim population estimates for 1991 through 1999)

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. The ratio of Connecticut's real per capita output relative to the United States fluctuated between 1990 and 1999, registering 134% in both years, after reaching a low point of 129% 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 1999, Connecticut's real per capita output increased 22.7%, compared to 20.2% nationally for the same period, and has exhibited 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 $51.7 in 1990 to $83.2 in 1999, a 60.8% increase in output per hour over the decade compared to only a 27.5% increase in the Consumer Price Index.

TABLE 54
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)
1990	$19,949	385.7	$51.7	$4,696.4	$12.2	23.5¢
1991	$19,901	363.4	$54.8	$4,654.0	$12.8	23.4¢
1992	$19,452	352.1	$55.2	$4,751.8	$13.5	24.4¢
1993	$18,420	336.5	$54.7	$4,555.0	$13.5	24.7¢
1994	$18,983	328.0	$57.9	$4,596.4	$14.0	24.2¢
1995	$20,017	328.2	$61.0	$4,603.7	$14.0	23.0¢
1996	$21,233	321.3	$66.1	$4,699.1	$14.6	22.1¢
1997	$22,998	315.1	$73.0	$4,878.0	$15.5	21.2¢
1998	$23,513	320.0	$73.5	$5,064.6	$15.8	21.5¢
1999	$25,048	301.2	$83.2	$4,961.8	$16.5	19.8¢
% Increase ('90-'99)			60.8		35.4	(15.8)

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 monetary 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 23.5 cents in 1990 to 19.8 cents in 1999, a 15.8% reduction over the decade.

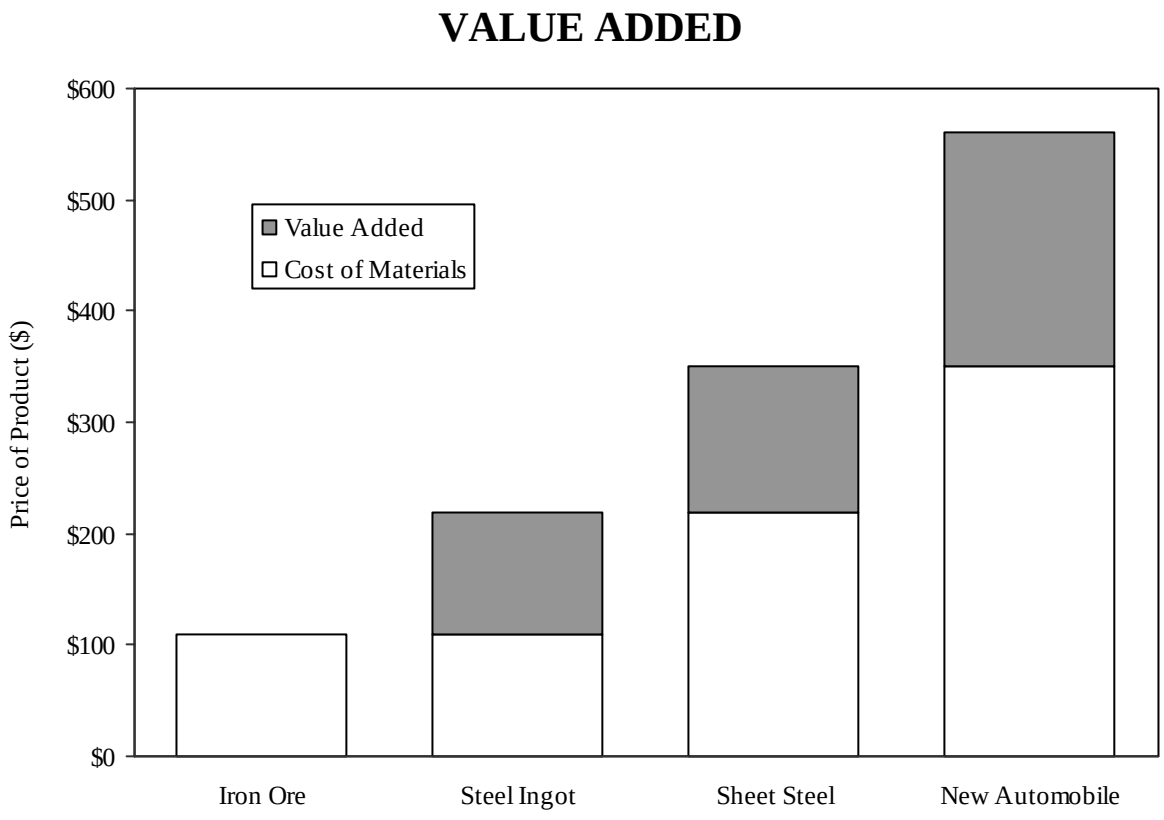
Overall, productivity depends upon a broad range of factors. Other than wages, the quality of management as well as the size of and quantity of capital stock invested in the form of plant, machinery & equipment, and the employment of new technologies impact productivity. Any increase in labor productivity 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 138,500 manufacturing jobs between calendar year 1977 and 1999, 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 1999, Connecticut's value added per production worker was 115% of the national average, up from 100% in 1977.

TABLE 55
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 1997 Conn.	Cumulative % Change From 1997 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
1997	179,595	151,317	25.5	23.6			1.187
1998	183,424	154,859	2.1	2.3	2.1	2.3	1.184
1999	187,111	163,405	2.0	5.5	4.2	8.0	1.145

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 1998 and 1999, Connecticut's value added per production worker exceeded the growth in inflation as measured by the GDP deflator.

TABLE 56
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 1997 Conn.	Cumulative % Change From 1997 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
1997	176,178	148,438	13.1	11.4			1.187
1998	177,702	150,028	0.9	1.1	0.9	1.1	1.184
1999	178,541	155,921	0.5	3.9	1.4	5.1	1.145

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 1998 and 1999.

TABLE 57
VALUE ADDED PER PRODUCTION WORKER IN CONNECTICUT
(In Current Dollars)

Industry	1998	1999	% Change
Manufacturing	183,424	187,111	2.0
Food	166,232	196,950	18.5
Printing	112,188	105,852	(5.6)
Paper	221,152	232,682	5.2
Chemical	689,259	810,875	17.6
Plastics & Rubber	107,878	122,532	13.6
Primary Metals	136,870	158,053	15.5
Fabricated Metals	128,167	117,887	(8.0)
Machinery	202,720	221,731	9.4
Computer & Electronic	196,719	192,516	(2.1)
Electrical Equipment	149,326	144,218	(3.4)
Transportation Equipment	203,026	198,896	(2.0)

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. Beginning in fiscal 2002, towns are eligible to receive 80% reimbursement from the state for the property taxes foregone on such machinery. Municipalities must then abate the remaining 20% of property taxes on such machinery. As a

result of this program, in fiscal year 2001 the state reimbursed municipalities $76.1 million and is projected to reimburse them $75.3 million in fiscal year 2002.

TABLE 58
TOTAL CAPITAL EXPENDITURES IN CONNECTICUT
(In Millions of Dollars)

Calendar Year	Connecticut Capital Expenditures	Percent Change
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
1999	1,715.9	(9.7)

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 approximately 85% of Gross Domestic Product; hence, the two are well correlated.

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

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

Other Labor Income - consists primarily of employer contributions 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 states. 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 2001 was $144.1 billion, a 7.0% increase over fiscal 2000. Total personal income in Connecticut increased 59.2% from fiscal 1992 to 2001. For the United States, total personal income increased 63.9%, and in the New England Region, the increase for the identical period was 64.7%.

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

TABLE 59
PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
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	396,274	6.13	112,829	5.79
1997-98	7,178,525	6.56	421,875	6.46	120,526	6.82
1998-99	7,604,375	5.93	447,408	6.29	127,541	5.82
1999-00	8,033,350	5.64	479,727	6.98	134,657	5.58
2000-01	8,563,975	6.61	516,589	7.68	144,063	6.99

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.

Source: U.S. Department of Commerce, Bureau of Economic Analysis
The State of Connecticut's sources of personal income vary slightly from those of the United States, with wages and employee salaries accounting for approximately 62% of total personal income compared to roughly 58% 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 60
SOURCES OF PERSONAL INCOME
(In Billions of Dollars)

	FISCAL YEAR 1999-00				FISCAL YEAR 2000-01			
	U.S.	%	CT	%	U.S.	%	CT	%
Manufacturing Salaries & Wages	803.8	10.0	16.5	12.3	848.4	9.9	17.8	12.3
Nonmanufacturing Salaries & Wages	3,846.9	47.9	66.2	49.1	4,151.1	48.5	71.6	49.8
Proprietors Income	695.6	8.7	10.9	8.1	731.2	8.5	11.4	7.9
Property Income	1,472.8	18.3	24.1	17.9	1,548.1	18.1	25.3	17.6
Other Labor Income	520.6	6.5	8.4	6.2	546.1	6.4	8.8	6.1
Transfer Payments Less Payments to Social Insurance	693.7	8.6	8.6	6.4	739.1	8.6	9.1	6.3
Total	8,033.4	100.0	134.7	100.0	8,564.0	100.0	144.1	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 53.6% from fiscal 1992 to 2001, compared to a national increase of 47.6% and a New England Region increase of 56.1%.

Per capita personal income in Connecticut, for the most recent fiscal year, was 14.3% higher than for the New England Region and 40.1% 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

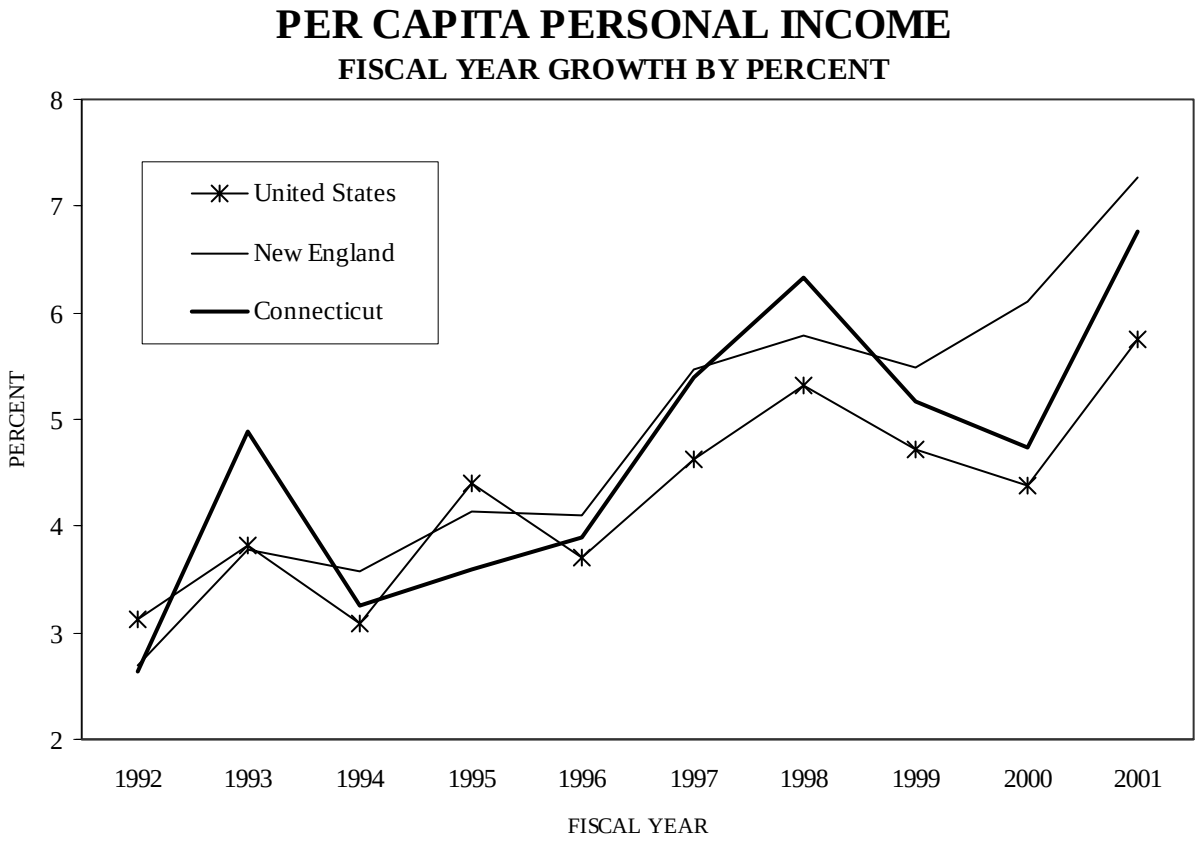
provides a graphic representation of the growth rates in per capita personal income for the three entities over a ten year fiscal period.

TABLE 61
PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1991-92	20,393	3.12	23,652	2.69	27,457	2.64
1992-93	21,172	3.82	24,548	3.79	28,799	4.89
1993-94	21,825	3.09	25,426	3.58	29,738	3.26
1994-95	22,785	4.40	26,478	4.14	30,804	3.59
1995-96	23,629	3.70	27,564	4.10	32,004	3.89
1996-97	24,722	4.63	29,069	5.46	33,730	5.39
1997-98	26,038	5.32	30,747	5.78	35,867	6.34
1998-99	27,267	4.72	32,431	5.48	37,721	5.17
1999-00	28,463	4.39	34,413	6.11	39,506	4.73
2000-01 (e)	30,098	5.75	36,916	7.27	42,182	6.77

(e) – Mid year population figures for 2001 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. – 284,532,000; New England – 13,994,000; Conn. – 3,415,000.

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



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

The following Table shows per capita income for each of the fifty states with their corresponding ranking for fiscal year 2000. In 2000, the $39,506 figure for Connecticut per capita personal income remained approximately 39% higher than the national average.

TABLE 62
PER CAPITA PERSONAL INCOME BY STATE
(Fiscal 2000)

State	Per Capita Income	Rank	State	Per Capita Income	Rank
Connecticut	$39,506	1	Kansas	$26,761	26
Massachusetts	35,946	2	Texas	26,708	27
New Jersey	35,523	3	Wyoming	26,640	28
New York	33,258	4	Missouri	26,332	29
Maryland	32,462	5	Indiana	26,164	30
New Hampshire	31,683	6	Vermont	26,109	31
Colorado	30,863	7	North Carolina	25,752	32
Illinois	30,850	8	Iowa	25,636	33
Minnesota	30,734	9	South Dakota	25,273	34
California	30,714	10	Tennessee	25,122	35
Washington	30,538	11	Maine	24,792	36
Delaware	30,001	12	North Dakota	24,114	37
Virginia	29,799	13	Arizona	24,052	38
Pennsylvania	28,665	14	South Carolina	23,285	39
Alaska	28,619	15	Kentucky	23,260	40
Nevada	28,571	16	Alabama	23,031	41
Michigan	27,424	17	Oklahoma	22,903	42
Rhode Island	28,329	18	Idaho	22,793	43
Wisconsin	27,343	19	Louisiana	22,644	44
Ohio	27,296	20	Utah	22,636	45
Hawaii	27,260	21	Montana	21,856	46
Nebraska	27,190	22	Arkansas	21,384	47
Georgia	26,830	23	New Mexico	21,276	48
Florida	26,815	24	West Virginia	21,231	49
Oregon	26,804	25	Mississippi	20,458	50

U.S. Average $28,463

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 2000.

TABLE 63
PER CAPITA DISPOSABLE PERSONAL INCOME BY STATE
(Fiscal 2000)

State	Per Capita Disposable Income	Rank	State	Per Capita Disposable Income	Rank
Connecticut	$29,823	1	Oregon	21,499	26
New Jersey	28,492	2	Missouri	21,479	27
Massachusetts	27,567	3	Iowa	21,393	28
New York	26,142	4	Georgia	21,298	29
Maryland	25,291	5	Indiana	21,283	30
Illinois	25,244	6	South Dakota	21,159	31
New Hampshire	25,187	7	Tennessee	21,145	32
Washington	24,590	8	Vermont	21,116	33
Minnesota	24,388	9	Wyoming	20,831	34
Alaska	24,166	10	North Carolina	20,784	35
Colorado	24,151	11	North Dakota	20,519	36
Delaware	23,893	12	Maine	20,476	37
California	23,679	13	Arizona	19,567	38
Rhode Island	23,604	14	Louisiana	19,302	39
Virginia	23,578	15	Alabama	19,278	40
Pennsylvania	23,432	16	South Carolina	19,226	41
Hawaii	23,224	17	Kentucky	19,039	42
Michigan	22,991	18	Idaho	18,934	43
Nevada	22,717	19	Oklahoma	18,806	44
Nebraska	22,465	20	Montana	18,696	45
Ohio	22,384	21	Utah	18,410	46
Florida	22,190	22	Arkansas	18,069	47
Wisconsin	22,132	23	West Virginia	18,058	48
Kansas	21,980	24	New Mexico	18,057	49
Texas	22,572	25	Mississippi	17,380	50

U.S. Average $24,126

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 64
THE U.S. CONSUMER PRICE INDEX
(1982-84=100)

Fiscal Year	C.P.I.	% Growth
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	2.84
1997-98	161.9	1.79
1998-99	164.6	1.70
1999-00	169.4	2.89
2000-01	175.2	3.43

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 65
REAL PERSONAL INCOME
(In Millions)

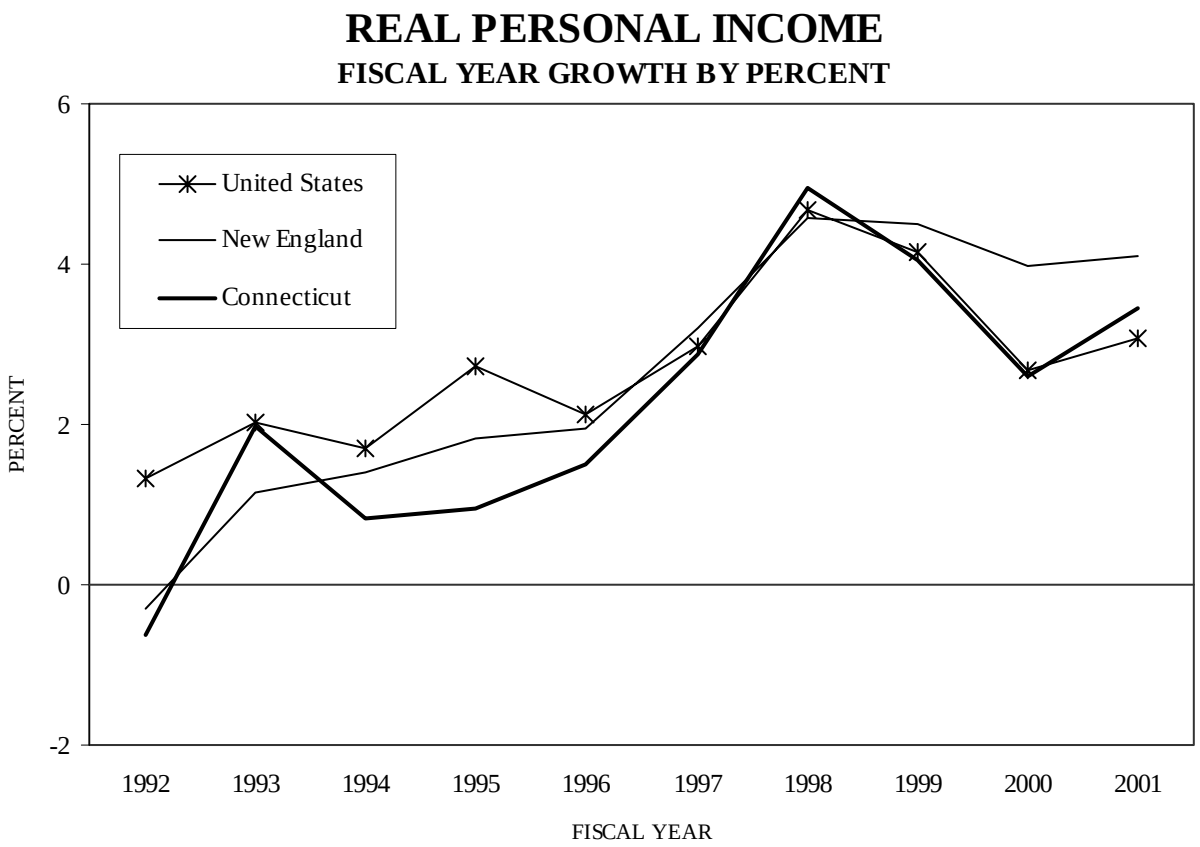
Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1991-92	3,779,672	1.32	226,782	(0.31)	65,459	(0.62)
1992-93	3,856,091	2.02	229,363	1.14	66,752	1.98
1993-94	3,921,429	1.69	232,594	1.41	67,304	0.83
1994-95	4,028,121	2.72	236,837	1.82	67,945	0.95
1995-96	4,113,919	2.13	241,466	1.95	68,974	1.51
1996-97	4,236,405	2.98	249,202	3.20	70,954	2.87
1997-98	4,434,747	4.68	260,626	4.58	74,458	4.94
1998-99	4,619,210	4.16	272,381	4.51	77,474	4.05
1999-00	4,742,727	2.67	283,221	3.98	79,499	2.61
2000-01	4,888,323	3.07	294,869	4.11	82,231	3.44

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 exist 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.



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

Real Per Capita Personal Income

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

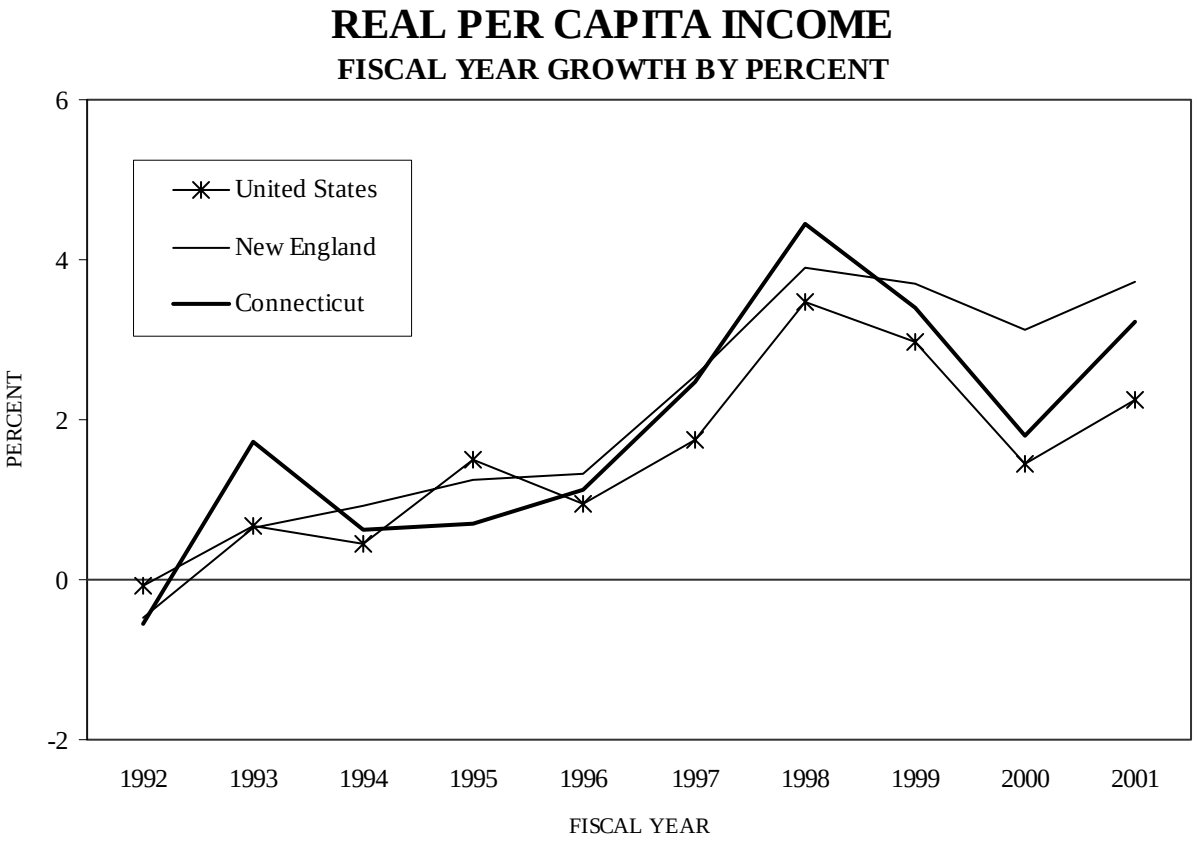
The following Table shows the growth in real per capita personal income for the United States, the New England Region and Connecticut. The Chart following the Table provides a graphic presentation of the growth in real per capita personal income for the three entities over a ten year fiscal period.

TABLE 66
REAL PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1991-92	14,748	(0.07)	17,104	(0.48)	19,856	(0.54)
1992-93	14,848	0.68	17,216	0.65	20,197	1.72
1993-94	14,915	0.45	17,376	0.93	20,322	0.62
1994-95	15,138	1.50	17,592	1.25	20,467	0.71
1995-96	15,281	0.94	17,826	1.33	20,697	1.13
1996-97	15,547	1.74	18,280	2.55	21,211	2.48
1997-98	16,086	3.47	18,995	3.91	22,158	4.46
1998-99	16,563	2.97	19,700	3.71	22,913	3.41
1999-00	16,804	1.46	20,317	3.13	23,324	1.79
2000-01 (e)	17,180	2.24	21,071	3.72	24,077	3.23

(e) – Mid year population figures for 2001 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. – 284,532,000; New England – 13,994,000; Conn. – 3,415,000.

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



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 regularly included in the survey, while the Hartford MSA, along with other areas, is occasionally included.

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 2001 was 117.4 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 17.4%. For the six categories, the utility index category registered the highest level at 147.1, followed by the health care index at 139.5, the housing index at 134.2, the transportation index at 106.7, grocery items at 105.8, and the miscellaneous goods and services index at 101.4. In other words, among the six categories, the cost of utility services in the New Haven-Meriden PMSA area was the most expensive item, a full 47.1% higher than the national average, while the miscellaneous category is approximately on par with the national average, only higher by 1.4%. 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 2001.

TABLE 67
COMPARISON OF COST OF LIVING

2nd Quarter 2001 MSA/PMSA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.
New Haven, CT	117.4	105.8	134.2	147.1	106.7	139.5	101.4
Boston, MA	154.0	109.6	242.8	158.2	121.2	127.4	113.0
New York, NY	232.5	144.8	468.2	141.5	115.3	183.4	139.9
Index Weights	100%	16%	28%	8%	10%	5%	33%

Source: The American Chamber of Commerce Research Association, "ACCRA Cost of Living Index", Second Quarter 2001

In the second quarter of 2001, numerous cities had a relatively higher cost of living than the New Haven-Meriden area. These include, for example, New York City (Manhattan) at 232.5; San Francisco, California at 191.8; Boston, Massachusetts at 150.4; Kodiak, Alaska at 127.1; and Los Alamos, New Mexico at 121.7. The cost of living in the New Haven-Meriden area was collectively on par with the Seattle, Washington area, which registered at 117.0. 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 Boston area and, at the same time, wants to maintain his current mid-management lifestyle, other things being equal, his or her after-tax income level has to increase by 31.2%, (154.0-117.4)/117.4, in order to compensate for the higher cost of living. On the contrary, if a Boston resident is contemplating a move to New Haven, his or her after-tax income level can be reduced by 23.8%, (117.4-154.0)/154.0, in order to sustain the same current life style.

The cost of living for metropolitan areas within Connecticut also varies. For the second quarter of 2001, ACCRA recorded the cost of living for the Stamford-Norwalk PMSA area at 142.7, the Hartford MSA area at 115.3 and the New London-Norwich MSA area at 112.9, compared to 117.4 for the New Haven-Meriden PMSA, reflecting that housing, among others, plays a vital role in deriving the overall index. These four metropolitan statistical areas accounted for 70% of the state's total population. The following Table demonstrates the relative index of the components for these four Connecticut regions.

TABLE 68
COMPARISON OF COST OF LIVING IN CONNECTICUT
New Haven and Stamford PMSAs, Hartford and New London MSAs

2nd Quarter 2001 MSA/PMSA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.
New Haven PMSA	117.4	105.8	134.2	147.1	106.7	139.5	101.4
Hartford MSA	115.3	114.7	119.7	134.2	117.0	148.7	101.8
New-London MSA	112.9	111.1	119.4	135.3	104.8	130.2	102.7
Stamford PMSA	142.7	115.3	209.8	134.4	114.8	141.8	109.8

Source: The American Chamber of Commerce Research Association, "ACCRA Cost of Living Index", Second Quarter 2001

THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT

In fiscal 2001, Connecticut derived 73 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 2000. The Table shows overall state tax collections as a percentage of personal income. In the Table, note that Connecticut ranks 18th signifying that in 17 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 2000

State	Percentage	Rank	State	Percentage	Rank
Hawaii	10.08	1	Rhode Island	6.84	26
New Mexico	9.63	2	South Carolina	6.81	27
Vermont	9.24	3	Kansas	6.75	28
Delaware	9.04	4	New York	6.60	29
Minnesota	8.80	5	Arizona	6.52	30
West Virginia	8.71	6	Oregon	6.46	31
Wisconsin	8.60	7	Nevada	6.45	32
Arkansas	8.49	8	Louisiana	6.43	33
Maine	8.41	9	Nebraska	6.39	34
Kentucky	8.17	10	Pennsylvania	6.38	35
Mississippi	8.08	11	Ohio	6.34	36
Michigan	8.04	12	Indiana	6.34	37
California	8.03	13	Alabama	6.27	38
Idaho	8.02	14	Georgia	6.12	39
Alaska	7.91	15	New Jersey	6.06	40
Utah	7.83	16	Maryland	6.01	41
North Dakota	7.57	17	Virginia	5.98	42
Connecticut	7.55	18	Illinois	5.94	43
Oklahoma	7.39	19	Missouri	5.81	44
Wyoming	7.31	20	Florida	5.76	45
North Carolina	7.31	21	Tennessee	5.40	46
Montana	7.13	22	Colorado	5.30	47
Massachusetts	7.07	23	Texas	4.90	48
Washington	6.95	24	South Dakota	4.85	49
Iowa	6.90	25	New Hampshire	4.32	50
U.S. Average	6.30				

Source: U.S. Department of Commerce, "State Government Finances, 2000"

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 a certain number of years from $12,000 to $15,000. In addition, tax credits ranging from 75% to 1% of a taxpayer's Connecticut tax liability are also available, again dependent upon federal income tax filing status and Connecticut adjusted gross income (See Table 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 $4,744.2 million in fiscal year 2000-01, $4,238.2 million in fiscal year 1999-2000 and $3,820.8 million in fiscal year 1998-99. In fiscal year 2000-01, this tax accounted for 39.6% of total revenue and 50.3% of total tax collections while in fiscal 1999-2000 it accounted for 37.8% of total revenue and 47.2% 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 2000.

TABLE 71
STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2000

State	Percentage	Rank	State	Percentage	Rank
Oregon	4.45	1	Montana	2.61	23
Wisconsin	4.05	2	South Carolina	2.61	24
Massachusetts	3.96	3	Kansas	2.58	25
California	3.79	4	Arkansas	2.56	26
New York	3.67	5	Michigan	2.54	27
Minnesota	3.66	6	Nebraska	2.52	28
North Carolina	3.41	7	Iowa	2.52	29
Maine	3.40	8	West Virginia	2.51	30
Idaho	3.26	9	New Jersey	2.41	31
Utah	3.25	10	Missouri	2.40	32
Virginia	3.23	11	Indiana	2.35	33
Hawaii	3.22	12	New Mexico	2.27	34
Delaware	3.11	13	Alabama	2.02	35
Connecticut	2.95	14	Illinois	1.99	36
Georgia	2.88	15	Pennsylvania	1.92	37
Kentucky	2.87	16	Arizona	1.84	38
Rhode Island	2.79	17	Mississippi	1.73	39
Colorado	2.72	18	Louisiana	1.56	40
Vermont	2.71	19	North Dakota	1.28	41
Oklahoma	2.69	20	New Hampshire	0.17	42
Maryland	2.68	21	Tennessee	0.13	43
Ohio	2.66	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, 2000"

The following Table shows Connecticut personal income tax exemptions ranging from $12,500 to $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)	2.87	20,000	5.04	300,001	Montana (1)	2.0	2,199	11.0	75,000
Arkansas (4)	1.0	2,999	7.0	25,000	Nebraska (1)	2.51	4,000	6.68	46,750
California (1)	1.0	11,496	9.3	75,450	N. Hampshire	(b)			
Colorado (2)	4.63	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)	2.2	5,000	5.95	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)	1.5	4,000	8.5	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)	0.743	5,000	7.5	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	4,900	9.0	12,200
Iowa (1)	0.36	1,185	8.98	53,325	Pennsylvania	2.8	All		
Kansas (1)	3.5	30,000	6.45	60,000	Rhode Island (3)	25.5	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	8,250	8.5	33,000	Utah (1)	2.3	1,726	7.0	8,626
Maryland (1)	2.0	1,000	4.8	3,000	Vermont (3)	24.0	All		
Massachusetts (1)	5.6	All	(a)		Virginia (1)	2.0	3,000	5.75	17,000
Michigan (1)	4.2	All			W. Virginia (1)	3.0	10,000	6.5	60,000
Minnesota (2)	5.35	26,480	7.85	105,200	Wisconsin (1)	4.6	10,750	6.75	155,100
Mississippi (4)	3.0	5,000	5.0	10,000	Dist. of Col. (1)	5.0	10,000	9.3	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 2000-01, sales and use taxes accounted for 26.1% of total revenue and 35.9% of total tax collections, compared to 27.6% and 37.4%, respectively, in fiscal 1999-2000.

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 2000 data. From fiscal 1991 to fiscal 2000, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% with a rank of ninth to 2.54% 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 2000

State	Sales Tax Rate	%	Rank	State	Sales Tax Rate	%	Rank
Hawaii	4.0*	4.64	1	Iowa	5.0*	2.29	24
Washington	6.5*	4.28	2	California	5.75*	2.25	25
Mississippi	7.0	4.00	3	Indiana	5.0	2.25	26
New Mexico	5.0	3.87	4	Nebraska	5.0*	2.20	27
Florida	6.0*	3.49	5	North Dakota	5.0*	2.13	28
Nevada	6.5**	3.37	6	Georgia	4.0*	2.10	29
Tennessee	6.0*	3.10	7	Rhode Island	7.0	2.09	30
Arkansas	5.125*	2.98	8	Louisiana	4.0*	2.03	31
Arizona	5.6*	2.92	9	Ohio	5.0*	2.02	32
Utah	4.75*	2.80	10	Pennsylvania	6.0*	2.00	33
Wyoming	4.0*	2.80	11	Missouri	4.225*	1.89	34
Michigan	6.0	2.71	12	New Jersey	6.0	1.84	35
Maine	5.0	2.68	13	Oklahoma	4.5*	1.82	36
South Carolina	5.0*	2.62	14	Illinois	6.25*	1.67	37
South Dakota	4.0*	2.55	15	Alabama	4.0*	1.66	38
Connecticut	6.0	2.54	16	North Carolina	4.0*	1.61	39
Idaho	5.0	2.52	17	Massachusetts	5.0	1.56	40
Texas	6.25*	2.50	18	Maryland	5.0	1.45	41
Minnesota	6.5*	2.46	19	Colorado	2.9*	1.38	42
Kansas	4.9*	2.42	20	New York	4.0*	1.36	43
West Virginia	6.0	2.39	21	Vermont	5.0	1.35	44
Wisconsin	5.0*	2.39	22	Virginia	3.5*	1.17	45
Kentucky	6.0*	2.30	23				
U.S. Average		2.17					

* 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", 2000

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	E	E
Arizona	E	E	E	T	T	T	E	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	E	E
Connecticut	E	E	E	T	E (2)	T	T	T
Florida	E	E	T	T	T	T	E	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)	E	T	E	T	T	E	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	E	E
Louisiana	T	E	E	E	T	T	T	T
Maine	E	E	E	T	T	T	E	E
Maryland	T	E	E	E	T	T	T	E
Massachusetts	E	E	E	E	E (3)	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	E	E
New Mexico	T	E	E	T	T	T	T	T
New York	E	E	T	T	E (4)	T	T	E
North Carolina	T	E	E	E	T	T	E	E
North Dakota	E	E	E	E	T	T	T	E
Ohio	E	E	E	T	T	T	T	T (5)
Oklahoma	T	E	E	T	T	T	T	E
Pennsylvania	E	E	E	T	E	T	E	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	E	E (4)	T	E	E
Virginia	T	E	E	E	T	T	T	E
Washington	E	E	T	T	T	T	E	E
West Virginia	T	E	T	T	T	T	T	T
Wisconsin	E	E	E	T	T	T	E	E
Wyoming	T	E	E	E	T	T	T	E
Dist. of Columbia	E	E	E	T	T	T	T	T
Total Taxable	20	0	13	21	38	46	33	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 $175 per item. (4) Up to a sales price of $110 per item. (5) 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 2000-01 the Corporation Business Tax accounted for 4.6% of total revenue and 5.8% of total tax collections, while in fiscal 1999-2000 they were 5.2% and 6.5% 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

State	Low Bracket % Rate	Low Bracket To Net Income	High Bracket % Rate	High Bracket From Net Income
Alabama	6.5	All		
Alaska	1.0	10,000	9.4	90,000
Arizona	6.96	All		
Arkansas	1.0	3,000	6.5	100,000
California (1)	8.84	All		
Colorado	4.63	All		
Connecticut	7.5	All		
Delaware	8.7	All		
Florida (1)	5.5	All		
Georgia	6.0	All		
Hawaii	4.4	25,000	6.4	100,000
Idaho (2)	7.6	All		
Illinois (3)	4.8	All		
Indiana (4)	3.4	All		
Iowa	6.0	25,000	12.0	250,000
Kansas (5)	4.0	All		
Kentucky	4.0	25,000	8.25	250,000
Louisiana	4.0	25,000	8.0	200,000
Maine	3.5	25,000	8.93	250,000
Maryland	7.0	All		
Massachusetts (4)	8.33	All		
Michigan	2.0	All		
Minnesota	9.8	All		
Mississippi	3.0	5,000	5.0	10,000
Missouri	6.25	All		
Montana	6.75	All		
Nebraska	5.58	50,000	7.81	50,000
New Hampshire	8.5	All		
New Jersey (6)	9.0	All		
New Mexico	4.8	500,000	7.6	1.0M
New York	8.0	All		
N. Carolina	6.9	All		
N. Dakota	3.0	3,000	10.5	50,000
Ohio	5.1	50,000	8.5	50,001
Oklahoma	6.0	All		
Oregon	6.6	All		
Pennsylvania	9.99	All		
Rhode Island	9.0	All		
S. Carolina	5.0	All		
Tennessee (7)	6.0	All		
Utah	5.0	All		
Vermont	7.0	10,000	9.75	250,000
Virginia	6.0	All		
West Virginia	9.0	All		
Wisconsin (4)	7.9	All		
District of Col.	9.5	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 $456; Montana $50; New Jersey $200; New York $325-$1,500; Ohio $50; Oregon $10; Utah $100; Rhode Island $250; Vermont $250; and District of Columbia $100.

(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 Rate	Total Tax*	State	Excise Tax	Sales Tax Rate	Total Tax*
Alabama	16.0¢	-	16.0¢	Montana	27.0¢	-	27.0¢
Alaska	8.0	-	8.0	Nebraska (d)	24.5	-	22.5
Arizona	18.0	-	18.0	Nevada	24.0	-	24.0
Arkansas	21.5	-	21.5	New Hampshire	18.0	-	18.0
California	18.0	6.00	23.7	New Jersey	10.5	6.00	16.2
Colorado	22.0	-	22.0	New Mexico	17.0	-	17.0
Connecticut	25.0	-	25.0	New York	8.0	4.00	11.8
Delaware	23.0	-	23.0	North Carolina (e)	24.1	-	24.1
Florida	13.6	6.00	19.3	North Dakota	21.0	-	21.0
Georgia (a)	7.5	3.00	10.4	Ohio (f)	22.0	-	22.0
Hawaii (b)	28.08	4.00	31.9	Oklahoma (g)	16.0	-	16.0
Idaho	25.0	-	25.0	Oregon	29.0	-	29.0
Illinois	19.0	6.25	24.9	Pennsylvania	12.0	-	12.0
Indiana	15.0	5.00	19.8	Rhode Island (h)	28.0	-	28.0
Iowa	20.0	-	20.0	South Carolina	16.0	-	16.0
Kansas	21.0	4.90	25.7	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	24.7	Washington	23.0	6.50	29.2
Minnesota	20.0	6.50	26.2	West Virginia	20.5	6.00	26.2
Mississippi	18.0	-	18.0	Wisconsin	27.3	-	27.3
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 $0.95 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	$1.00
Iowa	36.0 ¢	South Carolina	7.0 ¢
Kansas	24.0 ¢	South Dakota	33.0 ¢
Kentucky (2)	3.0 ¢	Tennessee	13.0 ¢
Louisiana	24.0 ¢	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 (4)	77.0 ¢
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 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	0.80-2.00
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 (1)	2.00-5.00	2.00-5.00
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, 2.5% in Minnesota.
(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 2001

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%	2.05	56%	.53	Montana (1,2)	16%	1.23	1.23	.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	.25	.75	.20	N. Hampshire (1)	.30	.30	.30	.30
California	3.30	.20	.20	.20	New Jersey	4.40	.70	.70	.12
Colorado	2.74	.33	.33	.08	New Mexico	7.28	2.05	2.05	.41
Connecticut	4.50	.60	.60	.20	New York	6.43	.19	.19	.13
Delaware	5.46	.97	.97	.16	N. Carolina (1,2)	28%	.96	1.09	.48
Florida	9.53	2.25	3.00	.48	N. Dakota	2.50	.50	.60	.08
Georgia	5.46	1.82	1.82	.32	Ohio (1)	3.38	.32	1.00	.18
Hawaii	5.98	1.38	2.12	.93	Oklahoma	6.69	.86	1.68	.40
Idaho (1,2)	15%	.45	.45	.15	Oregon (1)		.65	.77	.08
Illinois	2.00	.23	.60	.07	Pennsylvania (1,2)	1.00	.07	.11	.08
Indiana	2.68	.47	.47	.12	Rhode Island	3.75	.60	.75	.06
Iowa (1)	1.75	1.75	1.75	.19	S. Carolina (3)	2.30	.90	.90	.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	3.00	.14	.27	.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%	1.82	1.82	.26
Michigan (1,2)	9.9%	.61	.91	.20	Washington (1)		2.06	2.06	.31
Minnesota	5.03	.30	.95	.15	W. Virginia (2,6)		1.20	1.20	.18
Mississippi (1)	2.50	.35	1.00	.43	Wisconsin (7)	3.91	.30	.54	.06
Missouri	2.00	.30	.30	.06	Wyoming (1)	1.14	.34	.34	.02

(1) Monopoly state, receives most or all of revenue through markup. Tax rates shown are in addition to any price markup.
(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) A 5% tax is imposed on sales of liquor outside municipalities.
(7) 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

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
TAXES ($K)					
Personal Income	$3,110,868	$3,596,225	$3,820,837	$4,238,228	$4,744,233
Sales and Use	2,611,384	2,772,109	2,932,191	3,096,780	3,125,078
Corporation	677,883	663,672	619,539	587,756	550,509
Hospital Gross Earnings	173,738	140,930	128,079	69,180	-
Public Service Corporation	179,365	170,417	167,705	166,263	180,547
Insurance Companies	193,072	192,756	196,195	201,225	191,107
Inheritance & Estate	227,984	279,236	237,573	228,072	252,802
Cigarettes	126,576	127,174	123,345	122,045	119,476
Oil Companies	80,362	61,858	22,170	54,285	64,497
Real Estate Conveyance	75,082	93,596	106,813	114,565	112,282
Alcoholic Beverages	39,671	39,772	40,281	40,965	41,146
Admissions, Dues, Cabaret	25,887	24,955	26,942	26,716	25,811
Miscellaneous	28,580	28,044	40,635	40,227	35,088
Total - Taxes	7,550.452	8,190.744	8,462.305	8,986.307	9,442.576
Less Refunds of Taxes	(490,548)	(580,830)	(645,000)	(713,359)	(735,483)
Total - Taxes Less Refunds	7,059.904	7,609.914	7,817.305	8,272.948	8,707.093
OTHER REVENUE					
Transfer-Special Revenue	258,682	267,324	280,529	259,785	258,181
Indian Gaming Payments	203,601	257,576	288,531	318,986	332,418
Licenses, Permits & Fees	124,833	123,156	122,062	127,544	124,331
Sales of Commodities & Services	39,053	29,491	30,110	32,941	31,312
Investment Income	39,623	54,716	60,856	53,371	67,868
Rents, Fines & Escheats	33,130	37,097	55,763	45,659	48,228
Miscellaneous	112,736	118,373	112,962	125,498	125,594
Total - Other Revenue	811.658	887.733	950.813	963.784	987.932
OTHER SOURCES					
Federal Grants	1,795,515	1,824,594	1,938,271	2,078,914	2,237,045
Transfer from Special Funds	-	-	-	78,000	138,800
Transfer to Other Funds	(85,000)	(180,000)	(90,000)	(180,000)	(85,400)
Total - Other Sources	1,710.515	1,644.594	1,848.271	1,976.914	2,290.445
GRAND TOTAL	$9,582,077	$10,142,241	$10,616,3891	$11,213,646	$11,985,470

TAXES	% of Total	% of Total	% of Total	% of Total	% of Total
Personal Income	32.47%	35.46%	35.99%	37.80%	39.58%
Sales and Use	27.25	27.33	27.62	27.62	26.07
Corporation	7.08	6.54	5.84	5.24	4.59
Hospital Gross Earnings	1.81	1.39	1.21	0.62	0.00
Public Service Corporation	1.87	1.68	1.58	1.48	1.51
Insurance Companies	2.01	1.90	1.85	1.79	1.59
Inheritance & Estate	2.39	2.75	2.24	2.03	2.11
Cigarettes	1.32	1.25	1.16	1.09	1.00
Oil Companies	0.84	0.61	0.21	0.48	0.54
Real Estate Conveyance	0.78	0.92	1.01	1.02	0.94
Alcoholic Beverages	0.41	0.39	0.38	0.37	0.34
Admissions, Dues, Cabaret	0.27	0.25	0.25	0.24	0.22
Miscellaneous	0.30	0.28	0.37	0.36	0.29
Total - Taxes	78.80	80.75	79.71	80.14	78.78
Less Refunds of Taxes	(5.12)	(5.73)	(6.08)	(6.36)	(6.14)
Total – Taxes Less Refunds	73.68	75.02	73.63	73.78	72.65
OTHER REVENUE					
Transfer-Special Revenue	2.70	2.64	2.64	2.32	2.15
Indian Gaming Payments	2.12	2.54	2.72	2.84	2.77
Licenses, Permits & Fees	1.30	1.21	1.16	1.14	1.04
Sales of Commodities & Services	0.41	0.29	0.28	0.29	0.26
Investment Income	0.41	0.54	0.57	0.47	0.57
Rents, Fines & Escheats	0.35	0.37	0.53	0.41	0.40
Miscellaneous	1.18	1.17	1.06	1.12	1.05
Total - Other Revenue	8.47	8.76	8.96	8.59	8.24
OTHER SOURCES					
Federal Grants	18.74	17.99	18.26	18.54	18.66
Transfer from Special Funds	-	-	-	0.70	1.16
Transfer to Other Funds	(0.89)	(1.77)	(0.85)	(1.61)	(0.71)
Total - Other Sources	17.85	16.22	17.41	17.63	19.11
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

TABLE 83
SPECIAL TRANSPORTATION FUND REVENUES

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
TAXES ($K)					
Motor Fuels	$550,569	$530,667	$499,911	$506,426	$417,523
Oil Companies	-	-	20,000	36,000	46,000
DMV Sales	-	-	-	10,000	60,106
Less Refunds of Taxes	(5,977)	(6,752)	(5,177)	(5,398)	(7,556)
Total - Taxes Less Refunds	544.592	523.915	514.734	547.028	516.073
OTHER REVENUE					
Motor Vehicle Receipts	175,944	185,964	187,041	190,324	196,340
Licenses, Permits & Fees	88,306	107,689	112,946	112,618	115,224
Interest Income	42,005	35,430	38,494	37,728	43,888
Federal Transit Administration	3,564	3,115	3,069	2,974	3,305
Transfer from Other Funds	-	3,015	-	16,770	-
Transfer to Other Funds	(250)	(250)	(500)	(2,000)	(3,000)
Total – Other Revenue	309.569	334.963	341.050	358.414	355.757
GRAND TOTAL	$854,161	$858,878	$855,784	$905,442	$871,830
	% of Total	**% of Total**	**% of Total**	**% of Total**	**% of Total**
TAXES					
Motor Fuels	64.46%	61.79%	58.42%	55.94%	47.89%
Oil Companies	-	-	2.34	3.98	5.28
DMV Sales	-	-	-	1.10	6.89
Less Refunds of Taxes	(0.70)	(0.79)	(0.61)	(0.60)	(0.87)
Total – Taxes Less Refunds	63.76	61.00	60.15	60.42	59.19
OTHER REVENUE					
Motor Vehicle Receipts	20.60	21.65	21.86	21.02	22.52
Licenses, Permits & Fees	10.34	12.54	13.20	12.44	13.22
Interest Income	4.92	4.13	4.49	4.16	5.03
Federal Transit Administration	0.41	0.36	0.36	0.33	0.38
Transfer from Other Funds	-	0.35	-	1.85	-
Transfer to Other Funds	(0.03)	(0.03)	(0.06)	(0.22)	(0.34)
Total - Other Revenue	36.24	39.00	39.85	39.58	40.81
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 $2,665.5 billion in 2000, an increase of 121% versus only a 38% increase for real Gross Domestic Product (GDP). This shows that the interaction between the U.S. economy and the world economic system has been more than three times faster than the growth in domestic economic activity. 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 U.S. economy ended its tenth-year of expansion in early 2001. This recession has also spread into other countries and affected the overall world economy. The current U.S. recession has had a different impact on our Nation's exports compared to the recession experienced in 1990-91. Real exports in 1991 continued to grow by 6.5%, but declined 3.8% in 2001. The 1990-91 downturn was due to domestic debacles in the real estate industry and bank failures while the current recession has been caused by the simultaneous decline in manufacturing investment in both the United States and the European Union, along with an overall slower growth in the Asian area including Japan and most countries in the Pacific Basin. World trade, however, will continue to expand as the global economy continues to grow, albeit at a lower rate due to the slowdown in the world economy. The overall Asian economy will grow faster than other areas, led by strong growth of approximately 7.0% in China. The depreciation of the Japanese yen, when combined with corrective action to reduce inventory build-up, will support export-oriented industries and then its overall economy. The introduction of the European Union's Euro currency on January 1, 2002 could boost the prospects for its economy. The long-term harmonization of various tax systems coupled with the creation of a bail-out fund to help countries with economic troubles and other structural reform will spur the region's growth potential. A much freer flow of capital in the euro-zone is underway; it should stimulate economic activity. The European Union has a population of 300 million, versus 281 million in the U.S., and roughly the equivalent economic size in aggregate real gross product as that of the U.S. The U.S. recovery expected in mid-2002 would propel worldwide economic growth and U.S. trade.

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 organization for 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 past years has exerted some short-term hardship for the U.S., and to a lesser extent Connecticut manufacturers.

Prospects for U.S. exports are less promising for 2002 after anemic growth for 2001; however, growth should gain momentum in 2003. With the full adoption of the Euro, an expansion in membership within the World Trade Organization (WTO), the success of the North American Free Trade Agreement (NAFTA), continued trade liberalization in the Asian and Latin American areas, and steady growth in Eastern Europe, additional opportunities should be created for U.S. trade. The changes in Europe should benefit the United States as a single currency and more concerted monetary and fiscal policies shall result in regulatory and economic reforms that create a more open, efficient, and uniform market.

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 downturn in the U.S. economy has spread globally. With Japan, the 2nd largest economy in the world, and Mexico registering a recession, accompanied by a slowdown in Europe, the overall growth in the world economy slowed to 1.3% in 2001. It is estimated to improve to 1.5% in 2002 and anticipated to grow at a faster rate of 3.7% in 2003 as the world economy recovers.

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 2001, weak economic growth of our major trade partners sent the weighted growth to 1.3%, the lowest in the past decade. The trade outlook for the overall world economy in 2002 is slightly improved but not as promising as that in 2000 as economic prospects across the globe, except China, India and Russia, recover slowly. Exports are anticipated to grow only an anemic 1.5% in 2002 before bouncing back to 3.7% in 2003. Collectively, the big 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	0.5	(2.1)	3.0	2.8	(1.5)	1.0	1.4	4.2	7.1	2.9	2.5
1992	3.0	0.9	0.9	1.8	0.1	1.3	0.8	3.6	7.2	1.9	1.9
1993	2.7	2.4	0.5	(1.1)	2.3	(0.9)	(0.9)	2.0	8.0	1.9	2.0
1994	4.0	4.7	1.0	2.4	4.4	1.8	2.2	4.4	8.4	3.1	4.0
1995	2.7	2.8	1.6	1.8	2.8	1.9	2.9	(6.2)	7.8	2.8	2.9
1996	3.6	1.6	3.3	0.8	2.6	1.1	1.1	5.2	7.1	3.2	3.1
1997	4.4	4.3	1.9	1.5	3.5	1.9	2.0	6.8	5.5	3.6	3.8
1998	4.3	3.9	(1.1)	1.7	2.6	3.5	1.8	5.0	(3.5)	2.3	1.9
1999	4.1	5.1	0.8	1.7	2.3	3.0	1.6	3.8	5.2	3.0	3.5
2000	4.1	4.4	1.5	3.2	2.9	3.5	2.9	6.9	7.2	3.9	4.3
2001 (E)	1.0	1.6	(1.2)	0.7	2.3	2.2	1.8	(0.4)	1.1	1.3	1.3
2002 (P)	0.5	1.4	(0.9)	0.8	2.0	1.5	1.3	2.0	2.9	1.4	1.5
2003 (P)	4.1	3.5	1.7	3.2	3.2	3.3	3.2	5.1	5.4	3.7	3.7
% 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		22.6	6.1	6.8	5.8	13.4	1.8	5.1	13.5		
2001*		21.1	6.9	7.3	5.7	16.9	2.1	3.8	13.0		

* For first three quarters of 2001

(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 DRI-WEFA Group, "U.S. Economic Outlook", December 2001

U.S. Department of Commerce, and University of Massachusetts (MISER)

Despite the modest outlook for trade in 2002, the danger of a more pronounced short-term pause may occur as the economy confronts uncertainties domestically and worldwide. On the international front, economic and financial imbalances between the U.S. and Japan may pose a continued risk to the global expansion. These imbalances such as the uneven pattern of GDP growth, the divergence of external current accounts, and the misalignment of currency exchange rates may deter expected trade growth. The recent drastic depreciation in the Japanese Yen and European Union's Euro may further hamper U.S. exports. Declining exports exacerbated U.S. GDP growth in the third quarter of 2001 and may have done so in the fourth quarter and beyond. To compete in world markets, Japan's export-oriented neighboring countries such as Korea, Taiwan, and Singapore may heavily devalue their currencies. A wider use of currency depreciation into other regions may hurt future U.S. exports. The European Union represents a significant trade area for the U.S. However, this giant economic body is currently on the verge of recession. Its slowdown in consumer spending and a weakening in business investment mimic the U.S.'s economic Achilles' heel. Furthermore, economic and political conditions in Argentina, one of the largest economies in Latin America that is highly dependent on trade and has been in a recession for four years, remains a concern if their troubles spread through the region.

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, has reduced its importance in the economy. However, with U.S. domestic production less than 50% of total demand and the expansion of just-in-time inventory strategies, the stability of world oil prices will remain vital to the U.S. economy. The increase in oil prices in 2000 had a dampening effect on the U.S. as well as the global 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. Significant increases in oil prices created inflationary pressure and eroded consumers' purchasing power, contributing to the setback in the U.S. and world economies in the spring of 2001.

As the market is delicately balanced, a host of factors could send oil prices moving in either direction. These factors include changes in the production capacity and policies of OPEC, the status of non-OPEC output, political and economic uncertainties in certain geographic regions of the world, violence, and severe weather. The world economy showed weakness before the September 11th tragedy and was further exacerbated by this disaster. Any unexpected catastrophe only further impedes global economic growth no matter where it occurs, be it in the U.S. or other countries.

The U.S. Economy (History)

The following Table compares the original forecast figures to actual for fiscal years 1992-93 to 2001-02 and the current estimates for fiscal year 2001-02. 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
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%	15.0M	2.8%
	Difference	1.6%	1.8%	(0.2%)	0.05M	(0.7%)	0.1M	0.3%
1997-98	12/96 Forecast	4.6%	2.1%	2.5%	1.42M	5.6%	14.8M	2.6%
	Actual	6.0%	4.4%	1.6%	1.53M	4.7%	15.3M	1.8%
	Difference	1.4%	2.3%	(0.9%)	0.11M	(1.1%)	0.5M	(0.8%)
1998-99	12/97 Forecast	4.6%	2.1%	2.4%	1.42M	4.7%	14.3M	2.6%
	Actual	5.4%	4.1%	1.3%	1.66M	4.4%	16.0M	1.7%
	Difference	0.8%	2.0%	(1.1%)	0.24M	(0.3%)	1.7M	(0.9%)
1999-00	12/98 Forecast	3.9%	2.0%	1.9%	1.44M	4.6%	14.9M	2.0%
	Actual	6.4%	4.5%	1.8%	1.64M	4.1%	17.5M	2.9%
	Difference	2.5%	2.5%	(0.1%)	0.20M	(0.4%)	2.6M	0.9%
2000-01	12/99 Forecast	4.2%	2.5%	1.7%	1.41M	4.5%	15.3M	2.5%
	Actual	5.1%	2.7%	2.3%	1.58M	4.2%	16.9M	3.4%
	Difference	0.9%	0.2%	0.6%	0.17M	(0.3%)	1.6M	0.9%
2001-02	12/00 Forecast	5.0%	3.2%	1.7%	1.44M	4.6%	16.0M	2.4%
	12/01 Estimate	1.8%	(0.1%)	1.9%	1.57M	5.6%	16.1M	2.1%
	Difference	(3.2%)	(3.3%)	0.2%	0.13M	1.0%	0.1M	(0.3%)

* New Car Sales in Fiscal Years 1996-97 through 2001-02 represent U.S. vehicle sales for automobiles and light vehicles (trucks).

M denotes Millions of Units.

The original forecast for fiscal 2000-01 anticipated a healthy growth in economic activity: a real growth rate that matches the long-term economic growth rate of 2.5%, with a slight decrease in the unemployment rate accompanied by increases in the rate of inflation and new car sales, but a mild decline in housing starts. However, the actual economy continued to grow at a faster pace, with real Gross Domestic Product growing 0.2% above the estimate, and new car sales and housing starts outperforming expectations. More rapid growth in real GDP was attributable to stronger growth in consumer, residential and non-residential structure investment, as well as government spending. Business equipment and software investment, which has been a driver for the economy in the 1990s, declined. Consumer spending, which accounts for two thirds of GDP, has been a pillar of relative strength in the economy. As the actual economy posted stronger than expected growth, the unemployment rate was below expectations and the CPI index, which was fueled by higher energy prices, was above expectations by 0.9 percentage points. The economy, nonetheless, turned down in the 4th quarter of fiscal year 2000-01. After the unemployment rate continued to trend down to monthly record lows of 3.9% in late 2000, it crept up to 4.3% in March 2001 when the economy entered a recession and ended its record long ten-year expansion. The unemployment rate reached 5.8% in late 2001.

The U.S. Economy (Forecast)

The U.S. expansion that ended in February of 2001 was unprecedented in its length. The 120 months of non-stop growth in GDP surpassed the previous record for the longest expansion of 106 months registered between February 1961 and December 1969. The current recession began to show signs of improvement by the end of 2001, as many economic indicators registered encouraging readings. Job losses in non-agricultural employment fell and average workweek hours rose. Both indices of activity in the manufacturing and non-manufacturing sectors conducted by the Institute of Supply Management, formerly known as the National Association of Purchasing Managers, posted their highest marks in the past year. The consumer confidence index, which measures consumers' psychological attitude toward personal financial circumstances, purchasing plans, and the outlook for future employment and income, rebounded in December 2001, after a sharp decline in the previous three months. As the deterioration in economic conditions appears to have subsided, the current contraction is expected to end sometime prior to the end of the first quarter of 2002, according to *Blue Chip Economic Indicators*, making this recession typical in duration in the post WWII era in which recessions average 10.7 months in length.

The contraction of real output in fiscal year 2001-02 is estimated to be mild, falling only 0.1%, compared to a decline of 0.2% in fiscal year 1990-91. The GDP growth rate for fiscal year 2002-03 is anticipated to be in line with the long-term growth trend of 2.5%. Demand for autos and housing is expected to be flat. Auto sales, aided by zero-cost financing in the 4th quarter of 2001, has been strong and housing sales for new and existing homes, propelled by low mortgage rates, set a record in 2001. Mortgage rates in 2001 have been the lowest since Freddie Mac began tracking the rates 30 year ago. Conventional mortgage rates on 30-year instruments fell to 6.62% in late 2001, compared to 7.38% in late 2000 and 7.91% in late 1999. The lingering effects of accommodating monetary and fiscal policies will continue to stimulate consumer spending and encourage investment, helping the GDP growth return to its long-term trend. The labor market is expected to be in the neighborhood of the "full employment" level with the unemployment rate staying at 6.2%. Inflation for consumer goods and services in fiscal year 2002-03 is

anticipated to remain at 2.4%, decreasing from 3.4% in FY 2001 and 2.9% in FY 2000. The improvement in economic conditions should not translate into a price spike. Moderate energy prices and weak import prices accompanied by a still-weak labor market should keep inflation in check. Anticipated weakness in the global manufacturing sector should restrain commodity prices. The soft labor market could contain a sharp increase in wage and benefit payments. 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 with only modest inflation over the past decade.

In the late 1990s, continued growth in jobs and incomes coupled with rising stock prices contributed to strong consumer spending. 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, which are most sensitive to interest rates, are anticipated to weaken only slightly as interest rates edge up from the recent all-time low and trading-up transactions slow. New vehicle sales are expected to remain virtually unchanged with continued strength in the demand for light trucks.

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.

12/01 Forecast	Fiscal Year 2002-03
Gross Domestic Product	4.1%
Real Gross Domestic Product	2.5%
G.D.P. Deflator	1.5%
Consumer Price Index	2.4%
Unemployment Rate	6.2%
Housing Starts	1.54 Million
New Vehicle Sales	16.13 Million

Forecast Caveats

The accommodating monetary policy, which has cut the federal funds rate eleven times during 2001 and again in January 2002, together with fiscal policy, which has provided rebates and lower taxes for individuals as well as increased funding for defense, intelligence and security, and education, should help to turn the economic course. The consensus is that the recession will turn into a recovery in the early spring of 2002. However, the consumer and business sectors, the two major economic columns, continue to face significant uncertainty.

The projection of 2.5% real output growth with modest inflation assumes that the employment and the deflated equity market will recover, trigger consumer spending, trim down inventory levels, boost corporate profits, and stimulate the economy. Risks to the forecast include a weaker than expected job market, a destabilized stock market, slow recovery in business investment, and federal government activity that places upward pressure on interest rates. Consumers, who took

advantage of low mortgage rates to refinance in past years, may find themselves saddled with unsupportable monthly payments in a slack economy. In the third quarter of 2001, the mortgage delinquency rate rose to its highest level in ten years. Moreover, growth in consumer consumption will be curbed after a sustained decline in the personal savings rate. Growth in spending has been outpacing the growth in income, resulting in a decline in the savings rate. Personal savings as a percentage of disposable personal income sank to 1.0% in 2000, trending down from 2.4% in 1999, 3.7% in 1998, 5.6% in 1995, and 8.7% in 1992. Furthermore, unexpected incidents may hamper recovery. Retail sales in late 2001 were flat despite the lessened threat of further attack on the U.S. and the perception that a quick ending in the war waged overseas was achievable. Stability of gasoline prices also is a wild card for the economy. As large refinery companies continue to merge or form joint ventures, competition dwindles and concentrated market power could send prices higher. Strategies to cut costs such as just-in-time strategy or streamlining operations could increase the susceptibility of supply to disruptions.

On the foreign front, inflation in energy prices is expected to be limited, brought about by a mild increase in world oil demand and an accommodative world supply. The overall international economy should continue to grow, but at a slower pace. If economic expansion for the United States' major trading partners is further 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 such as the same interest rate and balanced budget pact might negatively impact some members. The health of Japan's economy is a major concern. Japan's economy has been relatively stagnant since the last recession occurred in the early 1990s. Their economy, however, never had a solid recovery despite aggressive monetary and fiscal policies. Short-run interest rates have been cut down to zero and public spending programs are often applied, only to stimulate a temporary turnaround. Deflation has been between negative 0.3% to negative 0.6% for the past three years, and is expected to decline another 0.3% in 2002. Japan's unemployment rate hit a record high of 5.5% in November 2001; it could reach 10% if measured by U.S. criteria. Their national debt reached 130% of GDP, a size 2.5 times the figure for the U.S. The economic recovery of Japan hinges on the worldwide economy, a successful restructuring of the financial sector, and a stimulative fiscal policy. The global slowdown impacted exports, fixed capital investment and industrial production. Recent drastic depreciation of the Yen may help future exports. However, concerns over heavy national debt may discourage government spending. Lack of a stimulative fiscal package may make consumers and business hesitant to spend. Should U.S. demand continue 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 1992-93 through 2000-01 and the current forecast for fiscal 2001-02 are presented in the following Table.

TABLE 86
HISTORICAL COMPARISON OF CONNECTICUT ECONOMIC INDICATORS

Fiscal Year		Personal Income	Nonagricultural Employment	Unemployment Rate
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	1,568.5 Thousand	5.7%
	Difference	$3.6 Billion		0.5%
1996-97	12/95 Forecast	$106.6 Billion		5.4%
	Actual	$112.8 Billion	1,599.5 Thousand	5.6%
	Difference	$6.2 Billion		0.2%
1997-98	12/96 Forecast	$116.6 Billion		5.2%
	Actual	$120.5 Billion	1,627.8 Thousand	4.1%
	Difference	$3.9 Billion		(1.1%)
1998-99	12/97 Forecast	$127.0 Billion	1,652.4 Thousand	4.5%
	Actual	$127.5 Billion	1,656.8 Thousand	3.2%
	Difference	$0.5 Billion	4.4 Thousand	(1.3%)
1999-00	12/98 Forecast	$130.1 Billion	1,664.5 Thousand	4.1%
	Actual	$134.7 Billion	1,681.3 Thousand	2.7%
	Difference	$4.6 Billion	16.8 Thousand	(1.4%)
2000-01	12/99 Forecast	$140.0 Billion	1,695.0 Thousand	3.3%
	Actual	$144.1 Billion	1,698.7 Thousand	2.1%
	Difference	$4.1 Billion	3.7 Thousand	(1.2%)
2001-02	12/00 Forecast	$146.9 Billion	1,722.3 Thousand	3.3%
	Latest Forecast	$149.0 Billion	1,681.7 Thousand	3.8%
	Difference	$2.1 Billion	(40.6) Thousand	0.5%

Contrary to the national trend, the state's economy showed remarkable resilience in fiscal 2001, steering clear of the economic slowdown that affected the nation. Employment growth remained positive with most sectors of the state's economy maintaining or even increasing the number of

new jobs added to the labor market. For the year as a whole, nonagricultural employment increased by 17,400 or 1% compared to last year. On an average annual basis, the state's workforce grew by 21,400 workers annually during the last eight years. The state's sources of strength: financial services, biotechnology, high-tech, and gaming outperformed the structural source of restraint: manufacturing. In 2001, the largest gains in employment came in business services, state & local government (includes tribal nation casinos), and construction. These sectors increased by 3.0%, 2.0% and 4.5%, respectively, accounting for two-thirds of the total nonfarm increase. In contrast, manufacturing employment, as anticipated, declined during fiscal 2001 as nearly all of the manufacturing segments contracted from year-earlier levels. Nevertheless, while the sector lost jobs, growth in average weekly earnings rose, from 1.7% to 4.0%, due in large part to the rise in average hourly earnings. When coupled with personal income growth of 7.0%, Connecticut reinforced its position as the state with the highest per capita income, 40% above the national average. The state's healthy showing was driven by robust gains in wages & salaries, as well as property and proprietor's income. In addition, income growth, fueled consumer spending for goods and services, while moderating appreciably since earlier in the fiscal year, had nonetheless held up remarkably well. This served to bolster consumer sentiment, which in turn extended the state's current expansion, though at a diminishing rate.

Another reassuring sign for the Connecticut economy, after declining for nearly all of the last decade, was recurring 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 skill-specific shortages, thereby helping to ease some of the constraints to employment growth. Furthermore, the growth in residential employment grew by slightly more than 1%, the number of unemployed residents shrank from roughly 47,300 to an all-time low of 37,100, pushing the state's unemployment rate to a record low of 1.9%. Moreover, personal income and wages, after adjusting for the effects of inflation, advanced by 4.5% and 5.7%, respectively. The significant growth in real income combined with low mortgage rates helped the housing market muster a sizable gain, albeit at a slightly lower level than last year. For fiscal 2001, the number of starts slowed to an annual rate of 9,620 units, a tad below the ten-year average of 9,740 units. Just how well the state's housing market holds up will be an important determinant of whether the state's economy will be able to skirt a more severe economic downturn. Low mortgage rates bolstered both the sales of homes and the realized capital gains that those sales created. This gain in wealth provided the means for households to spend. If mortgage rates should rise, it could dampen the housing sale activity and household consumption financed by home equity appreciation. Finally, total state tax receipts climbed by 6.9%, with a sizeable increase of 11.9% in income tax receipts, 2.5% in sales and use taxes, and 10.8% in inheritance taxes. These figures reflect sturdy increases in personal wealth and the consumption of goods & services. This coupled with overall expenditure restraints were the two key reasons for the state's tenth consecutive budget surplus.

The Connecticut Economy (Forecast)

A decade ago, the Connecticut economy was very different. Recovery from the 1991 recession faced obstacles, especially the legacy of the speculative building boom and bust, and subsequent banking crisis precipitated by nonperforming loans. Today there are significant forces for long-term growth that should set the stage for an economic turn around in fiscal 2003. Connecticut's

diversified economy, stabilized defense industry, low unemployment, high per capita income, healthy real estate market, and strong regional banks make certain that this slowdown is far less severe as the one that gripped the state ten years ago.

The consensus among forecasters is that this recession is not going to be anything like what the state experienced during the last one, when from 1989 to 1992 the state lost 158,200 jobs; jobs that were not fully replaced until January 2000. This time approximately 26,000 jobs relative to its peak on a quarterly basis will be lost by the time the recession has run its course. Nonetheless, the transition from recession to recovery will begin by spring of 2002. The state's economic engine will get a boost from the Federal Reserve's deep interest rate cuts and last year's tax rate reductions. The combination of lower rates and more disposable income will provide Connecticut consumers and businesses with more money to spend on other goods and services, helping to stimulate the state's economy. Therefore, for the duration of fiscal 2002, expect the weakness in the state's economy that emerged late last year to begin to show genuine signs of a recovery.

By fiscal 2003, businesses' ability to meet the demand for goods and services will be more challenging. Eventually, more workers will be needed. As a result, nonagricultural employment is forecasted to grow by 4,800 jobs, or a modest 0.3 percent. The state will add these new jobs in high skill, high-income fields such as financial services, biotechnology, and information technology along with lower paying jobs in retail trade. However, most immediately, the unemployment rate in Connecticut is certain to rise throughout fiscal 2002, and finally peak at 4.6 percent by the first quarter of fiscal 2003. This will take place because companies usually continue to cut costs, including payroll, until they are certain that business is growing at a healthy rate again.

Connecticut's population growth in fiscal 2003 is forecast to be fairly 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 in the decade ahead. If the situation persists, this could impact economic growth in the long term. Even so, nonmanufacturing employment is forecasted to increase by 9,800 jobs and deliver growth of 0.7 percent, slightly below the national average. Whereas manufacturing employment is forecasted to contract by 2.0 percent. Connecticut's manufacturing industry has been in a decline for the last decade as the state continues its transition to a broader service-based economy. Statewide, about 5,000 manufacturing jobs will be eliminated in fiscal 2003.

The forecast for the most widely used economic indicators for the Connecticut economy is shown below.

12/01 Forecast	**Fiscal Year 2002-03**
Personal Income	$ 155.5 Billion
Nonagricultural Employment	1,686.5 Thousand
Unemployment Rate	4.4%

Meanwhile, the state's highly skilled workforce, strong presence of high-tech industries, and high per capita income provide a solid economic base. Moreover, these fundamental drivers

buffer the state in times of economic uncertainty. Therefore, it is forecast that Connecticut personal income growth will exceed the national average by more than half a percentage point in fiscal 2003. In addition, maintaining stable personal income growth provides Connecticut consumers with the means to spend. Mix in lower energy prices and interest rates and you have the wherewithal to generate economic activity that allows for a recovery to take hold, and rekindle economic growth in Connecticut.

Finally, housing activity in Connecticut shows no sign of unraveling as attractive mortgage rates evidently continue to counterbalance the adverse wealth effects associated with the decline in stock market prices, higher levels of consumer indebtedness, and rising unemployment. Given rising consumer sentiment, existing construction backlogs, and the continued availability of attractive mortgage rates, housing activity in Connecticut is expected to remain unchanged from its current lofty level.

The biggest risks that may impede the state's economic recovery are: (1) The uncertainty about the future course of the national economy. The correction we witnessed over the last two-years in the equity markets, coupled with slower economic growth, increases the uncertainty about the future course of the economy. Should consumer confidence erode and the pace of consumer spending deteriorate, the probability of a steady recovery will diminish. (2) The continuing reverberation of the correction in the equity market could severely limit the incentive to invest. A longer and steeper drop in investment would result in additional layoffs, and no quick recovery in profits. With corporate earnings failing to rebound, the stock market would turn down again. The risk of this scenario to the state 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. (3) Given Connecticut's more pronounced dependence on petroleum versus the nation as a whole, any disruption of supply could hobble any stirrings of recovery. (4) Finally, any further significant attacks on America's homeland would deal a setback to consumer confidence above and beyond the human and financial toll of such an act.

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	3.0	
	3	2.6	
	4	2.3	
2000-01	1	2.2	
	2	2.0	
	3	1.9	
	4	2.5	
2001-02	1	3.5	
	2	3.3	**Start of Forecast**
	3	4.0	
	4	4.4	
2002-03	1	4.6	
	2	4.5	
	3	4.4	
	4	4.3	

UNITED STATES

Fiscal Year			
1999-00	1	4.2	
	2	4.1	
	3	4.0	
	4	4.0	
2000-01	1	4.0	
	2	4.0	
	3	4.2	
	4	4.5	
2001-02	1	4.8	
	2	5.7	**Start of Forecast**
	3	5.9	
	4	6.2	
2002-03	1	6.3	
	2	6.3	
	3	6.1	

4	6.0	

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 Year		Personal Income	% Change Year Ago	Nonagricultural Employment	% Change Year Ago	
1999-00	1	131,424	4.4	1,672.4	1.6	
	2	132,787	4.0	1,673.8	1.2	
	3	135,970	6.7	1,685.2	1.4	
	4	138,448	7.2	1,693.9	1.7	
	Average	**134,657**	**5.6**	**1,681.3**	**1.5**	
2000-01	1	140,110	6.6	1,697.3	1.4	
	2	142,690	7.5	1,696.6	1.3	
	3	146,216	7.5	1,700.0	0.9	
	4	147,235	6.3	1,701.0	0.4	
	Average	**144,063**	**7.0**	**1,698.7**	**1.0**	
2001-02	1	147,530	5.3	1,692.5	(0.3)	
	2	148,101	3.8	1,682.0	(0.9)	
	3	149,486	2.2	1,677.1	(1.3)	**Start of Forecast**
	4	151,032	2.6	1,675.0	(1.5)	
	Average	**149,037**	**3.5**	**1,681.7**	**(1.0)**	
2002-03	1	152,762	3.5	1,681.2	(0.7)	
	2	154,528	4.3	1,684.4	0.1	
	3	156,341	4.6	1,688.2	0.7	
	4	158,173	4.7	1,692.2	1.0	
	Average	**155,451**	**4.3**	**1,686.5**	**0.3**	

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	102.265	3.8	6,062.7	5.7	7,238.5	5.8
1995-96	106.653	4.3	6,361.3	4.9	7,593.6	4.9
1996-97	112.829	5.8	6,736.6	5.9	8,061.1	6.2
1997-98	120.525	6.8	7,178.5	6.6	8,548.7	6.0
1998-99	127.541	5.8	7,604.4	5.9	9,013.9	5.4
1999-00	134.657	5.6	8,033.4	5.6	9,586.6	6.4
2000-01	144.063	7.0	8,564.0	6.6	10,077.4	5.1
2001-02 (E)	149.037	3.5	8,793.9	2.7	10,260.1	1.8

2002-03 (P)	155.451	4.3	9,120.6	3.7	10,682.3	4.1

(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	2.3	
	2	168.4	2.6	
	3	170.2	3.3	
	4	171.7	3.3	
	Average	**169.4**	**2.9**	
2000-01	1	173.0	3.5	
	2	174.3	3.4	
	3	175.4	3.4	
	4	176.4	2.4	
	Average	**175.2**	**3.4**	
2001-02	1	177.5	2.7	
	2	178.4	2.2	
	3	179.3	1.8	**Start of Forecast**
	4	180.6	1.6	
	Average	**178.8**	**2.1**	
2002-03	1	182.0	2.0	
	2	183.3	2.4	
	3	184.4	2.5	
	4	185.6	2.6	
	Average	**183.1**	**2.4**	

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

REVENUE FORECAST

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

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

	Actual Revenue 2000-01	Estimated Revenue At Current Rates 2001-02	Proposed Revenue Changes 2001-02	Net Projected Revenue 2001-02
Taxes				
Personal Income Tax	$ 4,744.2	$ 4,652.0	$ -	$ 4,652.0
Sales & Use Tax	3,125.1	3,089.8	2.0	3,091.8
Corporation Tax	550.5	431.2	-	431.2
Public Service Tax	180.5	181.4	-	181.4
Inheritance & Estate Tax	252.8	160.0	-	160.0
Insurance Companies Tax	191.1	192.0	14.0	206.0
Cigarette Tax	119.5	117.0	40.5	157.5
Real Estate Conveyance Tax	112.3	110.0	-	110.0
Oil Companies Tax	64.5	42.0	-	42.0
Alcoholic Beverages	41.2	41.0	-	41.0
Admissions and Dues	25.8	25.3	-	25.3
Miscellaneous	35.1	36.1	-	36.1
Total Taxes	$ 9,442.6	$ 9,077.8	$ 56.5	9,134.3
Less Refunds of Taxes	(735.5)	(782.5)	-	(782.5)
Less R&D Credit Exchange	-	(16.0)	-	(16.0)
TOTAL - Taxes Less Refunds	$ 8,707.1	$ 8,279.3	$ 56.5	$ 8,335.8
Other Revenues				
Transfers Special Revenue	$ 258.2	$ 279.2	$ -	$ 279.2
Indian Gaming Payments	332.4	380.0	-	380.0
License, Permits, Fees	124.3	128.2	-	128.2
Sales of Commodities & Services	31.3	28.8	-	28.8
Rents, Fines & Escheats	48.2	51.2	-	51.2
Investment Income	67.9	34.1	-	34.1
Miscellaneous	125.6	115.1	-	115.1
Less Refunds of Payments	-	(0.5)	-	(0.5)
TOTAL - Other Revenues	$ 987.9	$ 1,016.1	$ -	$ 1,016.1
Other Sources				
Federal Grants	$ 2,237.1	$ 2,158.8	$ -	$ 2,158.8
Transfer From Tobacco Settlement	138.8	120.0	-	120.0
Transfers to the Resources of G.F.	-	-	212.8	212.8
Transfers From (To) Other Funds	(85.4)	(147.7)	-	(147.7)
TOTAL - Other Sources	$ 2,290.5	$ 2,131.1	$ 212.8	$ 2,343.9
TOTAL - General Fund	$ 11,985.5	$ 11,426.5	$ 269.3	$ 11,695.8

	Projected Revenue At Current Rates 2002-03	Proposed Revenue Changes 2002-03	Net Projected Revenue 2002-03
$	4,862.9	$ 8.0	$ 4,870.9
	3,229.6	15.0	3,244.6
	463.5	-	463.5
	184.0	-	184.0
	129.0	-	129.0
	194.1	15.6	209.7
	115.0	122.0	237.0
	105.0	-	105.0
	46.5	5.0	51.5
	41.9	-	41.9
	26.7	-	26.7
	35.3	2.6	37.9
$	9,433.5	$ 168.2	$ 9,601.7
	(808.9)	-	(808.9)
	(20.0)	-	(20.0)
$	8,604.6	$ 168.2	$ 8,772.8
$	273.0	$ -	$ 273.0
	399.0	-	399.0
	125.0	2.5	127.5
	30.8	-	30.8
	53.4	15.0	68.4
	49.8	-	49.8
	118.7	-	118.7
	(0.5)	-	(0.5)
$	1,049.2	$ 17.5	$ 1,066.7
$	2,238.4	$ 52.3	$ 2,290.7
	121.0	16.0	137.0
	-	243.0	243.0
	(107.0)	(15.0)	(122.0)
$	2,252.4	$ 296.3	$ 2,548.7
$	11,906.2	$ 482.0	$ 12,388.2

Explanation of Changes

Personal Income Tax
Defer the increase in the singles exemption for 2 years and exempt the income of the victims of September 11th.

Sales & Use Tax
Defer phase down of the exemption for computer / data processing services, additional revenue due to the change in the Cigarette Tax.

Insurance Companies Tax
Convert the HMO tax credit to an appropriation.

Cigarette Tax
Increase tax to $1.11 per pack, effective April 1, 2002.

Oil Companies Tax
Various modifications to reduce transfers to other funds.

Miscellaneous Taxes
Defer phase down of the Gift Tax for 2 years.

Licenses, Permits, & Fees
Various minor changes.

Rent, Fines and Escheats
Escheat unclaimed bottle deposits to the state.

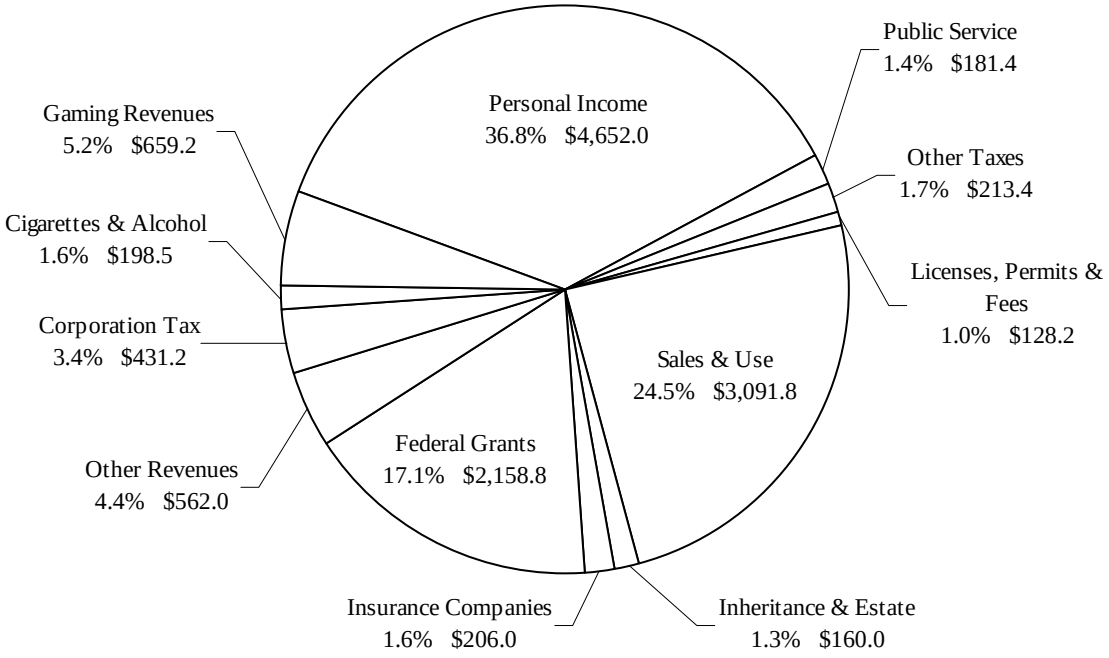
Federal Grants
Convert the HMO tax credit to an appropriation and other changes based on recommendations.

Tobacco Settlement
Redirect FY2003 transfers to the Tobacco and Health and Biomedical Research Trust Funds to the General Fund.

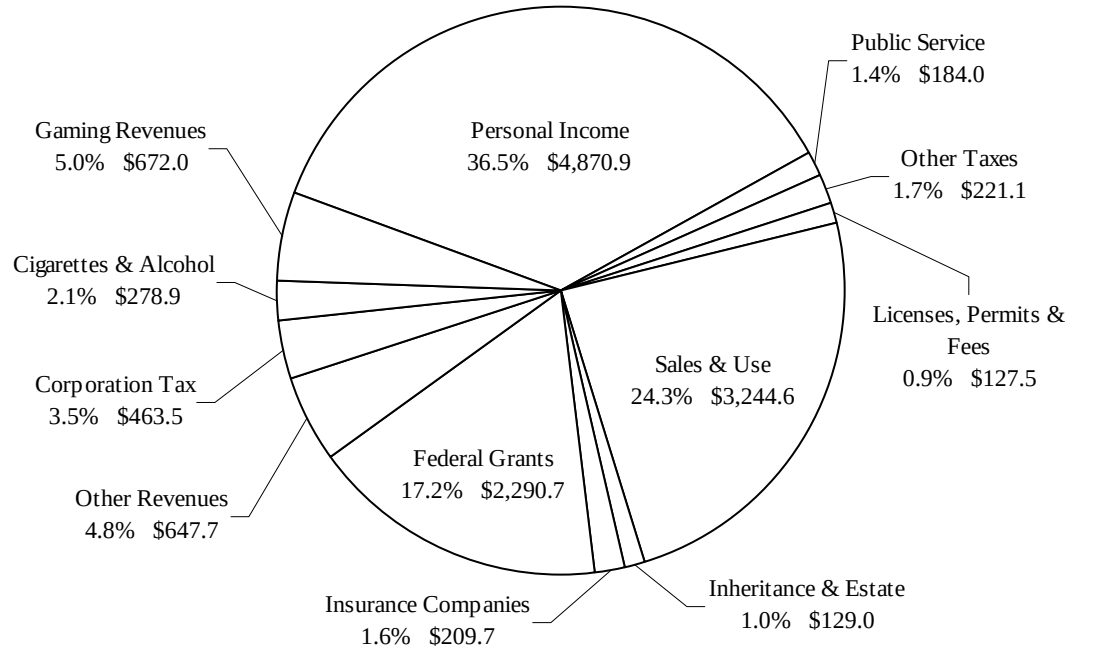
Transfers To The Resources Of The General Fund
November 2001 Special Session changes, additional FY2001 surplus, transfers from quasi-public sources, Anthem demutualization, Tobacco funds and others.

Transfers From (To) Other Funds
Replace surplus funds for the Mashantucket Pequot and Mohegan Grant to towns.

FISCAL YEAR 2001-02 – TOTAL $11,695.8 MILLION*



FISCAL YEAR 2002-03 – TOTAL $12,388.2 MILLION*



***** Refunds of Taxes are estimated at $782.5M for FY 2001-02 and $808.9M for FY 2002-03, R&D Credit Exchange are estimated at $16.0M for FY 2001-02 and $20.0M for FY 2002-03, Refunds

of Payments are estimated at $0.5M for both FY 2001-02 and FY 2002-03, and Transfers To Other Funds are estimated at $147.7M for FY2001-02 and $122.0M for FY 2002-03.

Special Transportation Fund

The State's transportation system includes approximately 19,970 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 258 trains daily; Shoreline East Rail Commuter Service between New London and New Haven which operates 19 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. Currently active components of the plan and a short description of each follow.

Interstate - includes the 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.

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.

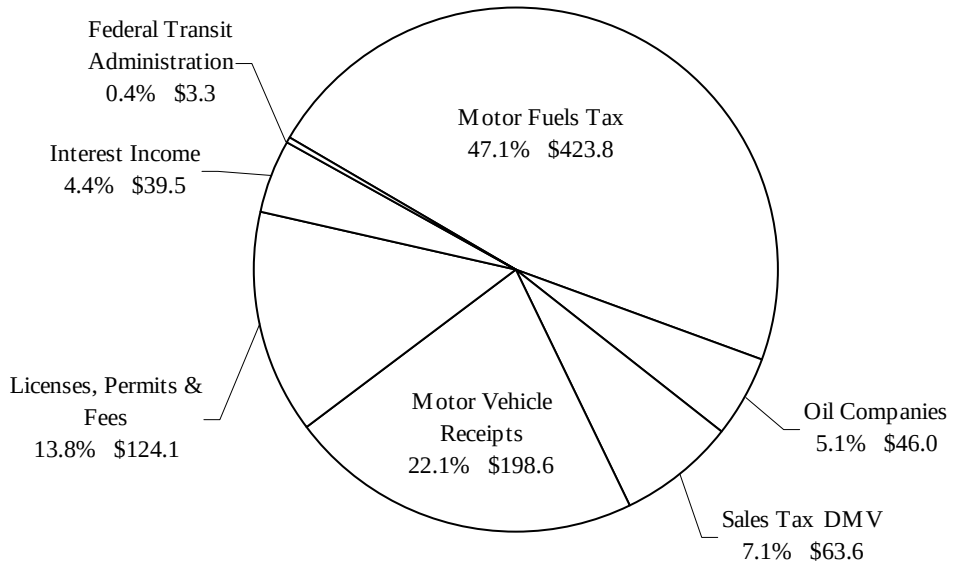
Other - includes safety programs, STP/urban system, hazardous waste, waterways and other special projects.

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

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

	Actual Revenue 2000-01	Estimated Revenue Current Rates 2001-02	Proposed Revenue Changes 2001-02	Net Projected Revenue 2001-02
Taxes				
Motor Fuels Tax	$ 417.5	$ 423.8	$ -	$ 423.8
Oil Companies Tax	46.0	46.0	-	46.0
Sales Tax DMV	60.1	63.6	-	63.6
Less Refunds of Taxes	(7.6)	(7.6)	-	(7.6)
TOTAL - Taxes Less Refunds	$ 516.0	$ 525.8	$ -	$ 525.8
Other Sources				
Motor Vehicle Receipts	$ 196.4	$ 198.6	$ -	$ 198.6
Licenses, Permits & Fees	115.2	124.1	-	124.1
Interest Income	43.9	39.5	-	39.5
Federal Transit Admin. (FTA)	3.3	3.3	-	3.3
Transfers From (To) Other Funds	(3.0)	(9.5)	-	(9.5)
Less Refunds of Payments	-	(2.8)	-	(2.8)
TOTAL - Other Sources	$ 355.8	$ 353.2	$ -	$ 353.2
TOTAL – S.T.F.	$ 871.8	$ 879.0	$ -	$ 879.0

FISCAL YEAR 2001-02 - TOTAL $ 879.0 MILLION*



* Refunds of Taxes are estimated at $7.6 million, Transfers To Other Funds are estimated at $9.5 million and Refunds of Payments are estimated at $2.8 million in fiscal 2001-02.

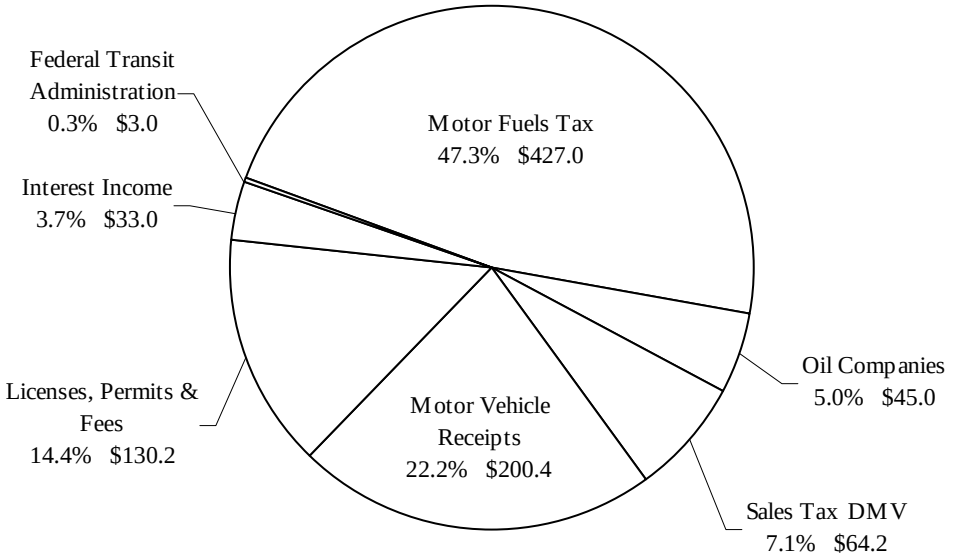
	Projected Revenue Current Rates 2002-03	Proposed Revenue Changes 2002-03	Net Projected Revenue 2002-03
$	427.0	$ -	$ 427.0
	46.0	(1.0)	45.0
	64.2	-	64.2
	(7.7)	-	(7.7)
$	529.5	$ (1.0)	$ 528.5
$	200.4	$ -	$ 200.4
	130.2	-	130.2
	33.0	-	33.0
	3.0	-	3.0
	(9.5)	1.0	(8.5)
	(2.8)	-	(2.8)
$	354.3	$ 1.0	$ 355.3
$	883.8	$ -	$ 883.8

Explanation of Changes

Oil Companies Tax
Reduce the transfer from the Oil Companies Tax.

Transfers From (To) Other Funds
Reduce the transfer to the Conservation Fund.

FISCAL YEAR 2002-03 - TOTAL $ 883.8 MILLION*



* Refunds of Taxes are estimated at $7.7 million, Transfers to Other Funds are estimated at $8.5 million and Refunds of Payments are estimated at $2.8 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¢)	-	-
2001-02	-	-	-

(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) The 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 17.6% 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 almost 8.0% 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 year 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, offer reasonable tax reductions, 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. The primary focus of the budget as the economic picture has weakened has been to preserve to the greatest extent possible the gains made by Governor Rowland in the last seven years. While public assistance rolls have declined dramatically with the Governor's emphasis on "work first," he has sought to assure that those most in need are not disproportionately affected by his efforts to achieve a balanced budget. Consequently, reductions have been made in increases wherever possible.

Education

Since 1995, Governor Rowland has dedicated significant and critically needed resources to improve the state's education network. Within the confines of scarce financial resources, Governor Rowland's budget continues to implement this simple promise, as embodied in President Bush's landmark public act, that no child will be left behind. The future of the state's economy depends upon the financial promises made in this budget. These promises include: a better and more modern Vocational-Technical High School system, continued progress towards the elimination of unfair caps on education expenditure growth, more school choice for parents whose children attend failing schools, continued educational technology commitments, and an academically excellent University of Connecticut with well accommodated and up-to-date facilities.

The Vocational-Technical High School system is a vital state asset, developing workers who are needed in an economy that is global, market driven and private industry led, premised on

innovation and productivity. Governor Rowland's budget includes an additional $2.9 million and 18 positions in operating funds to improve the academic and equipment needs of the schools.

In addition to improving the RVTSS, Governor Rowland is committed to eliminating the cap on the Education Cost Sharing (ECS) grant, the state's largest education grant. With the decline in revenues, however, it is not possible to eliminate the cap by 2004. Instead, the budget includes a generous $15 million, sufficient resources to continue the gradual elimination of the cap, with an end date only one year beyond the original date of 2004. By gradually eliminating the cap, the distribution of education resources will be more equitable, increasing educational opportunities for all students.

Increasing educational opportunities includes providing parents with more academic options. Governor Rowland expands President Bush's promises in Public Law 107-110, *The No Child Left Behind Act of 2001*, to provide parents with more academic choices when their children attend failing schools. Public Law 107-110 requires school districts to prepare annual "report cards" for each school. For schools with "failing" grades, improvement is expected annually, with adequate progress towards state defined academic goals. If a school fails to improve for two consecutive years, the district will be required to offer parents an option to transfer their children to a different public or charter school.

In his legislative package, Governor Rowland expands upon the options in Public Law 107-110 to include a private school option. Connecticut has a large network of private schools, of which the majority are parochial schools. Approximately 77,000 students attend private school, of whom about 58% are in parochial schools. This proposal would allow Connecticut parents whose children attend failing schools to attend a public, charter, magnet, or parochial school of their choice.

Educational opportunity also means providing the technological tools necessary for students, teachers, and parents to succeed in today's economy. Governor Rowland's budget 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 $14.0 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 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 $500 million in capital funding will be available to communities to renovate / reconstruct / construct safe schools.

After students complete their education in modern and safe schools, some will have an opportunity to attend the University of Connecticut (UCONN). Governor Rowland's UCONN 2000 promised $1 billion to rebuild, renew, and enhance UCONN. The timeline for UCONN 2000, from 1996 until 2005, has transformed the campus. This physical transformation has allowed UCONN to attract a greater number of academically gifted students. In the years to come, it is hoped that these students will be the leaders of the state's economy. The job, however, is not done.

Governor Rowland, in his legislative package, is recommending a new program, 21st Century UCONN. 21st Century UCONN will begin in state fiscal year 2005, with an additional $1.3 billion in state capital funding expected. This new program will include the University of Connecticut Health Center. With this additional capital funding, UCONN will have well accommodated and a modern set of campuses that will continue to attract the state's best and brightest students. Keeping these students in Connecticut for their post-high school education years is a key to retaining them in the state after graduation.

Children and Families

The budget continues to improve the Department of Children and Families' (DCF) LINK computer system, which is critical to DCF in a myriad of ways from the garnering of federal funds to the management of client information. The management of client information is vital to DCF as it develops accountability measures. The accountability measures (such as time in residential facilities versus community settings) will be crucial in the state's bid to exit the Consent Decree. A total of $4 million has been provided for these important improvements.

Behavioral Health

Two years ago, Governor Rowland established the Blue Ribbon Commission on Mental Health. An important continuing initiative in the budget is the Connecticut Community KidCare program that includes significant community program enhancements, additional specialized residential beds, and respite care for children with severe behavioral health needs. The fiscal year 2003 budget includes $14.8 million; an increase of $7.5 million above the fiscal year 2002 funding. The goal of this program is simple: children with behavioral health needs are best served in their own communities.

Maximization of Federal Revenue

Governor Rowland has directed agency heads to ensure that all efforts to maximize federal revenue receive priority action. The fruits of these labors are reflected in the revenue estimates that support his proposal. The Governor has proposed the conversion of a tax credit for managed care organizations that serve Medicaid / HUSKY clients into a 4 percent rate increase. The Department of Social Services is pursuing Medicaid eligibility determination for Department of Correction clients who use community medical facilities, in particular the services of John Dempsey Hospital. Federal reimbursement can then be claimed on these expenditures, as well. Other efforts in Medicaid include claiming for medical services under the Disproportionate Share Hospital Program for public hospitals that serve low-income patients and maximizing School Based Child Health revenue by enrolling additional school districts.

The Department of Social Services has submitted to the legislature two requests for Section 1115 Medicaid waivers—one expands the eligibility of the ConnPACE program to elderly and disabled individuals up to 300 percent of the Federal Poverty Level (FPL) (e.g., $25,770 for a single person and $34,830 for a married couple in 2001) and requests federal matching funds, the other to impose stricter limits on the transfer of assets by starting the penalty period at the point of application for Medicaid rather than the date of transfer.

In addition to the revenue enhancement initiatives in the Department of Children and Families, the Department of Mental Health and Addiction Services continues to develop, with the assistance of the Department of Social Services, a proposal for coverage of community mental health services through the Medicaid "rehab" option.

Extraordinary Private Provider Costs

The state relies heavily on the private sector to provide a wide variety of living arrangements and services for people with mental retardation and mental illness. In order to reflect the extraordinary costs incurred by these agencies as the client populations they serve become more complex, the Governor has recommended $3 million in additional funding for private providers serving the Departments of Mental Health and Addiction Services, Mental Retardation, and Children and Families. Each agency will have a pool of funds that can be used to address extraordinary staffing, intense medical needs and other requirements.

Children with Special Health Care Needs

An interagency work group led by the Office of Policy and Management has reviewed ways to better coordinate the care of children with special health care needs. To support these efforts, the Governor has recommended an additional $500,000 in funding for respite care for families and caregivers of these children. In addition, funding has been provided in the Department of Public Health for two additional case managers to assist in the development and implementation of care plans.

Services for People with Mental Retardation

Funding totaling nearly $1.3 million has been added to the Birth-to-Three program's entitlement. This program, that seeks to assess and treat developmental problems at the earliest stages of a child's life, has continued to grow as the importance of early intervention and the program's success have been more widely recognized. Continuing the Governor's policy of downsizing the state's only remaining large institution for the mentally retarded, eight additional clients are also expected to leave Southbury Training School next year for community placements and funds have been provided accordingly.

Long Term Care Alternatives

The Governor's Budget continues his efforts to provide long term care alternatives for people who are elderly or disabled. Two pilot programs have been proposed to test the cost effectiveness of assisted living alternatives. One pilot will allow up to 50 people residing in private pay assisted living facilities to receive support from Medicaid, through the Home Care Program, for their assisted living services once they have exhausted their resources. While the pilot will not pay for any room and board charges, it will help subsidize the cost for services that oftentimes can be the reason the individual can no longer afford to live in the facility. A second, state-funded, pilot will allow up to 25 individuals residing in private pay assisted living facilities to receive support for their assisted living services under the State-funded component of the Home Care Program

Homeland Security and the Aftermath of September 11

In the aftermath of September 11, a new perspective on security and preparedness has emerged. President Bush has taken bold steps to meet this challenge and Congress has made available funding to support many activities. On September 11 and in the days after, Governor Rowland reached out to the people of our state to offer leadership and services for those in need. This budget addresses the needs of the survivors of September 11 and seeks to take the first steps to improve our preparedness in the face of potential disasters.

The Governor has proposed that tuition be waived at any Connecticut public college or university for relatives of a victim of September 11. Exemption from the state's personal income tax has also been proposed. The Governor has also proposed strengthening criminal penalties for acts of terrorism and enabling law enforcement investigations of potential terrorist threats.

The Governor's budget includes $250,000 in a Statewide Emergency Fund to support emergency management programs and operations to prepare for and recover from a disaster. Training, an area critical to efficient disaster response, will be funded through a Preparedness Training Account of $500,000 in the Office of Policy and Management. And in order to meet the growing threats from bioterrorism, nine positions will be funded in the Department of Public Health and 4 in the Military Department.

Law Enforcement, Safety, Justice and Corrections

In the Department of Correction, in order to meet the needs of a growing prison population, there will be a 600-bed expansion at Suffield's MacDougall Correctional Institution at a cost of $4.5 million. The Department of Correction will also consolidate the Corrigan/Radgowski and the MacDougall/Walker correctional facilities to generate savings of $269,000 through administrative efficiencies.

In the Judicial Department, the Governor continues his commitment to a quality juvenile probation system by providing state funding for 25 Juvenile Probation Officers at a cost of $800,000 formerly funded through federal grant dollars. The Board of Parole will add staff and programs at a cost of $460,000 to meet the needs of supervising a projected 125 new clients that will be the product of the Dwayne Johnson v. Commissioner of Correction Connecticut Supreme Court decision. This small staff increase will maintain the integrity of caseload per officer for special management and regular caseloads.

The Governor is again 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 a projected $9.8 million in fiscal year 2004 and $19.6 million in fiscal year 2005 from the federal government to support our transportation projects. The Governor will also propose the installation of ignition-interlocking devices in automobiles to keep repeat DWI offenders from operating their motor vehicles if they have been drinking. The offender would bear the cost of installation. Several states have already found success with such programs.

General Efficiencies

This year the Governor supported the Department of Administrative Services in an innovative sale of certain Worker's Compensation claim liabilities to a private insurer allowing $11,930,749 to be saved in the General Fund and $745,640 to be saved in the State Transportation Fund annually. Next year the Department of Administrative Services is also funded to expand recoveries from decedent estates and corrections inmates' assets.

In the Department of Environmental Protection funding will be provided for two new facilities coming on-line this year: Gardner Lake State Park in Salem will be one of the few public inland swimming facilities in southeastern Connecticut; and, Salt Rock Campground in Sprague will be a full service 128-site campground with 3800 feet of frontage on the Shetucket River, an outstanding fresh water fishery and salmon stream.

Within the fully funded $135 million Mashantucket Pequot and Mohegan Grant to Towns, provision will be made to increase aid to those towns most affected by casinos in the vicinity: Ledyard, Montville, North Stonington, Preston and Norwich.

The Department of Motor Vehicles will allow vendor advertising in renewal notices for registrations and licenses. Vendors will provide the printing, inserting of the document and the forms and envelopes at no cost to the state. The Department of Motor Vehicles has found an innovative way to reduce costs and increase efficiencies. Florida, Minnesota and Maryland have already adopted such policies.

The Governor is recommending an increase to the Elderly Homeowners Freeze Program to meet the latest estimated needs of the program. Revised mill rates and a less acute decline in participants than projected caused the need for $870,000 to be added to this account. Additionally, the Distressed Municipalities Grant will need an increase of $2,668,000 to meet the latest projected expenditures resulting from increased qualifying business construction and personal property in the southeast portion of the state.

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 positioned the state to be less affected by the current downturn being felt by the entire nation. However, the Governor also recognizes the reality of our times and is not proposing any sweeping tax reductions as in prior years. Having said that, neither does the Governor wish to undo those changes that have led to the revitalization of the state's economy, namely the $2.1 billion in tax cuts enacted under his Administration. Only through the prudent use of expenditure reductions and the judicious use of limited revenue enhancements can fiscal stability be maintained for state government finances and not impede any nascent economic recovery.

For fiscal year 2002, Governor Rowland and the Legislature have already agreed on a number of changes enacted in the November 2001 Special Session. These changes provide a total of $135.8 million in additional revenue, primarily by redirecting last year's surplus. Unfortunately, those changes did not go far enough. The legislature only solved two-thirds of the fiscal year 2002 budget shortfall when they met in November, leaving approximately $100 million unresolved. As the state's fiscal condition has only worsened since then, the Governor has also identified an additional $157.3 million in additional surplus funds from 2001 that he has included in this budget to address the fiscal year 2002 deficit.

An increase in the Cigarette Tax is also being proposed. The rate will go from 50¢ per pack to $1.11 per pack, effective April 1, 2002. This is a voluntary tax, because smokers have the option of quitting smoking, which would have a positive impact on their lives and the costs to society due to smoking. This change will result in a slight increase in revenue from the Sales and Use Tax, bringing the total of additional revenue due to this change to $42.5 million in fiscal year 2002. This brings the total increase in revenue to the General Fund for fiscal year 2002 to $269.3 million.

For fiscal year 2003, the Governor is proposing changes to increase General Fund revenue by $482.0 million, including $129.3 million in additional revenue from the Cigarette Tax change mentioned above. The Governor is also proposing the deferral for two years of a number of scheduled tax changes for a revenue gain of $21.3 million in fiscal year 2003: the personal income tax exemption for single filers ($9.0 million); the phase down of the sales and use tax on computer/data processing services ($9.7 million); and the phase down of the gift tax ($2.6 million). Governor Rowland is also proposing one-time personal income tax exemption for the victims of September 11.

Proposals are also being made to transfer funds from a number of other sources to the General Fund, including: $100.0 million from a number of quasi-public agencies; $98.0 million from shares available from the demutualization of Anthem-Blue Cross; $37.0 million from the Tobacco and Health Trust Fund; and $4.0 million from the Biomedical Research Fund. Additionally, the transfers from the Tobacco Settlement Fund of $12.0 million to the Tobacco

and Health Trust Fund and $4.0 million to the Biomedical Research Fund, both previously planned for fiscal year 2003, will be redirected to the General fund. These more significant transfers, when combined with other smaller transfers, are part of the Governor's plan to tide the state over until more robust revenue growth can resume. Finally, escheat of unclaimed bottle deposits will raise an additional $15.0 million.

The Governor has sought with this budget proposal to maximize the federal dollars available to Connecticut. As such, changes the Governor is seeking would increase federal revenue by $52.3 million.

These proposals, taken all together, demonstrate Governor Rowland's recognition of the reality of a changed economic climate. This budget also demonstrates a pragmatic response to this change. The Governor has attempted to maintain the fiscal stability he has already established without undermining the stirrings of an economic recovery.

A P P E N D I X

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.
Total	3,287,116		3,405,565		118,449	3.6
Andover	2,540	149	3,036	147	496	19.5
Ansonia	18,403	52	18,554	57	151	0.8
Ashford	3,765	138	4,098	135	333	8.8
Avon	13,937	72	15,832	68	1,895	13.6
Barkhamsted	3,369	140	3,494	143	125	3.7
Beacon Falls	5,083	124	5,246	125	163	3.2
Berlin	16,787	60	18,215	59	1,428	8.5
Bethany	4,608	128	5,040	126	432	9.4
Bethel	17,541	56	18,067	61	526	3.0
Bethlehem	3,071	144	3,422	144	351	11.4
Bloomfield	19,483	51	19,587	52	104	0.5
Bolton	4,575	129	5,017	127	442	9.7
Bozrah	2,297	152	2,357	153	60	2.6
Branford	27,603	35	28,683	32	1,080	3.9
Bridgeport	141,686	1	139,529	1	-2,157	-1.5
Bridgewater	1,654	161	1,824	160	170	10.3
Bristol	60,640	9	60,062	11	-578	-1.0
Brookfield	14,113	71	15,664	69	1,551	11.0
Brooklyn	6,681	110	7,173	113	492	7.4
Burlington	7,026	107	8,190	108	1,164	16.6
Canaan	1,057	168	1,081	168	24	2.3
Canterbury	4,467	131	4,692	130	225	5.0
Canton	8,268	101	8,840	101	572	6.9
Chaplin	2,048	155	2,250	156	202	9.9
Cheshire	25,684	37	28,543	33	2,859	11.1
Chester	3,417	139	3,743	141	326	9.5
Clinton	12,767	77	13,094	81	327	2.6
Colchester	10,980	87	14,551	74	3,571	32.5
Colebrook	1,365	164	1,471	165	106	7.8
Columbia	4,510	130	4,971	129	461	10.2
Cornwall	1,414	163	1,434	166	20	1.4
Coventry	10,063	91	11,504	87	1,441	14.3
Cromwell	12,286	79	12,871	83	585	4.8
Danbury	65,585	8	74,848	7	9,263	14.1
Darien	18,196	53	19,607	51	1,411	7.8
Deep River	4,332	132	4,610	133	278	6.4
Derby	12,199	80	12,391	84	192	1.6
Durham	5,732	120	6,627	116	895	15.6
East Granby	4,302	133	4,745	132	443	10.3
East Haddam	6,676	111	8,333	105	1,657	24.8
East Hampton	10,428	88	13,352	78	2,924	28.0
East Hartford	50,452	17	49,575	19	-877	-1.7
East Haven	26,144	36	28,189	35	2,045	7.8
East Lyme	15,340	67	18,118	60	2,778	18.1

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.
East Windsor	10,081	90	9,818	94	-263	-2.6
Eastford	1,314	165	1,618	163	304	23.1
Easton	6,303	113	7,272	111	969	15.4
Ellington	11,197	84	12,921	82	1,724	15.4
Enfield	45,532	20	45,212	20	-320	-0.7
Essex	5,904	118	6,505	117	601	10.2
Fairfield	53,418	14	57,340	13	3,922	7.3
Farmington	20,608	48	23,641	45	3,033	14.7
Franklin	1,810	160	1,835	159	25	1.4
Glastonbury	27,901	33	31,876	29	3,975	14.2
Goshen	2,329	151	2,697	151	368	15.8
Granby	9,369	93	10,347	93	978	10.4
Greenwich	58,441	12	61,101	9	2,660	4.6
Griswold	10,384	89	10,807	89	423	4.1
Groton	45,144	21	39,907	23	-5,237	-11.6
Guilford	19,848	50	21,398	49	1,550	7.8
Haddam	6,769	109	7,157	114	388	5.7
Hamden	52,434	15	56,913	14	4,479	8.5
Hampton	1,578	162	1,758	161	180	11.4
Hartford	139,739	2	124,121	2	-15,618	-11.2
Hartland	1,866	158	2,012	158	146	7.8
Harwinton	5,228	123	5,283	124	55	1.1
Hebron	7,079	106	8,610	104	1,531	21.6
Kent	2,918	147	2,858	150	-60	-2.1
Killingly	15,889	64	16,472	67	583	3.7
Killingworth	4,814	127	6,018	121	1,204	25.0
Lebanon	6,041	115	6,907	115	866	14.3
Ledyard	14,913	68	14,687	72	-226	-1.5
Lisbon	3,790	137	4,069	136	279	7.4
Litchfield	8,365	100	8,316	106	-49	-0.6
Lyme	1,949	157	2,016	157	67	3.4
Madison	15,485	66	17,858	64	2,373	15.3
Manchester	51,618	16	54,740	15	3,122	6.0
Mansfield	21,103	45	20,720	50	-383	-1.8
Marlborough	5,535	121	5,709	123	174	3.1
Meriden	59,479	11	58,244	12	-1,235	-2.1
Middlebury	6,145	114	6,451	118	306	5.0
Middlefield	3,925	135	4,203	134	278	7.1
Middletown	42,762	22	43,167	21	405	0.9
Milford	49,938	18	52,305	17	2,367	4.7
Monroe	16,896	59	19,247	54	2,351	13.9
Montville	16,673	61	18,546	58	1,873	11.2
Morris	2,039	156	2,301	155	262	12.8
Naugatuck	30,625	29	30,989	30	364	1.2
New Britain	75,491	7	71,538	8	-3,953	-5.2
New Canaan	17,864	55	19,395	53	1,531	8.6

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.
New Fairfield	12,911	75	13,953	75	1,042	8.1
New Hartford	5,769	119	6,088	120	319	5.5
New Haven	130,474	3	123,626	3	-6,848	-5.2
New London	28,540	32	25,671	41	-2,869	-10.1
New Milford	23,629	40	27,121	37	3,492	14.8
Newington	29,208	31	29,306	31	98	0.3
Newtown	20,779	47	25,031	42	4,252	20.5
Norfolk	2,060	154	1,660	162	-400	-19.4
North Branford	12,996	74	13,906	76	910	7.0
North Canaan	3,284	142	3,350	145	66	2.0
North Haven	22,247	41	23,035	39	788	3.5
North Stonington	4,884	126	4,991	128	107	2.2
Norwalk	78,331	6	82,951	6	4,620	5.9
Norwich	37,391	25	36,117	26	-1,274	-3.4
Old Lyme	6,535	112	7,406	110	871	13.3
Old Saybrook	9,552	92	10,367	92	815	8.5
Orange	12,830	76	13,233	79	403	3.1
Oxford	8,685	96	9,821	96	1,136	13.1
Plainfield	14,363	69	14,619	73	256	1.8
Plainville	17,392	57	17,328	66	-64	-0.4
Plymouth	11,822	81	11,634	86	-188	-1.6
Pomfret	3,102	143	3,798	140	696	22.4
Portland	8,418	99	8,732	102	314	3.7
Preston	5,006	125	4,688	131	-318	-6.4
Prospect	7,775	105	8,707	103	932	12.0
Putnam	9,031	95	9,002	98	-29	-0.3
Redding	7,927	103	8,270	107	343	4.3
Ridgefield	20,919	46	23,643	44	2,724	13.0
Rocky Hill	16,554	62	17,966	62	1,412	8.5
Roxbury	1,825	159	2,136	154	311	17.0
Salem	3,310	141	3,858	138	548	16.6
Salisbury	4,090	134	3,977	137	-113	-2.8
Scotland	1,215	167	1,556	164	341	28.1
Seymour	14,288	70	15,454	70	1,166	8.2
Sharon	2,928	146	2,968	149	40	1.4
Shelton	35,418	26	38,101	25	2,683	7.6
Sherman	2,809	148	3,827	139	1,018	36.2
Simsbury	22,023	44	23,234	47	1,211	5.5
Somers	9,108	94	10,417	91	1,309	14.4
South Windsor	22,090	42	24,412	43	2,322	10.5
Southbury	15,818	65	18,567	56	2,749	17.4
Southington	38,518	24	39,728	24	1,210	3.1
Sprague	3,008	145	2,971	148	-37	-1.2
Stafford	11,091	85	11,307	88	216	1.9
Stamford	108,056	5	117,083	4	9,027	8.4
Sterling	2,357	150	3,099	146	742	31.5

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.
Stonington	16,919	58	17,906	63	987	5.8
Stratford	49,389	19	49,976	18	587	1.2
Suffield	11,427	83	13,552	77	2,125	18.6
Thomaston	6,947	108	7,503	109	556	8.0
Thompson	8,668	97	8,878	100	210	2.4
Tolland	11,001	86	13,146	80	2,145	19.5
Torrington	33,687	27	35,202	27	1,515	4.5
Trumbull	32,016	28	34,243	28	2,227	7.0
Union	612	169	693	169	81	13.2
Vernon	29,841	30	28,063	36	-1,778	-6.0
Voluntown	2,113	153	2,528	152	415	19.6
Wallingford	40,822	23	43,026	22	2,204	5.4
Warren	1,226	166	1,254	167	28	2.3
Washington	3,905	136	3,596	142	-309	-7.9
Waterbury	108,961	4	107,271	5	-1,690	-1.6
Waterford	17,930	54	19,152	55	1,222	6.8
Watertown	20,456	49	21,661	48	1,205	5.9
West Hartford	60,110	10	61,046	10	936	1.6
West Haven	54,021	13	52,360	16	-1,661	-3.1
Westbrook	5,414	122	6,292	119	878	16.2
Weston	8,648	98	10,037	95	1,389	16.1
Westport	24,410	39	25,749	40	1,339	5.5
Wethersfield	25,651	38	26,271	38	620	2.4
Willington	5,979	117	5,959	122	-20	-0.3
Wilton	15,989	63	17,633	65	1,644	10.3
Winchester	11,524	82	10,664	90	-860	-7.5
Windham	22,039	43	22,857	46	818	3.7
Windsor	27,817	34	28,237	34	420	1.5
Windsor Locks	12,358	78	12,043	85	-315	-2.5
Wolcott	13,700	73	15,215	71	1,515	11.1
Woodbridge	7,924	104	8,983	99	1,059	13.4
Woodbury	8,131	102	9,198	97	1,067	13.1
Woodstock	6,008	116	7,221	112	1,213	20.2

Source: U.S. Bureau of the Census, April 1, 1990 & 2000

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. During the recession period of the early 1990s housing prices dropped markedly until 1996. Since then they have been slowly recovering. As shown in the Table on the following page, the median sales price in 1999 was $149,900, down 3.3% 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 state's demographics. While

Connecticut's household formation slowed down, housing inventory continued to rise, creating an oversupply in the state's housing market and a reduction in housing prices. Connecticut's households grew 5.9% from 1,230,000 units in 1990 to 1,302,000 units by 2000 as estimated by the U.S. Census Bureau The state's housing inventory increased 6.1% from 1,319,741 units in 1990 to 1,399,819 units by 2000. In addition, while the state's population grew during the decade the 25-34 age cohort, those who typically purchase their first home, declined. Connecticut's total population was estimated at 3,405,565 in 2000, rising by 118,449 since 1990. During the same period, population for the 25-34 age cohort fell from 584,000 to 452,900, as estimated by the U.S. Census Bureau.

As national residential sales prices continued to increase throughout the 1990s, Connecticut has bucked the trend, moving in the opposite direction until 1996. Since then, median sales prices have been rising. Connecticut's residential median sales price as a percentage of the U.S. stood at 166 in 1989. The ratio has been on the decline until recently. For the second year in a row Connecticut's median sales price as a percentage of the U.S. stood at 113. 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	1991	1994	1996	1997	1998	1999**	1989-99 (Change)
CT Median Price	$155,000	$148,000	$126,000	$138,000	$140,000	$145,000	$149,900	($5,100)
% Change	*2.0%*	*(1.3%)*	*(14.9%)*	*9.5%*	*1.4%*	*3.6%*	*3.0%*	*(3.3%)*
U.S. Median Price	$93,100	$100,300	$109,800	$116,200	$121,400	$128,000	$133,100	$40,000
% Change	*4.3%*	*5.0%*	*9.5%*	*5.8%*	*4.5%*	*5.4%*	*4.0%*	*43.0%*
CT as a % of U.S.	166	148	115	119	115	113	113	
Mean Sales Price	$200,623	$195,103	$171,382	$194,593	$204,229	$215,173	$220,858	$20,235
% Change	*3.4%*	*7.9%*	*(12.2%)*	*13.5%*	*5.0%*	*5.4%*	*2.6%*	*10.1%*
Number of Sales	39,879	31,329	50,087	39,332	42,688	50,271	54,106	14,227
% Change	*(21.5%)*	*(4.3%)*	*59.9%*	*(21.5%)*	*8.5%*	*17.8%*	*7.6%*	*35.7%*

* 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 Policy & Economic Council (CPEC). Mean Sales Price for 1999 is the average of 155 towns, excluding Bethel, Bridgeport, Bristol, Canaan, Cromwell, Granby, Harwinton, Madison, Middletown, North Canaan, Plainfield, Preston, Redding and Warren for which data is not available.

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"
National Association of Realtors
Connecticut Policy & Economic 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 positive, with FY 2000 recording the tenth consecutive surplus year. The overall surplus declined to $1 million in FY 2000 from $56 million in FY 1999. There were 136 towns that experienced a surplus in FY 2000, up from 116 in FY 1999.

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

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 1996-00 Change
Property Tax Revenues	$4,667.3	$4,810.0	$4,906.4	$5,076.1	$5,254.5	$587.2
% Change	*2.3%*	*3.1%*	*2.0%*	*3.5%*	*3.5%*	*12.6%*
Intergovernmental Revenues	$1,961.2	$1,958.0	$2,083.2	$2,216.3	$2,289.6	$328.4
% Change	*7.4%*	*-0.2%*	*6.4%*	*6.4%*	*3.3%*	*16.7%*
Total GF Revenues*	**$7,125.4**	**$7,305.1**	**$7,647.8**	**$7,877.0**	**$8,148.6**	**$1,023.2**
% Change	***4.2%***	***2.5%***	***4.7%***	***3.0%***	***3.5%***	***14.4%***
Education Expenditures	$3,771.0	$3,912.9	$4,079.6	$4,287.8	$4,510.1	$739.1
% Change	*6.3%*	*3.8%*	*4.3%*	*5.1%*	*5.2%*	*19.6%*
Operating Expenditures	$3,008.2	$3,058.4	$3,113.0	$3,196.5	$3,319.3	$311.1
% Change	*1.8%*	*1.7%*	*1.8%*	*2.7%*	*3.8%*	*10.3%*
Total GF Expenditures*	**$7,086.1**	**$7,247.3**	**$7,577.7**	**$7,820.6**	**$8,147.6**	**$1,061.5**
% Change	***5.0%***	***2.3%***	***4.6%***	***3.2%***	***4.2%***	***15.0%***
Surplus/(Deficit)	**$39.3**	**$57.8**	**$70.1**	**$56.4**	**$1.0**	

* 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 four years ahead of performing a physical inspection of a property every twelve years, there exist variations between the fair market value and the assessment value estimated for tax purposes. The ENGL in FY 2000 totaled $296.5 billion, up 7.5% from FY 1999, the fifth 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 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total ENGL (M$)	255,691	251,188	255,515	257,970	263,459	275,874	296,460
% Change	*(2.5%)*	*(1.8%)*	*1.7%*	*1.0%*	*2.1%*	*4.7%*	*7.5%*
Per Capita ENGL ($)	78,068	76,706	78,038	78,893	80,468	84,056	87,052
% Change	*(2.4%)*	*(1.7%)*	*1.7%*	*1.1%*	*2.0%*	*4.5%*	*3.6%*
Equalized Mill Rate (Per $1,000 Assessed Value)	17.2	18.0	18.1	18.5	18.5	18.2	17.6

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	1999* Median Sales Price	FY 2000 GF Revenue (1000's)	FY 2000 GF Outlay (1000's)	2000 ENGL (1000's)	2000 Equal. Mill Rate	2000 Unemp. Rate (%)
TOTAL-CONNECTICUT	**$20,189**		**$149,900**	**$8,149 M**	**$8,148 M**	**$296.5 B**	**17.6**	**2.3%**
Andover	18,786	96	137,000	5,933	5,612	203,989	19.17	1.6
Ansonia	14,833	152	121,000	39,039	38,555	869,753	21.10	3.4
Ashford	17,376	122	119,000	8,787	8,402	231,441	20.67	1.7
Avon	34,204	9	260,000	41,331	39,577	2,156,970	16.34	1.1
Barkhamsted	20,244	72	140,000	7,387	7,297	297,174	18.42	1.3
Beacon Falls	18,020	109	123,750	9,568	10,055	359,373	15.18	2.5
Berlin	19,974	75	161,000	45,929	44,778	1,786,662	19.09	2.0
Bethany	22,722	47	231,500	11,867	12,163	519,806	17.40	1.6
Bethel	20,528	68	N / A	40,781	40,213	1,556,260	18.60	1.4
Bethlehem	20,709	67	175,000	7,089	6,673	315,936	16.95	1.8
Bloomfield	22,478	51	125,000	45,139	43,921	1,772,953	20.42	2.4
Bolton	21,017	62	177,000	11,887	11,168	365,650	21.96	1.5
Bozrah	15,814	141	116,500	4,923	4,790	194,135	14.48	2.0
Branford	22,642	49	132,000	60,541	59,214	2,747,221	18.08	2.0
Bridgeport	13,156	165	92,000	358,368	216,979	4,814,716	32.60	4.3
Bridgewater	29,991	16	N / A	4,403	4,213	272,887	14.14	1.2
Bristol	16,909	127	N / A	115,940	102,300	3,323,619	19.73	2.4
Brookfield	24,277	37	225,500	33,925	32,172	1,865,943	15.17	1.5
Brooklyn	15,697	145	115,000	14,350	14,076	365,685	16.65	2.0
Burlington	21,797	57	186,375	17,449	16,761	678,439	19.65	1.6
Canaan	20,998	63	N / A	3,375	3,260	123,935	21.98	1.0
Canterbury	14,531	156	130,750	10,753	10,030	276,977	16.90	2.1
Canton	23,489	40	156,000	19,508	19,071	742,408	20.38	1.5
Chaplin	17,014	126	115,000	5,597	5,021	129,949	18.52	1.3
Cheshire	23,204	41	190,000	68,515	67,424	2,465,059	19.98	1.4
Chester	19,908	78	185,000	7,753	7,735	399,671	15.37	1.8
Clinton	17,698	117	147,900	32,257	29,678	1,175,736	18.73	1.7
Colchester	17,143	125	140,000	31,395	30,717	848,648	20.45	1.9
Colebrook	18,568	102	135,000	3,562	3,206	142,537	20.54	0.9
Columbia	20,762	65	142,000	9,925	10,257	398,603	16.09	1.4
Cornwall	30,270	15	172,500	4,240	3,850	276,740	12.42	1.4
Coventry	17,725	116	137,250	22,671	22,550	696,003	18.36	1.8
Cromwell	20,518	69	N / A	25,364	24,582	978,867	19.79	1.9
Danbury	19,300	89	158,000	142,372	145,224	5,942,088	16.51	1.8
Darien	51,795	2	565,000	59,766	59,256	5,584,149	9.31	1.0
Deep River	18,995	93	150,000	8,375	9,835	395,744	14.56	1.7
Derby	16,819	128	103,500	24,258	23,664	669,783	21.50	3.4
Durham	19,647	83	205,000	15,485	16,224	557,105	19.40	1.7

Town	1989 Per Capita Money Income	Rank	1999* Median Sales Price	FY 2000 GF Revenue (1000's)	FY 2000 GF Outlay (1000's)	2000 ENGL (1000's)	2000 Equal. Mill Rate	2000 Unemp. Rate (%)
East Granby	23,171	42	159,400	11,862	10,290	496,178	17.45	1.8
East Haddam	18,709	97	144,500	17,834	17,668	680,286	17.84	2.1
East Hampton	19,123	91	129,000	25,420	24,674	771,598	19.38	2.4
East Hartford	16,575	137	95,000	110,043	102,512	2,694,616	27.05	3.0
East Haven	16,389	140	115,000	59,663	58,831	1,384,832	26.82	2.4
East Lyme	20,004	74	145,500	38,018	40,450	1,382,187	17.77	1.7
East Windsor	17,388	121	96,925	20,723	20,305	774,446	18.28	2.5
Eastford	16,433	138	127,500	3,580	3,499	109,059	19.68	1.8
Easton	33,725	11	450,000	21,111	20,209	1,291,668	14.37	1.3
Ellington	19,710	81	134,500	26,775	26,883	787,190	20.10	1.8
Enfield	16,723	133	117,500	90,427	84,687	2,780,425	18.92	2.3
Essex	26,590	28	207,000	11,263	11,229	886,913	10.67	1.5
Fairfield	26,895	26	296,200	141,422	140,039	8,528,811	13.80	1.5
Farmington	28,286	21	165,000	56,853	54,564	2,746,614	15.84	1.6
Franklin	16,756	129	125,000	4,248	4,253	169,999	16.30	1.4
Glastonbury	26,073	29	185,000	75,870	76,103	3,116,486	20.15	1.4
Goshen	22,241	53	195,000	6,009	5,571	368,038	14.59	1.8
Granby	23,869	38	N / A	24,326	22,277	754,177	23.54	1.4
Greenwich	46,070	4	595,000	231,678	234,238	20,678,942	8.73	1.0
Griswold	13,703	160	105,000	24,141	24,505	527,724	16.21	2.5
Groton	15,454	148	128,500	89,901	86,762	3,067,637	14.08	2.2
Guilford	24,583	34	222,000	52,364	49,646	2,378,718	17.89	1.4
Haddam	22,649	48	165,000	17,873	18,739	753,985	21.77	1.6
Hamden	19,383	88	122,000	117,110	112,423	3,234,936	26.01	1.9
Hampton	17,369	123	114,145	4,330	4,444	100,334	23.91	2.1
Hartford	11,081	169	82,000	430,668	422,998	5,022,219	33.21	4.8
Hartland	17,787	114	156,000	4,526	4,530	166,900	15.79	1.6
Harwinton	23,636	39	N / A	11,564	10,859	431,944	19.92	1.8
Hebron	20,087	73	163,500	19,155	18,526	596,382	20.14	1.6
Kent	22,112	55	185,000	6,804	6,266	403,809	13.69	0.9
Killingly	13,438	162	93,000	38,458	29,123	882,656	12.90	4.2
Killingworth	19,967	76	229,900	12,578	11,739	547,528	17.22	1.4
Lebanon	16,756	130	125,950	15,643	15,064	469,461	15.32	2.1
Ledyard	18,557	103	133,000	33,409	32,138	944,587	18.49	1.6
Lisbon	14,917	150	114,500	8,640	8,168	238,540	12.23	2.2
Litchfield	21,698	59	175,000	17,424	16,947	883,726	16.46	1.6
Lyme	28,786	19	260,000	4,714	4,349	405,938	10.14	1.1
Madison	29,334	17	N / A	40,661	38,246	1,999,780	17.24	1.6
Manchester	18,654	98	110,000	103,195	102,313	3,685,938	19.69	2.1
Mansfield	13,502	161	123,000	27,315	27,238	705,633	18.50	1.3

Town	1989 Per Capita Money Income	Rank	1999* Median Sales Price	FY 2000 GF Revenue (1000's)	FY 2000 GF Outlay (1000's)	2000 ENGL (1000's)	2000 Equal. Mill Rate	2000 Unemp. Rate (%)
Marlborough	21,792	58	160,000	12,673	12,002	444,120	20.02	1.5
Meriden	15,618	146	91,750	126,604	125,609	2,689,227	25.35	3.1
Middlebury	25,715	30	177,750	15,871	15,306	836,258	17.60	1.9
Middlefield	18,193	106	144,500	8,850	8,601	347,721	19.57	1.8
Middletown	17,814	113	N / A	84,864	73,508	2,758,183	20.78	2.3
Milford	19,099	92	157,000	119,838	119,395	4,979,128	18.90	2.1
Monroe	21,441	60	248,000	48,183	47,017	1,996,288	17.32	1.7
Montville	15,743	144	118,250	39,068	38,160	1,160,396	16.89	2.1
Morris	18,550	104	177,500	5,940	5,598	261,385	18.45	1.8
Naugatuck	16,691	134	115,700	70,095	66,104	1,606,174	20.93	2.9
New Britain	14,715	154	81,000	162,028	135,743	2,150,204	33.87	3.9
New Canaan	52,692	1	717,000	66,350	63,343	5,736,262	10.09	0.8
New Fairfield	23,031	44	233,900	31,337	31,572	1,495,292	15.87	1.5
New Hartford	19,267	90	148,500	14,572	14,191	517,023	20.16	1.4
New Haven	12,968	167	90,000	331,769	332,422	4,166,892	30.63	3.3
New London	12,971	166	91,550	66,697	61,696	1,043,833	24.73	3.3
New Milford	20,482	70	173,000	63,599	61,402	2,399,443	17.36	1.6
Newington	19,668	82	121,000	60,924	58,810	2,186,286	20.45	2.2
Newtown	22,747	46	274,950	61,560	60,919	2,769,722	16.88	1.4
Norfolk	22,215	54	142,500	5,083	5,168	204,657	19.03	1.2
North Branford	19,408	87	153,800	29,699	29,766	1,007,326	18.39	1.9
North Canaan	15,049	149	N / A	7,193	7,282	289,486	14.42	1.0
North Haven	21,335	61	165,000	58,406	59,327	2,794,862	15.92	1.6
North Stonington	18,019	110	159,000	13,458	12,899	411,200	19.68	1.9
Norwalk	23,075	43	214,000	196,937	197,079	9,012,940	17.74	1.7
Norwich	14,844	151	86,000	81,644	80,010	1,756,642	20.95	2.9
Old Lyme	25,258	31	185,000	18,073	17,748	1,187,730	13.75	1.6
Old Saybrook	24,409	35	175,000	23,506	22,597	1,421,209	13.60	1.4
Orange	26,860	27	225,850	33,337	34,262	1,759,259	16.51	1.4
Oxford	18,961	94	201,500	21,958	21,927	880,165	16.97	2.2
Plainfield	12,935	168	N / A	32,456	32,214	687,718	16.97	2.8
Plainville	17,207	124	104,000	38,444	36,572	1,115,821	22.79	2.4
Plymouth	16,610	136	109,950	27,340	26,570	655,653	23.23	2.6
Pomfret	19,777	80	145,950	7,286	6,837	270,861	13.95	2.0
Portland	19,641	84	149,950	18,751	18,407	650,802	20.80	2.1
Preston	17,643	118	N / A	9,729	9,538	289,314	14.46	1.9
Prospect	17,482	120	147,000	15,677	16,106	642,678	16.55	1.9
Putnam	14,550	155	93,000	16,790	15,904	477,043	11.17	3.0
Redding	37,193	8	N / A	24,616	22,874	1,307,654	16.72	1.3
Ridgefield	34,103	10	400,000	64,599	65,089	4,408,240	12.60	1.1

Town	1989 Per Capita Money Income	Rank	1999* Median Sales Price	FY 2000 GF Revenue (1000's)	FY 2000 GF Outlay (1000's)	2000 ENGL (1000's)	2000 Equal. Mill Rate	2000 Unemp. Rate (%)
Rocky Hill	21,918	56	127,750	36,455	36,925	1,519,589	18.96	1.8
Roxbury	28,024	23	350,000	6,070	5,684	434,785	12.10	0.9
Salem	17,990	111	175,000	9,566	9,682	278,113	20.34	1.8
Salisbury	32,706	12	255,000	8,611	8,190	744,769	10.09	1.0
Scotland	15,765	143	124,950	3,733	3,561	94,542	19.31	1.3
Seymour	18,031	107	130,000	32,799	33,841	986,927	17.24	2.6
Sharon	31,115	14	208,000	6,435	6,260	426,121	12.64	0.7
Shelton	20,256	71	199,950	72,808	71,584	3,931,122	14.35	2.3
Sherman	31,721	13	266,250	6,972	6,935	531,114	11.32	1.2
Simsbury	28,347	20	208,000	54,687	52,124	2,354,423	19.88	1.1
Somers	18,592	100	165,000	20,851	19,102	649,359	15.48	1.8
South Windsor	22,823	45	138,495	59,651	57,451	2,018,813	21.72	1.6
Southbury	22,569	50	159,800	36,939	34,885	2,293,609	14.04	1.8
Southington	19,954	77	143,950	79,554	76,673	3,095,427	17.45	2.0
Sprague	14,531	157	106,500	5,906	5,608	179,068	15.90	3.4
Stafford	15,550	147	106,500	25,952	25,874	656,313	18.86	2.0
Stamford	27,092	24	242,000	295,536	273,318	15,692,082	15.70	1.7
Sterling	13,174	164	99,900	6,041	5,666	173,109	15.09	2.6
Stonington	20,808	64	162,000	37,004	37,864	1,931,646	14.97	1.4
Stratford	18,574	101	148,000	117,069	117,492	4,028,014	22.10	2.5
Suffield	24,281	36	165,050	29,009	27,605	991,792	18.62	1.9
Thomaston	17,833	112	116,500	17,089	16,144	510,247	20.16	2.6
Thompson	14,367	158	100,000	15,616	13,846	492,666	13.34	2.9
Tolland	19,794	79	159,950	28,518	28,036	953,482	18.84	1.3
Torrington	16,407	139	99,820	75,630	73,448	1,966,661	23.37	2.4
Trumbull	25,048	33	250,000	82,385	81,568	4,197,820	16.31	1.8
Union	16,667	135	116,225	1,562	1,443	66,535	15.25	2.0
Vernon	18,888	95	113,000	58,571	57,189	1,447,457	23.79	1.8
Voluntown	14,766	153	114,000	5,708	5,486	147,077	15.51	3.2
Wallingford	18,231	105	144,900	95,827	91,752	3,571,196	16.61	2.0
Warren	28,226	22	N / A	2,888	2,854	162,468	15.32	1.7
Washington	29,274	18	259,900	10,033	8,507	737,858	12.03	1.3
Waterbury	14,209	159	80,350	234,172	253,103	4,141,340	29.49	3.7
Waterford	19,537	86	128,000	58,443	52,520	5,086,529	9.94	1.9
Watertown	17,778	115	137,000	44,301	43,826	1,613,814	16.49	1.9
West Hartford	26,943	25	151,500	138,576	138,766	4,847,675	24.16	1.7
West Haven	15,810	142	112,000	111,121	109,818	2,497,947	24.49	2.5
Westbrook	20,758	66	165,000	14,112	13,811	877,858	12.90	1.7
Weston	48,498	3	612,000	36,356	35,928	2,442,269	13.25	0.8
Westport	45,640	5	580,000	98,834	97,202	7,455,168	11.07	1.0

Town	1989 Per Capita Money Income	Rank	1999* Median Sales Price	FY 2000 GF Revenue (1000's)	FY 2000 GF Outlay (1000's)	2000 ENGL (1000's)	2000 Equal. Mill Rate	2000 Unemp. Rate (%)
Wethersfield	22,246	52	140,500	49,984	46,338	2,132,171	19.73	2.2
Willington	16,738	132	124,000	11,306	10,931	376,905	18.27	1.5
Wilton	41,249	6	485,000	57,433	57,011	3,932,376	12.53	0.9
Winchester	16,741	131	99,000	25,097	25,201	632,191	22.97	2.5
Windham	13,200	163	87,500	48,911	48,200	789,767	20.93	3.1
Windsor	19,592	85	139,000	62,513	55,753	2,417,283	19.27	2.0
Windsor Locks	17,593	119	106,900	28,895	25,872	1,301,274	14.29	1.9
Wolcott	18,029	108	136,750	34,165	34,017	1,006,604	18.96	2.0
Woodbridge	38,008	7	293,250	26,153	25,233	1,147,371	20.12	1.3
Woodbury	25,096	32	182,500	16,851	16,983	850,339	17.12	1.5
Woodstock	18,649	99	130,000	14,360	13,603	518,745	15.97	1.9

* 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 of Policy & Management.

Source: Connecticut Economic Policy Council (CEPC)

State of Connecticut, Office of Policy and Management, Intergovernmental Policy Division, "Municipal Fiscal Indicators, Fiscal Year Ended, 1996-2000", October 2001

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 1
U.S. ECONOMIC VARIABLES

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gross Domestic Product ($B)	6,139.2	6,483.5	6,838.6	7,238.5	7,593.6	8,061.1	8,548.7	9,013.9	9,586.6	10,077.2
Percent Change	4.3%	5.6%	5.5%	5.8%	4.9%	6.2%	6.0%	5.4%	6.4%	5.1%
Real GDP	6,759.0	6,977.6	7,197.6	7,455.8	7,665.7	7,980.4	8,332.2	8,675.3	9,063.3	9,310.1
Percent Change	1.3%	3.2%	3.2%	3.6%	2.8%	4.1%	4.4%	4.1%	4.5%	2.7%
GDP Deflator ('96=100)	90.8	92.9	95.0	97.1	99.1	101.0	102.6	103.9	105.8	108.2
Percent Change	2.9%	2.3%	2.2%	2.2%	2.0%	2.0%	1.6%	1.3%	1.8%	2.3%
Housing Starts (K)	1,130.0	1,212.5	1,397.5	1,382.5	1,450.0	1,457.5	1,530.0	1,657.5	1,640.0	1,575.0
Percent Change	11.1%	7.3%	15.3%	-1.1%	4.9%	0.5%	5.0%	8.3%	-1.1%	-4.0%
Unemployment Rate	7.2%	7.3%	6.6%	5.7%	5.6%	5.2%	4.7%	4.4%	4.1%	4.2%
New Vehicle Sales (M)	12.58	13.30	14.60	14.90	15.08	15.01	15.38	16.07	17.51	16.91
Percent Change	-1.4%	5.7%	9.8%	2.1%	1.2%	-0.4%	2.5%	4.5%	9.0%	-3.4%
Consumer Price Index ('82-'84=100)	138.3	142.6	146.3	150.5	154.6	159.0	161.9	164.6	169.4	175.2
Percent Change	3.2%	3.1%	2.6%	2.9%	2.7%	2.8%	1.8%	1.7%	2.9%	3.4%
Industrial Production Index ('92=100)	98.4	101.9	105.8	112.1	116.5	123.4	131.2	136.0	143.4	146.5
Percent Change	1.1%	3.5%	3.9%	6.0%	3.9%	5.9%	6.4%	3.7%	5.4%	2.1%
Personal Income ($B)	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,604.4	8,033.4	8,564.0
Percent Change	4.5%	5.2%	4.4%	5.7%	4.9%	5.9%	6.6%	5.9%	5.6%	6.6%
Real Personal Income ($B)	3,779.7	3,856.1	3,921.4	4,028.1	4,113.9	4,236.4	4,434.7	4,619.2	4,742.7	4,888.3
Percent Change	1.3%	2.0%	1.7%	2.7%	2.1%	3.0%	4.7%	4.2%	2.7%	3.1%
Disposable Personal Income ($B)	4,607.4	4,844.3	5,035.6	5,314.0	5,540.2	5,820.3	6,159.9	6,490.6	6,809.2	7,233.3
Percent Change	5.0%	5.1%	3.9%	5.5%	4.3%	5.1%	5.8%	5.4%	4.9%	6.2%
Disposable Personal Income ($B in 1996$)	5,102.6	5,221.4	5,319.9	5,484.7	5,600.8	5,758.2	6,010.7	6,256.2	6,416.7	6,649.9
Percent Change	1.7%	2.3%	1.9%	3.1%	2.1%	2.8%	4.4%	4.1%	2.6%	3.6%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,604.4	8,033.4	8,564.0
Percent Change	4.5%	5.2%	4.4%	5.7%	4.9%	5.9%	6.6%	5.9%	5.6%	6.6%
Wages & Salaries	2,891.3	3,028.2	3,163.8	3,337.1	3,517.4	3,752.1	4,040.2	4,328.8	4,650.6	4,999.6
Percent Change	3.6%	4.7%	4.5%	5.5%	5.4%	6.7%	7.7%	7.1%	7.4%	7.5%
Manufacturing Income	571.8	585.3	607.3	637.2	657.9	695.1	741.3	766.3	803.8	848.4
Percent Change	2.1%	2.4%	3.8%	4.9%	3.2%	5.7%	6.6%	3.4%	4.9%	5.6%
Nonmanufacturing Inc.	2,319.5	2,442.9	2,556.6	2,699.9	2,859.5	3,057.0	3,298.9	3,562.5	3,846.9	4,151.1
Percent Change	4.0%	5.3%	4.7%	5.6%	5.9%	6.9%	7.9%	8.0%	8.0%	7.9%
Other Labor Income	431.9	466.5	498.4	504.7	491.6	484.7	478.8	500.3	520.6	546.1
Percent Change	7.3%	8.0%	6.8%	1.3%	-2.6%	-1.4%	-1.2%	4.5%	4.1%	4.9%
Proprietor's Income	408.5	451.1	468.8	484.6	520.9	563.2	600.8	648.0	695.6	731.2
Percent Change	7.1%	10.4%	3.9%	3.4%	7.5%	8.1%	6.7%	7.8%	7.4%	5.1%
Farm Income	29.1	32.4	32.8	23.6	28.8	32.5	26.9	27.1	27.6	30.5
Percent Change	1.9%	11.4%	1.2%	-28.1%	22.3%	12.8%	-17.1%	0.5%	2.0%	10.3%
Nonfarm Income	379.4	418.7	436.0	461.0	492.1	530.7	573.9	620.9	668.0	700.8
Percent Change	7.5%	10.4%	4.1%	5.7%	6.7%	7.8%	8.1%	8.2%	7.6%	4.9%
Rental Income	59.6	76.3	99.6	115.9	124.3	130.2	129.5	147.0	144.9	139.7
Percent Change	8.8%	27.9%	30.6%	16.3%	7.3%	4.7%	-0.6%	13.6%	-1.4%	-3.6%
Personal Dividend Inc.	180.1	193.4	217.7	247.2	273.2	316.5	346.5	343.9	356.4	399.8
Percent Change	5.8%	7.4%	12.6%	13.5%	10.5%	15.8%	9.5%	-0.8%	3.6%	12.2%
Personal Interest Income	764.0	737.6	719.1	776.2	799.1	832.0	917.0	962.8	971.5	1,008.6
Percent Change	-1.8%	-3.5%	-2.5%	7.9%	3.0%	4.1%	10.2%	5.0%	0.9%	3.8%
Transfer Payments	712.1	737.6	816.7	858.8	909.1	946.8	973.0	1,000.0	1,041.4	1,106.5
Percent Change	12.9%	9.1%	5.1%	5.2%	5.9%	4.1%	2.8%	2.8%	4.1%	6.3%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Less:										
Contributions to										
Social Insurance	220.8	231.7	245.7	261.6	274.1	288.9	307.2	326.4	347.7	367.4
Percent Change	5.4%	4.9%	6.1%	6.5%	4.8%	5.4%	6.3%	6.3%	6.5%	5.7%
Equals:										
Personal Income	5,226.6	5,498.4	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,604.4	8,033.4	8,564.0
Percent Change	4.5%	5.2%	4.4%	5.7%	4.9%	5.9%	6.6%	5.9%	5.6%	6.6%
Less:										
Personal Taxes	619.2	654.0	702.8	748.8	821.1	916.4	1,018.7	1,113.8	1,224.1	1,331.7
Percent Change	1.4%	5.6%	7.5%	6.5%	9.7%	11.6%	11.2%	9.3%	9.9%	8.8%
Equals:										
Disposable Personal Inc.	4,607.4	4,844.3	5,035.6	5,314.0	5,540.2	5,820.3	6,159.9	6,490.6	6,809.2	7,232.3
Percent Change	5.0%	5.1%	3.9%	5.5%	4.3%	5.1%	5.8%	5.4%	4.9%	6.2%
Less:										
Personal Outlays	4,079.1	4,329.0	4,584.6	4,846.7	5,103.0	5,375.6	5,689.1	6,040.5	6,495.0	6,919.8
Percent Change	4.4%	6.1%	5.9%	5.7%	5.3%	5.3%	5.8%	6.2%	7.5%	6.5%
Equals:										
Personal Savings	396.3	385.0	320.9	326.5	276.9	267.9	277.6	248.7	94.9	72.4
Percent Change	13.0%	-2.9%	-16.6%	1.7%	-15.2%	-3.3%	3.6%	-10.4%	-61.8%	-23.7%
Personal Savings Rate	8.6%	7.9%	6.4%	6.1%	5.0%	4.6%	4.5%	3.8%	1.4%	1.0%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Establishment Employ.	10,822.0	10,946.0	11,226.0	11,591.3	11,826.3	12,109.8	12,430.5	12,735.8	13,054.0	13,230.8
Percent Change	-0.6%	1.1%	2.6%	3.3%	2.0%	2.4%	2.6%	2.5%	2.5%	1.4%
Nonmanufacturing	8,999.0	9,138.0	9,411.3	9,742.5	9,977.5	10,254.0	10,549.8	10,869.0	11,203.3	11,407.3
Percent Change	-0.1%	1.5%	3.0%	3.5%	2.4%	2.8%	2.9%	3.0%	3.1%	1.8%
Private Est. Employment	8,970.0	9,072.5	9,329.8	9,668.3	9,891.8	10,164.0	10,464.3	10,736.0	11,002.5	11,163.8
Percent Change	-0.9%	1.1%	2.8%	3.6%	2.3%	2.8%	3.0%	2.6%	2.5%	1.5%
Goods Producing	2,342.5	2,324.0	2,357.8	2,417.3	2,433.0	2,471.5	2,524.0	2,546.3	2,562.0	2,559.3
Percent Change	-3.6%	-0.8%	1.5%	2.5%	0.7%	1.6%	2.1%	0.9%	0.6%	-0.1%
Manufacturing	1,823.0	1,808.0	1,814.8	1,848.8	1,848.8	1,855.8	1,880.8	1,866.8	1,850.8	1,823.5
Percent Change	-2.6%	-0.8%	0.4%	1.9%	0.0%	0.4%	1.3%	-0.7%	-0.9%	-1.5%
Construction	453.8	454.0	482.5	509.3	526.5	557.0	583.3	623.3	658.0	680.8
Percent Change	-6.9%	0.1%	6.3%	5.5%	3.4%	5.8%	4.7%	6.9%	5.6%	3.5%
Mining	65.8	62.0	60.5	59.3	57.8	58.8	60.0	56.3	53.3	55.0
Percent Change	-7.1%	-5.7%	-2.4%	-2.1%	-2.5%	1.7%	2.1%	-6.3%	-5.3%	3.3%
Private Service Producing Employment	6,627.8	6,748.5	6,972.5	7,250.8	7,458.5	7,693.0	7,940.3	8,189.5	8,439.8	8,604.5
Percent Change	0.1%	1.8%	3.3%	4.0%	2.9%	3.1%	3.2%	3.1%	3.1%	2.0%
Trans. & Public Utility	572.8	575.5	588.8	607.0	619.0	633.3	649.5	672.3	693.3	708.8
Percent Change	-0.8%	0.5%	2.3%	3.1%	2.0%	2.3%	2.6%	3.5%	3.1%	2.2%
Wholesale & Retail	2,531.8	2,547.8	2,615.8	2,719.3	2,778.8	2,837.5	2,885.5	2,941.0	3,008.3	3,048.3
Percent Change	-1.0%	0.6%	2.7%	4.0%	2.2%	2.1%	1.7%	1.9%	2.3%	1.3%
Finance, Insurance & Real Estate	659.8	665.5	686.8	684.0	684.0	700.3	724.8	749.5	756.8	759.3
Percent Change	-1.5%	0.9%	3.2%	-0.4%	0.0%	2.4%	3.5%	3.4%	1.0%	0.3%
Other Services	2,863.5	2,959.8	3,081.3	3,240.5	3,376.8	3,522.0	3,680.5	3,826.8	3,981.5	4,088.3
Percent Change	1.8%	3.4%	4.1%	5.2%	4.2%	4.3%	4.5%	4.0%	4.0%	2.7%
Government	1,852.0	1,873.5	1,895.8	1,923.3	1,934.3	1,945.5	1,966.5	2,000.0	2,051.8	2,067.0
Percent Change	0.9%	1.2%	1.2%	1.5%	0.6%	0.6%	1.1%	1.7%	2.6%	0.7%
Civilian Labor Force	12,712.3	12,862.0	13,009.5	13,180.0	13,288.8	13,525.0	13,699.5	13,855.8	14,026.5	14,131.0
Percent Change	0.8%	1.2%	1.1%	1.3%	0.8%	1.8%	1.3%	1.1%	1.2%	0.7%
Unemployment Rate	7.2%	7.3%	6.6%	5.7%	5.6%	5.2%	4.7%	4.4%	4.1%	4.2%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
All Items – Urban Consumers	138.3	142.6	146.3	150.5	154.6	159.0	161.9	164.6	169.4	175.2
Percent Change	3.2%	3.1%	2.6%	2.9%	2.7%	2.8%	1.8%	1.7%	2.9%	3.4%
Food & Beverages	137.6	140.1	143.1	147.1	150.9	156.2	159.4	162.9	166.2	170.9
Percent Change	2.0%	1.8%	2.2%	2.7%	2.6%	3.5%	2.0%	2.2%	2.0%	2.8%
Housing	135.5	139.3	143.0	146.4	150.5	154.8	158.4	161.9	166.1	173.2
Percent Change	3.1%	2.8%	2.7%	2.4%	2.8%	2.9%	2.3%	2.2%	2.6%	4.2%
Energy	101.4	104.0	103.3	105.4	106.6	111.3	107.1	101.5	115.4	131.0
Percent Change	-2.9%	2.6%	-0.7%	2.1%	1.1%	4.4%	-3.7%	-5.3%	13.7%	13.6%
Commodities	127.7	130.6	132.3	135.4	138.0	141.2	141.9	142.8	147.0	150.7
Percent Change	1.9%	2.2%	1.3%	2.3%	1.9%	2.3%	0.4%	0.7%	3.0%	2.5%
Apparel	130.7	133.0	133.8	132.5	132.1	132.1	132.9	132.2	130.5	128.8
Percent Change	3.4%	1.8%	0.6%	-1.0%	-0.3%	0.0%	0.6%	-0.6%	-1.2%	-1.3%
Transportation	124.8	128.7	131.9	137.6	140.8	144.4	143.0	141.8	149.6	155.5
Percent Change	1.0%	3.1%	2.5%	4.3%	2.4%	2.5%	-0.9%	-0.9%	5.5%	3.9%
Services	149.3	154.9	160.7	165.9	171.4	177.0	181.9	186.4	191.7	199.6
Percent Change	4.3%	3.8%	3.7%	3.2%	3.3%	3.3%	2.8%	2.5%	2.8%	4.1%
Medical Care	183.9	196.1	206.4	216.2	224.8	231.8	238.2	246.6	255.7	267.0
Percent Change	8.0%	6.6%	5.3%	4.7%	4.0%	3.1%	2.8%	3.5%	3.7%	4.4%
Other Goods & Services	178.2	190.0	195.6	203.3	212.1	220.5	231.4	248.9	265.5	276.9
Percent Change	7.4%	6.6%	3.0%	4.0%	4.3%	4.0%	5.0%	7.5%	6.7%	4.3%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 6
PERSONAL INCOME
(BILLIONS $-SAAR)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	90.52	95.18	98.49	102.26	106.65	112.83	120.53	127.54	134.66	144.06
Percent Change	2.5%	5.2%	3.5%	3.8%	4.3%	5.8%	6.8%	5.8%	5.6%	7.0%
Disposable Personal Income	78.20	81.55	84.27	87.14	89.93	93.58	98.60	103.49	108.42	115.66
Percent Change	1.7%	4.3%	3.3%	3.4%	3.2%	4.1%	5.4%	5.0%	4.8%	6.7%
Total Wages	52.74	54.68	56.66	58.75	62.29	66.85	72.25	77.20	82.74	89.48
Percent Change	1.5%	3.7%	3.6%	3.7%	6.0%	7.3%	8.1%	6.9%	7.2%	8.1%
Manufacturing Wages	12.97	12.94	12.89	13.11	13.63	14.60	15.57	16.39	16.53	17.84
Percent Change	0.7%	-0.2%	-0.4%	1.7%	4.0%	7.1%	6.7%	5.3%	0.9%	7.9%
Nonmanufacturing Wages	39.77	41.74	43.77	45.64	48.66	52.25	56.68	60.81	66.20	71.64
Percent Change	1.8%	5.0%	4.9%	4.3%	6.6%	7.4%	8.5%	7.3%	8.9%	8.2%
Other Labor Income	7.44	7.86	8.22	8.13	8.12	8.03	7.77	8.07	8.35	8.81
Percent Change	3.5%	5.6%	4.6%	-1.1%	-0.1%	-1.2%	-3.2%	3.9%	3.4%	5.5%
Proprietor's Income	6.02	7.02	7.56	7.97	7.97	8.47	9.39	10.15	10.87	11.36
Percent Change	6.3%	16.7%	7.7%	5.3%	0.0%	6.2%	10.9%	8.2%	7.1%	4.5%
Property Income	17.72	18.03	18.37	19.27	19.73	20.82	22.43	23.61	24.15	25.31
Percent Change	-2.3%	1.7%	1.9%	4.9%	2.4%	5.6%	7.7%	5.2%	2.3%	4.8%
Transfer Payments Less Social Insurance	6.59	7.59	7.68	8.15	8.55	8.67	8.68	8.51	8.55	9.11
Percent Change	24.1%	15.1%	1.1%	6.1%	4.9%	1.4%	0.2%	-2.1%	0.6%	6.5%
Transfer Payments	10.44	11.58	11.87	12.56	13.22	13.64	14.01	14.15	14.56	15.49
Percent Change	15.5%	10.9%	2.5%	5.8%	5.3%	3.2%	2.7%	1.0%	2.8%	6.4%
Social Insurance	3.85	3.99	4.19	4.41	4.68	4.98	5.33	5.65	6.00	6.38
Percent Change	3.2%	3.6%	5.2%	5.2%	6.0%	6.4%	7.1%	6.1%	6.3%	6.2%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 7
DEFLATED PERSONAL INCOME
(BILLIONS '96$-SAAR)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	99.66	102.44	103.67	105.34	107.67	111.71	117.48	122.75	127.32	133.09
Percent Change	-0.4%	2.8%	1.2%	1.6%	2.2%	3.8%	5.2%	4.5%	3.7%	4.5%
Disposable Personal Income	86.10	87.77	88.70	89.76	90.79	92.65	96.10	99.61	102.51	106.85
Percent Change	-1.2%	1.9%	1.1%	1.2%	1.1%	2.0%	3.7%	3.6%	2.9%	4.2%
Total Wages	58.07	58.85	59.64	60.51	62.88	66.19	70.42	74.30	78.23	82.66
Percent Change	-1.4%	1.3%	1.3%	1.5%	3.9%	5.3%	6.4%	5.5%	5.3%	5.7%
Manufacturing Wages	14.28	13.93	13.57	13.50	13.76	14.45	15.18	15.78	15.63	16.48
Percent Change	-2.2%	-2.5%	-2.6%	-0.5%	1.9%	5.0%	5.0%	4.0%	-0.9%	5.4%
Nonmanufacturing Wages	43.79	44.93	46.07	47.01	49.12	51.74	55.24	58.52	62.59	66.18
Percent Change	-1.1%	2.6%	2.6%	2.0%	4.5%	5.3%	6.8%	5.9%	7.0%	5.7%
Other Labor Income	8.19	8.45	8.65	8.38	8.20	7.95	7.58	7.77	7.90	8.13
Percent Change	0.5%	3.2%	2.3%	-3.2%	-2.1%	-3.1%	-4.7%	2.6%	1.6%	3.0%
Proprietor's Income	6.63	7.56	7.96	8.21	8.05	8.38	9.15	9.77	10.28	10.49
Percent Change	3.2%	14.1%	5.3%	3.1%	-2.0%	4.2%	9.2%	6.8%	5.2%	2.1%
Property Income	19.52	19.40	19.33	19.85	19.91	20.61	21.87	22.72	22.83	23.39
Percent Change	-5.1%	-0.6%	-0.4%	2.7%	0.3%	3.5%	6.1%	3.9%	0.5%	2.4%
Transfer Payments Less Social Insurance	7.26	8.17	8.08	8.39	8.63	8.58	8.46	8.19	8.09	8.41
Percent Change	20.5%	12.5%	-1.1%	3.9%	2.8%	-0.6%	-1.4%	-3.3%	-1.2%	4.0%
Transfer Payments	11.50	12.46	12.49	12.94	13.35	13.51	13.66	13.62	13.76	14.31
Percent Change	12.2%	8.4%	0.3%	3.5%	3.2%	1.2%	1.1%	-0.2%	1.0%	3.9%
Social Insurance	4.24	4.29	4.41	4.54	4.72	4.93	5.19	5.44	5.68	5.89
Percent Change	0.2%	1.3%	2.9%	3.0%	3.9%	4.3%	5.4%	4.7%	4.4%	3.8%

Note: All categories are deflated by GDP Price Index (1996 = 100).

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 8
MANUFACTURING EMPLOYMENT
(THOUSANDS -SA)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Manufacturing	313.65	299.56	288.82	282.76	276.02	274.92	277.69	272.88	264.32	260.37
Percent Change	-5.4%	-4.5%	-3.6%	-2.1%	-2.4%	-0.4%	1.0%	-1.7%	-3.1%	-1.5%
Food & Products	10.19	9.85	9.82	9.65	8.99	8.61	8.13	8.03	8.13	7.73
Percent Change	-4.2%	-3.4%	-0.3%	-1.8%	-6.8%	-4.3%	-5.5%	-1.3%	1.2%	-4.8%
Textile Mill Products	2.51	2.34	2.41	2.43	2.08	2.05	2.05	2.16	2.16	2.06
Percent Change	-1.9%	-6.8%	3.0%	0.7%	-14.4%	-1.2%	0.1%	5.1%	0.1%	-4.6%
Apparel & Other	4.83	4.79	4.85	4.90	4.55	4.58	4.58	3.93	3.09	2.92
Percent Change	-2.2%	-0.9%	1.3%	1.0%	-7.1%	0.8%	-0.1%	-14.1%	-21.4%	-5.5%
Paper & Products	8.56	8.32	8.29	8.18	7.97	7.90	7.92	7.82	7.93	7.64
Percent Change	-0.4%	-2.7%	-0.4%	-1.3%	-2.5%	-1.0%	0.3%	-1.2%	1.3%	-3.6%
Printing & Publishing	24.92	24.88	25.37	25.34	25.21	25.34	26.00	25.62	24.52	23.69
Percent Change	-3.7%	-0.2%	2.0%	-0.1%	-0.5%	0.5%	2.6%	-1.5%	-4.3%	-3.4%
Chemicals	21.89	20.90	20.01	19.79	19.95	20.16	20.63	21.66	22.58	22.79
Percent Change	-2.4%	-4.5%	-4.3%	-1.1%	0.8%	1.1%	2.3%	5.0%	4.3%	0.9%
Rubber & Plastics	10.98	11.36	11.42	11.05	10.67	10.61	10.75	10.44	10.12	10.34
Percent Change	-0.6%	3.5%	0.5%	-3.2%	-3.5%	-0.5%	1.3%	-2.9%	-3.1%	2.2%
Primary Metals	9.72	9.13	9.02	9.26	9.14	9.05	9.31	9.44	9.27	9.09
Percent Change	-8.6%	-6.1%	-1.2%	2.6%	-1.3%	-1.0%	2.8%	1.4%	-1.8%	-1.9%
Fabricated Metals	33.58	33.38	33.63	34.44	33.90	34.38	35.11	34.64	33.80	33.32
Percent Change	-7.3%	-0.6%	0.7%	2.4%	-1.6%	1.4%	2.1%	-1.3%	-2.4%	-1.4%
Nonelectrical Mach.	38.04	36.63	35.61	35.25	35.11	34.46	35.04	33.90	32.88	32.43
Percent Change	-8.8%	-3.7%	-2.8%	-1.0%	-0.4%	-1.8%	1.7%	-3.3%	-3.0%	-1.4%
Electrical Machinery	29.92	28.54	27.70	27.77	27.87	28.63	28.91	27.72	26.78	27.17
Percent Change	-8.4%	-4.6%	-2.9%	0.2%	0.4%	2.7%	1.0%	-4.1%	-3.4%	1.5%
Transportation Equipment	74.55	66.68	59.42	54.74	51.32	50.24	50.21	49.83	46.11	45.26
Percent Change	-6.6%	-10.6%	-10.9%	-7.9%	-6.2%	-2.1%	0.0%	-0.8%	-7.5%	-1.8%
Instruments	27.87	26.83	25.39	23.45	22.92	22.46	22.29	21.09	19.93	19.15
Percent Change	2.9%	-3.7%	-5.4%	-7.7%	-2.3%	-2.0%	-0.8%	-5.4%	-5.5%	-3.9%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 9
NONMANUFACTURING EMPLOYMENT
(THOUSANDS -SA)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Nonmanufacturing	1,221.3	1,228.1	1,244.3	1,273.9	1,292.5	1,324.6	1,350.0	1,383.9	1,417.0	1,438.4
Percent Change	-2.9%	0.6%	1.3%	2.4%	1.5%	2.5%	1.9%	2.5%	2.4%	1.5%
Construction & Mining	49.21	48.62	48.69	51.50	51.09	55.60	58.48	60.79	64.37	67.28
Percent Change	-13.6%	-1.2%	0.1%	5.8%	-0.8%	8.8%	5.2%	4.0%	5.9%	4.5%
Transportation, Public Utilities & Communications	68.62	68.50	70.07	71.03	72.23	74.37	75.52	76.62	78.20	79.86
Percent Change	-3.6%	-0.2%	2.3%	1.4%	1.7%	3.0%	1.5%	1.5%	2.1%	2.1%
Transportation	38.75	38.41	39.72	41.03	42.13	43.26	44.01	45.12	45.72	46.43
Percent Change	-4.0%	-0.9%	3.4%	3.3%	2.7%	2.7%	1.7%	2.5%	1.3%	1.6%
Communications	16.72	16.72	16.94	17.16	17.36	18.71	19.05	18.83	19.61	20.75
Percent Change	-4.4%	0.0%	1.3%	1.3%	1.2%	7.8%	1.8%	-1.2%	4.2%	5.8%
Public Utilities	13.15	13.37	13.41	12.84	12.74	12.40	12.46	12.67	12.88	12.69
Percent Change	-1.4%	1.7%	0.3%	-4.2%	-0.8%	-2.6%	0.4%	1.7%	1.6%	-1.5%
Wholesale & Retail Trade	334.57	330.16	331.65	338.79	343.45	350.00	353.45	357.62	362.47	366.09
Percent Change	-4.2%	-1.3%	0.5%	2.2%	1.4%	1.9%	1.0%	1.2%	1.4%	1.0%
Finance, Insurance & Real Estate	144.73	140.73	138.30	133.79	132.46	131.84	133.27	139.21	140.44	141.70
Percent Change	-3.4%	-2.8%	-1.7%	-3.3%	-1.0%	-0.5%	1.1%	4.5%	0.9%	0.9%
Finance & Real Estate	62.86	62.86	63.44	61.18	61.35	62.58	64.03	67.68	69.13	70.42
Percent Change	-6.5%	0.0%	0.9%	-3.6%	0.3%	2.0%	2.3%	5.7%	2.1%	1.9%
Insurance	81.88	77.88	74.86	72.62	71.11	69.26	69.24	71.54	71.32	71.28
Percent Change	-0.8%	-4.9%	-3.9%	-3.0%	-2.1%	-2.6%	0.0%	3.3%	-0.3%	0.0%
Services	417.28	431.87	442.29	458.61	471.65	488.16	503.55	518.07	532.03	540.64
Percent Change	-0.7%	3.5%	2.4%	3.7%	2.8%	3.5%	3.2%	2.9%	2.7%	1.6%
Government	206.88	208.22	213.26	220.12	221.59	224.62	225.86	231.59	239.50	242.79
Percent Change	-1.5%	0.6%	2.4%	3.2%	0.7%	1.4%	0.6%	2.5%	3.4%	1.4%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Labor Force	1,832.5	1,799.3	1,756.4	1,716.8	1,712.2	1,727.0	1,714.6	1,702.9	1,730.2	1,737.9
Percent Change	-0.5%	-1.8%	-2.4%	-2.3%	-0.3%	0.9%	-0.7%	-0.7%	1.6%	0.4%
Nonagricultural Employment	1,534.9	1,527.7	1,533.1	1,556.6	1,568.5	1,599.5	1,627.8	1,656.8	1,681.3	1,698.7
Percent Change	-3.4%	-0.5%	0.4%	1.5%	0.8%	2.0%	1.8%	1.8%	1.5%	1.0%
Residential Employment	1,694.7	1,675.4	1,653.7	1,623.4	1,614.8	1,629.9	1,644.9	1,647.5	1,683.0	1,700.9
Percent Change	-2.1%	-1.1%	-1.3%	-1.8%	-0.5%	0.9%	0.9%	0.2%	2.2%	1.1%
Unemployed	137.7	123.9	102.7	93.4	97.4	97.1	69.8	55.4	47.3	37.1
Percent Change	24.9%	-10.1%	-17.1%	-9.0%	4.3%	-0.3%	-28.2%	-20.6%	-14.7%	-21.6%
Unemployment Rate	7.5%	6.9%	5.9%	5.4%	5.7%	5.6%	4.1%	3.2%	2.7%	2.1%
Households	1,231.6	1,227.4	1,220.8	1,220.3	1,226.5	1,232.5	1,236.6	1,242.2	1,249.8	1,261.1
Percent Change	0.0%	-0.3%	-0.5%	0.0%	0.5%	0.5%	0.3%	0.5%	0.6%	0.9%
Housing Starts	9.11	8.47	8.96	10.14	8.65	9.39	11.08	11.53	10.36	9.62
Percent Change	15.9%	-7.0%	5.8%	13.1%	-14.7%	8.6%	18.0%	4.0%	-10.1%	-7.1%
Single Family	7.35	7.86	8.16	8.44	8.13	8.28	9.02	10.01	8.91	8.16
Percent Change	23.1%	6.9%	3.8%	3.5%	-3.7%	1.9%	8.9%	11.0%	-10.9%	-8.5%
Multi Family	1.76	0.61	0.80	1.69	0.52	1.10	2.07	1.52	1.44	1.46
Percent Change	-7.0%	-65.1%	31.0%	110.9%	-69.6%	114.1%	87.3%	-26.4%	-5.3%	1.4%
New Car Registrations	113.15	170.61	182.42	210.47	180.28	193.32	187.23	224.61	233.76	245.03
Percent Change	16.9%	50.8%	6.9%	15.4%	-14.3%	7.2%	-3.1%	20.0%	4.1%	4.8%
Industrial Performance Indicator (1992=100)	98.09	102.55	107.73	116.06	121.49	131.60	144.08	154.11	169.44	179.52
Percent Change	1.5%	4.6%	5.0%	7.7%	4.7%	8.3%	9.5%	7.0%	9.9%	6.0%
Shipments of Mfg. Goods (Billions of $82)	34.57	33.87	34.14	34.92	34.79	35.74	37.86	40.06	42.27	42.60
Percent Change	1.6%	-2.0%	0.8%	2.3%	-0.4%	2.7%	5.9%	5.8%	5.5%	0.8%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 11
ANALYTICS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Wages/Total Income	58.27%	57.45%	57.53%	57.45%	58.40%	59.25%	60.15%	60.84%	61.51%	62.18%
Other Labor Income /Total Income	8.22%	8.25%	8.34%	7.95%	7.62%	7.11%	6.46%	6.29%	6.15%	6.10%
Social Insurance /Total Income	4.25%	4.19%	4.26%	4.31%	4.38%	4.41%	4.43%	4.46%	4.51%	4.51%
Transfer Payments /Total Income	11.53%	12.16%	12.05%	12.28%	12.40%	12.09%	11.69%	11.26%	10.98%	10.95%
Proprietor's Income /Total Income	6.65%	7.38%	7.68%	7.79%	7.47%	7.50%	7.74%	7.83%	7.94%	7.83%
Property Income /Total Income	19.58%	18.94%	18.65%	18.84%	18.50%	18.45%	18.39%	18.26%	17.93%	17.45%
Average Wages (Thousands in 1996 $)	37.83	38.53	38.90	38.88	40.09	41.38	43.25	44.75	46.44	48.02
Average Mfg. Wages (Thousands in 1996 $)	45.54	46.49	46.98	47.75	49.85	52.57	54.54	57.73	59.33	64.84
Average Nonmfg. Wages (Thousands in 1996 $)	35.85	36.58	37.03	36.90	38.00	39.06	40.92	42.20	44.04	44.98
Manufacturing Share of Employment	20.43%	19.61%	18.84%	18.16%	17.60%	17.19%	17.06%	16.47%	15.72%	15.33%
Residential Employment /Total Nonagricultural	1.104	1.097	1.079	1.043	1.030	1.019	1.011	0.994	1.001	1.001

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

Nominal ($)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	49,358.8	52,282.4	54,303.9	56,807.4	59,860.9	63,336.3	67,456.4	70,085.3	72,953.7	74,707.4
Percent Change	3.4%	5.9%	3.9%	4.6%	5.4%	5.8%	6.5%	3.9%	4.1%	2.4%
Disposable Income	41,900.8	43,663.6	45,213.2	47,332.7	48,853.7	51,383.5	53,599.8	55,782.1	58,979.6	60,544.0
Percent Change	2.1%	4.2%	3.5%	4.7%	3.2%	5.2%	4.3%	4.1%	5.7%	2.7%
Total Wages	25,175.3	26,290.4	27,359.6	28,524.3	30,361.8	32,847.0	35,982.9	37,452.7	38,970.8	40,124.8
Percent Change	1.9%	4.4%	4.1%	4.3%	6.4%	8.2%	9.5%	4.1%	4.1%	3.0%
Other Labor Income	3,388.6	3,616.3	3,810.9	3,809.6	3,776.7	3,859.2	3,965.4	3,906.6	3,839.9	3,849.5
Percent Change	4.5%	6.7%	5.4%	0.0%	-0.9%	2.2%	2.8%	-1.5%	-1.7%	0.2%
Proprietor's Income	3,605.6	4,267.0	4,598.7	4,819.3	4,967.2	5,127.4	5,477.9	5,431.4	5,435.9	5,589.9
Percent Change	7.3%	18.3%	7.8%	4.8%	3.1%	3.2%	6.8%	-0.8%	0.1%	2.8%
Property Income	10,184.6	10,353.2	10,569.8	11,196.8	11,546.5	12,022.0	12,650.4	13,440.8	14,121.0	14,279.0
Percent Change	-1.7%	1.7%	2.1%	5.9%	3.1%	4.1%	5.2%	6.2%	5.1%	1.1%
Transfer Payments	5,393.8	5,933.2	6,177.8	6,509.3	6,849.2	7,065.4	7,261.0	7,971.2	8,767.4	8,886.5
Percent Change	15.6%	10.0%	4.1%	5.4%	5.2%	3.2%	2.8%	9.8%	10.0%	1.4%
Social Insurance	1,913.7	1,998.0	2,111.2	2,234.8	2,375.9	2,533.6	2,739.6	2,927.7	3,114.5	3,238.2
Percent Change	3.8%	4.4%	5.7%	5.9%	6.3%	6.6%	8.1%	6.9%	6.4%	4.0%
Deflated ($96)										
Personal Income	54,346.4	56,269.1	57,159.0	58,514.5	60,432.0	62,707.7	65,750.2	67,454.5	68,978.8	69,015.3
Percent Change	0.5%	3.5%	1.6%	2.4%	3.3%	3.8%	4.9%	2.6%	2.3%	0.1%
Disposable Income	46,134.9	46,993.1	47,590.3	48,755.1	49,319.8	50,873.5	52,244.1	53,688.3	55,766.0	55,931.1
Percent Change	-0.8%	1.9%	1.3%	2.4%	1.2%	3.2%	2.7%	2.8%	3.9%	0.3%
Total Wages	27,719.3	28,295.1	28,798.1	29,381.5	30,651.5	32,521.0	35,072.7	36,046.9	36,847.5	37,067.7
Percent Change	-1.0%	2.1%	1.8%	2.0%	4.3%	6.1%	7.8%	2.8%	2.2%	0.6%
Other Labor Income	3,731.0	3,892.0	4,011.3	3,924.1	3,812.8	3,820.9	3,865.1	3,759.9	3,630.7	3,556.2
Percent Change	1.6%	4.3%	3.1%	-2.2%	-2.8%	0.2%	1.2%	-2.7%	-3.4%	-2.1%
Proprietor's Income	3,969.9	4,592.4	4,840.5	4,964.2	5,014.6	5,076.5	5,339.4	5,227.6	5,139.7	5,164.0
Percent Change	4.3%	15.7%	5.4%	2.6%	1.0%	1.2%	5.2%	-2.1%	-1.7%	0.5%
Property Income	11,213.7	11,142.6	11,125.5	11,533.2	11,656.7	11,902.7	12,330.4	12,936.3	13,351.6	13,191.0
Percent Change	-4.6%	-0.6%	-0.2%	3.7%	1.1%	2.1%	3.6%	4.9%	3.2%	-1.2%
Transfer Payments	5,938.9	6,385.6	6,502.6	6,704.9	6,914.5	6,995.2	7,077.3	7,672.0	8,289.7	8,209.5
Percent Change	12.3%	7.5%	1.8%	3.1%	3.1%	1.2%	1.2%	8.4%	8.1%	-1.0%
Social Insurance	2,107.0	2,150.3	2,222.2	2,301.9	2,398.6	2,508.5	2,670.3	2,817.8	2,944.8	2,991.5
Percent Change	0.9%	2.1%	3.3%	3.6%	4.2%	4.6%	6.5%	5.5%	4.5%	1.6%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

Nominal ($)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	29,242.2	30,206.4	30,899.0	31,835.7	32,611.4	34,410.8	36,346.3	40,890.6	46,076.1	44,051.4
Percent Change	2.9%	3.3%	2.3%	3.0%	2.4%	5.5%	5.6%	12.5%	12.7%	-4.4%
Disposable Income	24,648.7	25,179.7	25,775.2	26,815.8	27,448.4	28,812.6	30,397.6	33,364.6	37,222.2	35,699.8
Percent Change	1.6%	2.2%	2.4%	4.0%	2.4%	5.0%	5.5%	9.8%	11.6%	-4.1%
Total Wages	19,101.2	19,397.0	19,752.6	20,264.7	20,739.0	21,887.7	23,236.5	26,745.3	30,771.5	28,958.9
Percent Change	1.8%	1.5%	1.8%	2.6%	2.3%	5.5%	6.2%	15.1%	15.1%	-5.9%
Other Labor Income	2,743.5	2,834.4	2,889.7	2,849.9	2,752.8	2,805.7	2,801.0	2,981.4	3,197.0	2,829.5
Percent Change	6.3%	3.3%	2.0%	-1.4%	-3.4%	1.9%	-0.2%	6.4%	7.2%	-11.5%
Proprietor's Income	1,713.1	1,893.3	2,030.4	2,077.5	2,074.7	2,165.6	2,302.9	2,849.6	3,489.7	3,181.6
Percent Change	6.4%	10.5%	7.2%	2.3%	-0.1%	4.4%	6.3%	23.7%	22.5%	-8.8%
Property Income	5,349.6	5,388.8	5,402.1	5,659.9	5,685.3	6,039.7	6,408.5	6,962.7	7,555.5	7,494.4
Percent Change	-3.5%	0.7%	0.2%	4.8%	0.4%	6.2%	6.1%	8.6%	8.5%	-0.8%
Transfer Payments	3,556.6	3,904.2	4,059.6	4,217.1	4,496.4	4,626.5	4,749.4	5,281.2	5,929.4	6,032.2
Percent Change	15.0%	9.8%	4.0%	3.9%	6.6%	2.9%	2.7%	11.2%	12.3%	1.7%
Social Insurance	1,325.3	1,339.8	1,383.4	1,434.7	1,465.7	1,538.1	1,616.6	1,936.4	2,285.5	2,175.1
Percent Change	3.1%	1.1%	3.3%	3.7%	2.2%	4.9%	5.1%	19.8%	18.0%	-4.8%
Deflated ($96)										
Personal Income	32,197.1	32,509.7	32,523.5	32,792.4	32,922.5	34,069.2	35,427.0	39,355.7	43,565.7	40,695.0
Percent Change	0.0%	1.0%	0.0%	0.8%	0.4%	3.5%	4.0%	11.1%	10.7%	-6.6%
Disposable Income	27,139.4	27,099.7	27,130.3	27,621.7	27,710.2	28,526.6	29,628.7	32,112.2	35,194.1	32,979.8
Percent Change	-1.4%	-0.1%	0.1%	1.8%	0.3%	2.9%	3.9%	8.4%	9.6%	-6.3%
Total Wages	21,031.3	20,876.1	20,791.1	20,873.7	20,936.8	21,670.4	22,648.7	25,741.4	29,094.9	26,752.4
Percent Change	-1.2%	-0.7%	-0.4%	0.4%	0.3%	3.5%	4.5%	13.7%	13.0%	-8.1%
Other Labor Income	3,020.8	3,050.6	3,041.6	2,935.6	2,779.0	2,777.9	2,730.2	2,869.5	3,022.8	2,613.9
Percent Change	3.3%	1.0%	-0.3%	-3.5%	-5.3%	0.0%	-1.7%	5.1%	5.3%	-13.5%
Proprietor's Income	1,886.2	2,037.7	2,137.2	2,139.9	2,094.5	2,144.1	2,244.7	2,742.7	3,299.6	2,939.1
Percent Change	3.3%	8.0%	4.9%	0.1%	-2.1%	2.4%	4.7%	22.2%	20.3%	-10.9%
Property Income	5,890.2	5,799.8	5,686.1	5,830.0	5,739.5	5,979.8	6,246.4	6,701.3	7,143.8	6,923.4
Percent Change	-6.3%	-1.5%	-2.0%	2.5%	-1.6%	4.2%	4.5%	7.3%	6.6%	-3.1%
Transfer Payments	3,916.0	4,201.9	4,273.0	4,343.9	4,539.3	4,580.5	4,629.2	5,083.0	5,606.4	5,572.6
Percent Change	11.7%	7.3%	1.7%	1.7%	4.5%	0.9%	1.1%	9.8%	10.3%	-0.6%
Social Insurance	1,459.2	1,441.9	1,456.1	1,477.8	1,479.7	1,522.9	1,575.7	1,863.8	2,161.0	2,009.4
Percent Change	0.1%	-1.2%	1.0%	1.5%	0.1%	2.9%	3.5%	18.3%	15.9%	-7.0%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

Nominal ($)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	5,709.6	5,944.3	6,252.7	6,546.8	6,771.3	7,048.6	7,335.5	7,664.2	8,149.7	8,342.2
Percent Change	2.5%	4.1%	5.2%	4.7%	3.4%	4.1%	4.1%	4.5%	6.3%	2.4%
Disposable Income	4,738.5	4,901.1	5,178.7	5,472.5	5,630.9	5,837.5	6,040.5	6,235.1	6,588.3	6,761.1
Percent Change	1.8%	3.4%	5.7%	5.7%	2.9%	3.7%	3.5%	3.2%	5.7%	2.6%
Total Wages	3,256.6	3,377.1	3,634.1	3,885.7	4,068.8	4,293.1	4,568.2	4,828.8	5,175.8	5,366.1
Percent Change	1.9%	3.7%	7.6%	6.9%	4.7%	5.5%	6.4%	5.7%	7.2%	3.7%
Other Labor Income	597.4	602.3	636.8	651.0	649.1	658.9	654.2	573.7	507.0	547.2
Percent Change	1.0%	0.8%	5.7%	2.2%	-0.3%	1.5%	-0.7%	-12.3%	-11.6%	7.9%
Proprietor's Income	294.2	345.0	373.9	379.9	400.9	409.5	428.8	447.3	472.0	445.2
Percent Change	5.4%	17.3%	8.4%	1.6%	5.5%	2.2%	4.7%	4.3%	5.5%	-5.7%
Property Income	1,037.1	1,040.1	1,066.5	1,141.7	1,184.5	1,245.0	1,319.0	1,327.9	1,312.9	1,363.0
Percent Change	-1.8%	0.3%	2.5%	7.0%	3.7%	5.1%	5.9%	0.7%	-1.1%	3.8%
Transfer Payments	716.8	788.2	818.7	858.1	906.3	940.9	970.7	1,102.3	1,249.2	1,195.4
Percent Change	15.7%	10.0%	3.9%	4.8%	5.6%	3.8%	3.2%	13.6%	13.3%	-4.3%
Social Insurance	217.2	225.7	248.1	271.6	285.4	300.0	317.3	344.1	375.9	379.0
Percent Change	3.8%	3.9%	9.9%	9.4%	5.1%	5.1%	5.8%	8.4%	9.2%	0.8%
Deflated ($96)										
Personal Income	6,286.5	6,397.6	6,581.4	6,743.6	6,835.9	6,978.7	7,150.0	7,376.5	7,705.7	7,706.6
Percent Change	-0.5%	1.8%	2.9%	2.5%	1.4%	2.1%	2.5%	3.2%	4.5%	0.0%
Disposable Income	5,217.3	5,274.8	5,450.9	5,636.9	5,684.6	5,779.6	5,887.7	6,001.1	6,229.3	6,246.0
Percent Change	-1.1%	1.1%	3.3%	3.4%	0.8%	1.7%	1.9%	1.9%	3.8%	0.3%
Total Wages	3,585.6	3,634.6	3,825.2	4,002.4	4,107.6	4,250.5	4,452.7	4,647.5	4,893.8	4,957.3
Percent Change	-1.0%	1.4%	5.2%	4.6%	2.6%	3.5%	4.8%	4.4%	5.3%	1.3%
Other Labor Income	657.7	648.3	670.2	670.6	655.2	652.4	637.7	552.1	479.4	505.5
Percent Change	-1.9%	-1.4%	3.4%	0.0%	-2.3%	-0.4%	-2.3%	-13.4%	-13.2%	5.4%
Proprietor's Income	323.9	371.3	393.6	391.3	404.7	405.4	418.0	430.5	446.3	411.2
Percent Change	2.4%	14.6%	6.0%	-0.6%	3.4%	0.2%	3.1%	3.0%	3.7%	-7.9%
Property Income	1,141.9	1,119.4	1,122.6	1,176.0	1,195.8	1,232.7	1,285.7	1,278.0	1,241.3	1,259.1
Percent Change	-4.6%	-2.0%	0.3%	4.8%	1.7%	3.1%	4.3%	-0.6%	-2.9%	1.4%
Transfer Payments	789.3	848.3	861.8	883.9	914.9	931.5	946.2	1,061.0	1,181.1	1,104.4
Percent Change	12.4%	7.5%	1.6%	2.6%	3.5%	1.8%	1.6%	12.1%	11.3%	-6.5%
Social Insurance	239.1	242.9	261.2	279.8	288.2	297.0	309.3	331.2	355.4	350.1
Percent Change	0.9%	1.6%	7.5%	7.1%	3.0%	3.1%	4.1%	7.1%	7.3%	-1.5%

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 15
NECMA EMPLOYMENT
(THOUSANDS-SA)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
HARTFORD-NEW BRITAIN-MIDDLETOWN-BRISTOL										
Nonagricultural	578.1	568.7	565.6	567.6	566.2	577.6	591.3	613.6	637.1	627.7
Percent Change	-4.6%	-1.6%	-0.5%	0.4%	-0.3%	2.0%	2.4%	3.8%	3.8%	-1.5%
Manufacturing	107.7	101.3	95.8	92.5	87.9	89.1	84.5	88.6	87.9	87.4
Percent Change	-7.5%	-5.9%	-5.5%	-3.4%	-4.9%	1.3%	-5.1%	4.8%	-0.7%	-0.6%
Nonmanufacturing	470.5	467.4	469.8	475.1	478.2	488.5	506.8	525.0	549.2	540.3
Percent Change	-3.9%	-0.7%	0.5%	1.1%	0.7%	2.1%	3.7%	3.6%	4.6%	-1.6%
NEW HAVEN-BRIDGEPORT-DANBURY-STAMFORD-WATERBURY										
Nonagricultural	715.2	710.5	716.7	728.7	734.9	750.4	765.1	780.2	790.5	800.1
Percent Change	-3.7%	-0.6%	0.9%	1.7%	0.8%	2.1%	2.0%	2.0%	1.3%	1.2%
Manufacturing	153.2	148.1	143.6	140.4	137.1	133.9	134.6	136.6	133.4	133.4
Percent Change	-4.6%	-3.3%	-3.1%	-2.2%	-2.3%	-2.4%	0.6%	1.4%	-2.3%	0.0%
Nonmanufacturing	562.0	562.4	573.1	588.3	597.8	616.6	630.5	643.6	657.1	666.7
Percent Change	-3.5%	0.1%	1.9%	2.6%	1.6%	3.1%	2.3%	2.1%	2.1%	1.5%
NEW LONDON-NORWICH, CT-RI										
Nonagricultural	104.3	105.6	108.5	119.1	128.2	130.0	132.6	135.5	140.5	141.6
Percent Change	-1.3%	1.3%	2.7%	9.9%	7.6%	1.4%	2.0%	2.2%	3.7%	0.7%
Manufacturing	27.3	25.1	24.0	26.2	27.2	25.2	24.4	23.9	24.0	23.9
Percent Change	-6.6%	-7.9%	-4.4%	9.1%	3.8%	-7.1%	-3.1%	-2.0%	0.1%	-0.3%
Nonmanufacturing	77.0	80.5	84.5	93.0	101.1	104.8	108.2	111.6	116.6	117.7
Percent Change	0.8%	4.5%	4.9%	10.1%	8.7%	3.7%	3.3%	3.1%	4.5%	0.9%

MAJOR REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 16
REGIONAL CONSUMER PRICE INDEXES
(1982-1984 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Chicago	138.9	143.4	146.9	151.2	155.0	159.8	163.4	166.5	171.0	176.8
Percent Change	3.0%	3.2%	2.5%	3.0%	2.5%	3.1%	2.2%	1.9%	2.7%	3.4%
New York	147.3	152.6	156.3	160.1	164.6	169.0	172.2	175.1	179.6	185.2
Percent Change	3.6%	3.6%	2.4%	2.4%	2.8%	2.6%	1.9%	1.7%	2.6%	3.1%
Los Angeles	144.0	148.7	151.3	153.7	155.7	158.8	161.0	164.1	168.5	174.7
Percent Change	3.6%	3.3%	1.8%	1.6%	1.3%	2.0%	1.4%	1.9%	2.6%	3.7%
N.E. Region	144.8	149.6	153.1	157.1	161.3	165.8	168.8	171.5	176.4	182.3
Percent Change	3.4%	3.3%	2.4%	2.6%	2.7%	2.8%	1.8%	1.6%	2.9%	3.3%
N.C. Region	134.2	138.2	141.8	146.4	150.5	155.1	158.0	160.7	165.5	171.2
Percent Change	2.9%	3.0%	2.7%	3.2%	2.8%	3.1%	1.8%	1.7%	3.0%	3.4%
South Region	134.7	138.7	142.7	146.9	151.3	155.5	157.9	160.2	164.6	169.6
Percent Change	2.9%	2.9%	2.9%	2.9%	3.0%	2.8%	1.5%	1.5%	2.7%	3.1%
West Region	139.7	144.3	147.8	151.8	155.4	159.6	162.9	166.5	171.5	178.4
Percent Change	3.6%	3.3%	2.4%	2.7%	2.4%	2.7%	2.1%	2.2%	3.0%	4.0%