FY2004-2005 MIDTERM

ECONOMIC REPORT OF THE GOVERNOR

CONNECTICUT

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February 4, 2004

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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 within 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, providing easy access to local and regional markets. Connecticut's Bradley International Airport is well situated for overseas airfreight operations and railroad service provides connections with the major eastern railroads, as well as direct access to Canadian markets. With operational harbors in Bridgeport and New Haven to accommodate most deep draft vessels, proximity to the ports of New York and Boston provides favorable access to the European and Eastern South American export markets.

Connecticut is highly urbanized with a population density of 719 persons for each of its 4,845.4 square miles of land, compared with 82 persons per square mile of land for the United States (3,536,338 square miles), based on 2003 census estimate figures. Hartford, the capital, is a center for the insurance industry and a major service center for business and commerce. Industrial activity in the State is concentrated in two regions. The first, the Naugatuck Valley, extending from Bridgeport north, has a high concentration of heavy industry. The second, a belt extending from Hartford southwest 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. The Southwestern portion of the state has a high concentration of financial service activity. 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.

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 again counted. The 2000 Census of Population and Housing was the 22nd in a series that began in 1790, with a count of four million residents in 18 states. In 2000, the population totaled 281.4 million people in the 50 states and the District of Columbia. The Table on the following page 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 and lower than the nation for the recent periods.

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, an increase of 13.2% for the 1990s, the greatest increase since the 1960s. New England's population increased 5.4% from 1990 to 2000, experiencing relatively slower growth. 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 phenomenon was common in New England, the Middle Atlantic, the East North Central and the West North Central Regions. The fastest growing states were those in the West, the South, the Pacific and the southern portion of the Mountain regions. The apportionment of seats in the U.S. House of Representatives changed as a result of both the 1990 Census and the 2000 census. Also, Connecticut's federal aid levels for grants such as highway planning and construction, alcohol and drug abuse programs, low income energy assistance, community assistance grants and job training will continue to fall as the state's estimated population size, relative to the nation's, decreases each year.

Resident population in Connecticut, according to figures from the 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 recession of the early 1990s, 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, because 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 during the last few years of the 1990s.

Population counts and growth patterns for Connecticut counties are shown in the following Table. Connecticut counties experiencing faster growth during the 1990s generally 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	1990 Percent	2000 Census	2000 Percent	Percent Change
Fairfield	827,645	25.2	882,567	25.9	6.6
Hartford	851,783	25.9	857,183	25.2	0.6
Litchfield	174,092	5.3	182,193	5.3	4.7
Middlesex	143,196	4.4	155,071	4.6	8.3
New Haven	804,219	24.5	824,008	24.2	2.5
New London	254,957	7.7	259,088	7.6	1.6
Tolland	128,699	3.9	136,364	4.0	6.0
Windham	102,525	3.1	109,091	3.2	6.4
TOTAL	3,287,116	100.0	3,405,565	100.0	3.6

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

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. To comply with the Connecticut General Statutes concerning state aid to municipalities, the Department of Public Health also prepares an annual mid-year estimate of population based on the number of births, deaths and school age population. The Table on the following page shows the Bureau of

the Census estimates for mid-year population for the United States, the New England Region and Connecticut.

TABLE 3
MID-YEAR POPULATION
(In Thousands)

Mid	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1994	263,126	1.2	13,396	0.5	3,316	0.2
1995	266,278	1.2	13,473	0.6	3,324	0.2
1996	269,394	1.2	13,555	0.6	3,337	0.4
1997	272,647	1.2	13,642	0.6	3,349	0.4
1998	275,854	1.2	13,734	0.7	3,365	0.5
1999	279,040	1.2	13,838	0.8	3,386	0.6
2000	282,178	1.1	13,952	0.8	3,412	0.8
2001	285,094	1.0	14,048	0.7	3,433	0.6
2002	287,974	1.0	14,134	0.6	3,459	0.8
2003	290,810	1.0	14,205	0.5	3,483	0.7

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

Natural Change Rates

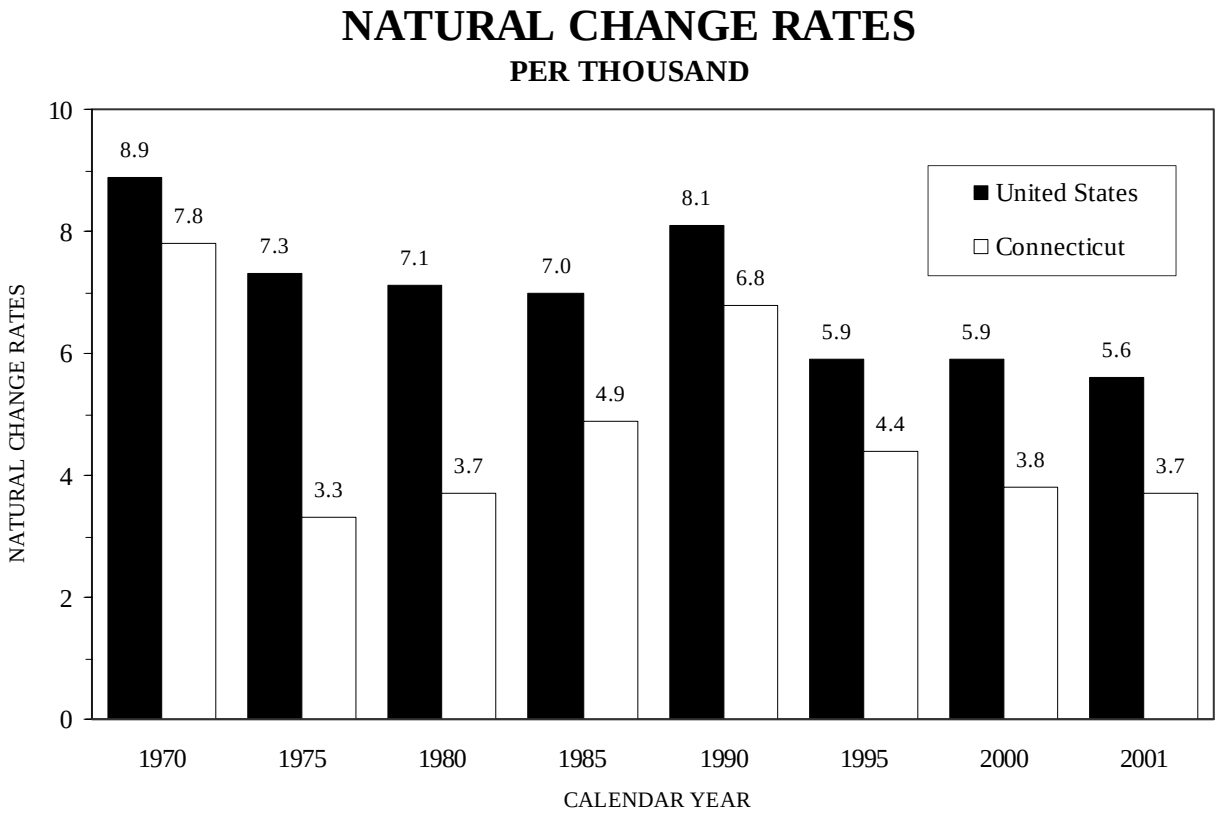
The natural change rate is defined as the difference between birth and death rates. The birth rate in Connecticut has consistently remained below the national average, declining during the 1960s and 1970s and then slowly reversing itself, increasing gradually since the early 1980s and finally peaking 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 and beyond. In 2001, the Connecticut birth rate was approximately 12.4 per 1,000, compared to the national average of 14.1. This is a slight decrease from the 12.6 in 2000. The mortality rate for Connecticut for the last several years, however, has been fairly stable, much like the national death rate. This has occurred despite the improvements in medicine and health care and is attributable to the aging of the population. The following Table shows the natural change rates for the United States and Connecticut.

TABLE 4
NATURAL CHANGE RATES PER THOUSAND POPULATION

	1970	1975	1980	1985	1990	1995	2000	2001
Birth Rates:								
United States	18.4	16.1	15.9	15.8	16.7	14.6	14.4	14.1
Connecticut	16.7	11.6	12.5	13.7	15.2	13.3	12.6	12.4
Death Rates:								
United States	9.5	8.8	8.8	8.8	8.6	8.7	8.5	8.5
Connecticut	8.9	8.3	8.8	8.8	8.4	8.9	8.8	8.7
Natural Change Rates:								
United States	8.9	7.3	7.1	7.0	8.1	5.9	5.9	5.6

Connecticut	7.8	3.3	3.7	4.9	6.8	4.4	3.8	3.7

Source: Connecticut Department of Health, & National Center for Health Statistics
The following Chart provides a graphic presentation of the natural change rates for the United States and Connecticut.



Source: Connecticut Department of Health, & National Center for Health Statistics

Households

Demand for goods and services depends upon the level of household income and the total number of households. The number of households is a function of household size and population: for example, for a given population, as the size of the household declines, the number of households increases, which causes higher demand for housing and automobiles as well as household goods and services. The Table on the following page shows the change in household structure for the United States and Connecticut during the 1990s.

The number of households in Connecticut, according to the 2000 U.S. Census, was 1,301,670, up 5.8% from the 1990 Census, and up 6.5% from the 1995 Census estimate. This is not unusual in that it reflects the decline in Connecticut's population during the early 1990s and the slow growth 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. 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 Connecticut residents during the early 1990s contributed significantly to the dip in overall household growth. As the economy improved, growth trends improved during the later 1990's, especially at the state level.

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

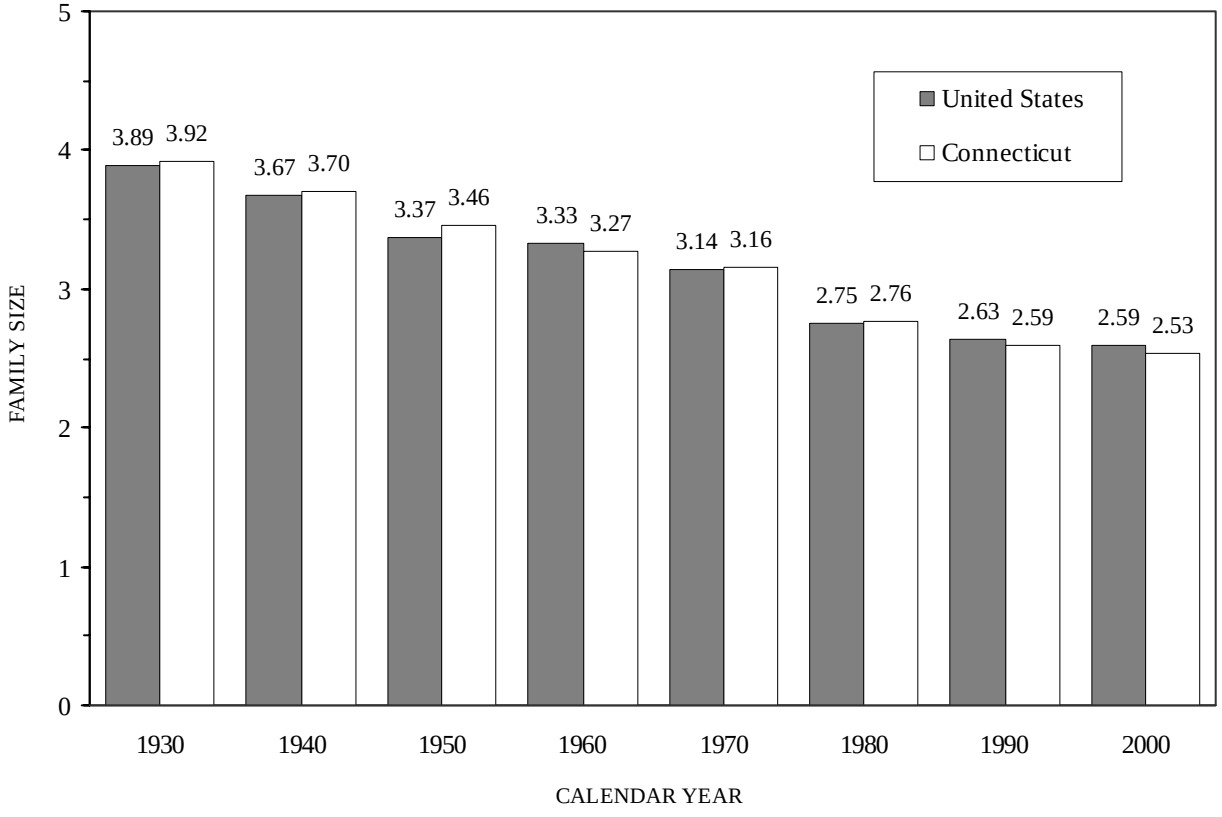
Source: U.S. Bureau of the Census (Some numbers may not add due to rounding.)

Between 1990 and 1995, the relatively stable population, the decreasing number of households, and the changing mix in the types of households in Connecticut resulted in an increase in average population per household in the state. The Chart on the following page, however, shows that household size has generally been edging downward in the state and for the nation. This relationship is important in forecasting Connecticut's household size.

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.

PERSONS PER HOUSEHOLD

1930 - 2000



Source: U.S. Bureau of the Census

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 Table on the following page, 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 grow at the same rate as during the late 1990s. The National Center for Health Statistics estimated average life expectancy at birth to be 77.2 years in 2001, up from 73.7 years in 1980, 75.4 years in 1990, and 77.0 years in 2000. 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)

	1980 Census	1990 Census	2000 Census	2003 Estimate
United States	64.0	70.3	79.5	82.2
Northeast	301.9	313.1	330.1	336.1
Connecticut	637.9	678.4	702.9	718.9

Source: U.S. Bureau of the Census

In addition, a change is occurring in the age distribution of the population. As shown in the Table on the following page, 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.

Finally, as shown in the second Table on the following page, cultural implications might be suggested by the racial distribution of the population in the state. The white population is decreasing as a percentage of the total, as both the African-American and Hispanic groups increase as a percentage of the total population, with the Hispanic growth rate outpacing the African-American growth rate. Although Asians make up a very small percentage of the total population, Asians comprise the fastest growing group, while the American Indian population remains fairly stable. These same trends are occurring in the nation and the region.

TABLE 8
DEPENDENCY RATIOS*
(Number of Dependent Population per 100 Provider Population)

Dependency Ratio	1980	1990	2000
United States	65.1	61.5	61.6
Northeast	63.9	59.0	61.5
Connecticut	61.9	57.0	62.7
Youth Dependency			
United States	46.5	41.3	41.5
Northeast	43.6	37.3	39.3
Connecticut	42.9	35.8	40.2
Aged Dependency			
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

TABLE 9
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. Definitions of various race categories were changed and, for the first time, a respondent could check off more than one race.

Source: U.S. Bureau of the Census

Housing

During fiscal 2003, the national housing market continued its strong performance. A rare confluence of factors including record low interest rates, easy lending standards and a tight housing supply combined to stimulate a surge in housing activity. Overall, housing starts in the U.S. rose 5.3% with more than 1.7 million starts being recorded nationally during fiscal 2003.

The remarkably strong housing sector has been one of the important pillars of the economy during this economic cycle. Low interest rates, refinancing, and the increase in homeowner equity have offset the effects of the sluggish economy and weak labor market. However, indicators that traditionally foretell weakness in the housing market are beginning to emerge. Lenders have started to tighten credit for some borrowers, mortgage delinquencies are at their highest level in a decade and speculative money that once went into the stock market increasingly has been flowing into housing and artificially pushing up prices. Such speculation tends to denote a market peak. This would suggest, at the very least, the explosive growth in the U.S. housing market is likely behind us. On the other hand, if inflation remains subdued, interest rates should remain low, and that bodes well for housing in general.

In Connecticut, starts for new dwelling units increased in fiscal 2003 to an annual rate of 9,490 units, slightly below the ten-year average of 9,650 units. While housing activity in Connecticut is expected to weaken in the near term, any decline should be limited. Low mortgage rates and the lack of any significant overbuilding anywhere in Connecticut place a solid floor under the market. Therefore, the severe real estate downturn of the early 1990s is unlikely to repeat itself this time.

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

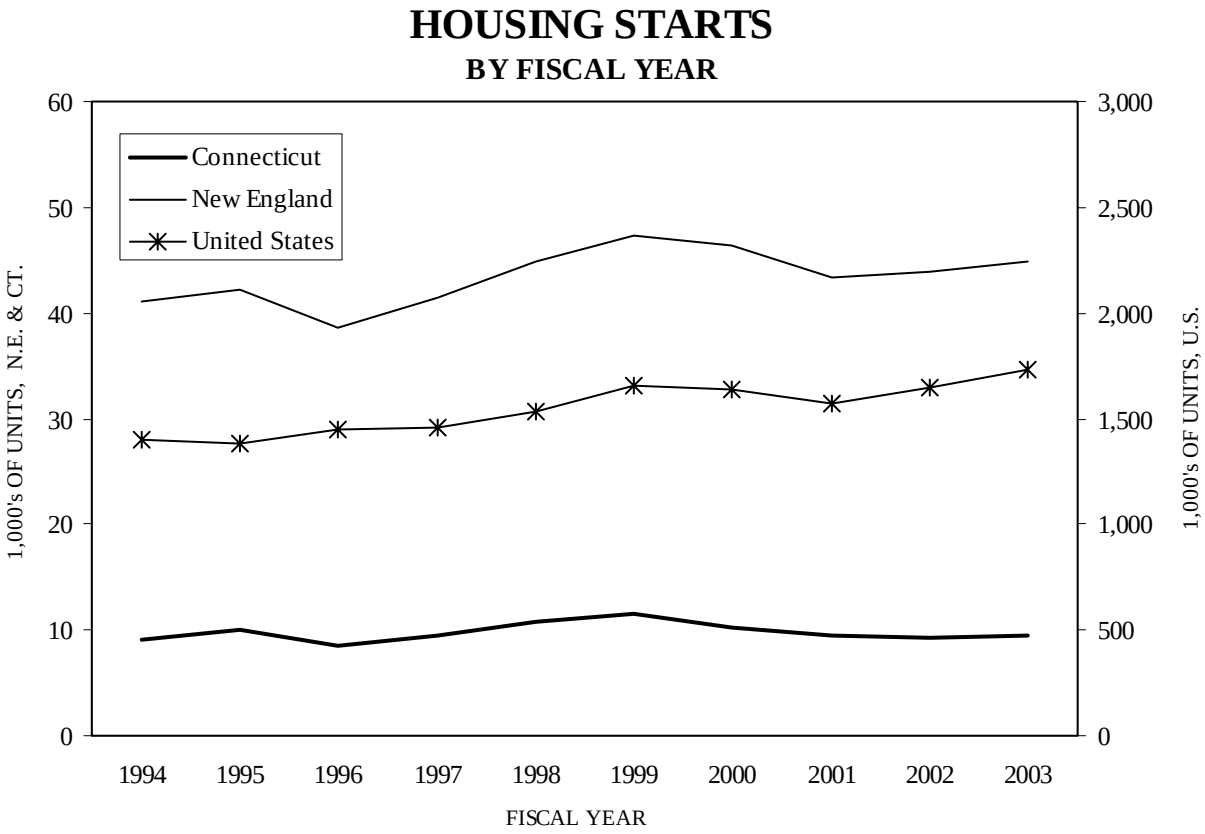
TABLE 10
HOUSING STARTS

Fiscal	United States		New England		Connecticut	
Year	(000's)	% Change	(000's)	% Change	(000's)	% Change
1993-94	1,397.6	15.4	41.1	5.8	9.0	6.3
1994-95	1,384.4	(0.9)	42.2	2.7	10.1	12.2
1995-96	1,447.3	4.5	38.7	(8.4)	8.6	(14.3)
1996-97	1,456.8	0.7	41.5	7.2	9.4	8.7
1997-98	1,530.2	5.0	44.9	8.3	10.8	15.6

1998-99	1,659.3	8.4	47.4	5.7	11.5	5.6
1999-00	1,637.8	(1.3)	46.3	(2.4)	10.3	(10.5)
2000-01	1,570.7	(4.1)	43.4	(6.2)	9.4	(8.3)
2001-02	1,642.2	4.6	44.0	1.4	9.2	(1.9)
2002-03	1,730.0	5.3	44.8	1.8	9.5	2.9

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

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



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

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 Table on the following page shows the Connecticut counties in which privately owned housing permits were issued in calendar 2002, indicating the geographic distribution of housing construction activity.

According to the report, calendar 2002 registered a 4.74% increase in housing permit activity. Permit activity totaling 9,731 units, up from 9,290, was authorized and added to the state's housing unit inventory. The town of Danbury led all Connecticut communities with 261 permits issued, followed by Stamford and Newtown.

TABLE 11
CONNECTICUT HOUSING PERMIT ACTIVITY

County	Total Units Authorized	Percent of Total	Growth Rate
Fairfield	1,879	19.3	(15.36)
Hartford	2,284	23.5	12.73
Litchfield	807	8.3	5.63
Middlesex	820	8.4	2.63
New Haven	1,701	17.5	7.25
New London	956	9.8	22.25
Tolland	752	7.6	9.28
Windham	542	5.6	24.88
State Total	9,731	100.0	4.74

Source: Connecticut State Department of Economic and Community Development

In addition, residential demolition permits issued during calendar 2002 totaled 1,461. Bridgeport issued the most demolition permits with 310, followed by Hartford and New Haven. These three cities accounted for 37% of all demolition permits**.** As a result, the net gain to Connecticut's housing inventory totaled 8,270 units in calendar 2002. This was an increase of 9.4% from 2001's net gain of 7,557 units. At the end of 2002, an estimated 1,401,802 housing units existed in Connecticut. The following Table shows changes in Connecticut's housing unit inventory on a calendar basis from 2001 to 2002.

TABLE 12
CONNECTICUT HOUSING INVENTORY

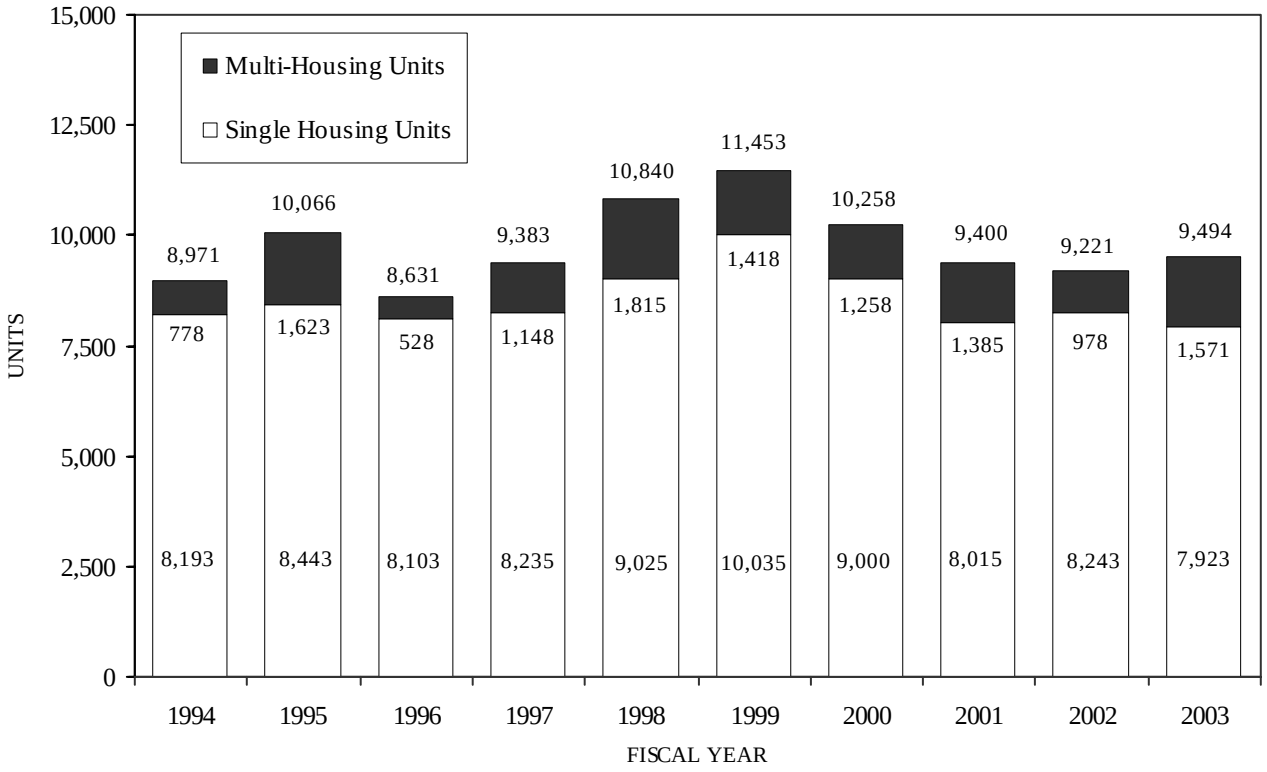
Structure Type	Inventory 2001	% of Total	Inventory 2002	% of Total	Net Gain	Growth Rate
One-Unit	894,964	64.3	903,448	64.4	8,484	0.9%
Two-Unit	119,567	8.6	119,757	8.5	190	0.2%
Three & Four-Unit	126,953	9.1	127,012	9.1	59	0.0%
Five Or More Unit	239,854	17.2	240,852	17.2	998	0.4%
Other	12,194	0.8	12,194	0.9	0	0.0%
Demolitions	0	0.0	(1,461)	(0.1)	(1,461)	NA
Total Inventory	1,393,532	100.0	1,401,802	100.0	8,270	0.6%

Source: Connecticut State Department of Economic and Community Development

As shown in the Chart on the following page, the mix of housing construction in Connecticut (i.e., single unit versus multi-unit) has varied greatly during the last ten fiscal years.

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

CONNECTICUT HOUSING STARTS



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

Age of Buyer or Renter

Current projections anticipate a decline during the next decade for the 25-34 year old age group. This is significant 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%. However, the age group is projected to grow rapidly into the next decade. 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.

Listed on the next page are actual statistics from the Bureau of the Census for 1980 - 2000. The 2005 and 2010 statistics are projections of population for Connecticut forecast by an econometric firm. The totals below illustrate the potential impact of the 25 to 34 year old homebuyer group and the 65 and older population. Population totals are in thousands.

Years of Age	1980	1985	1990	1995	2000	2005	2010
25-34	491	534	584	504	452	428	419
% Change		8.8%	9.4%	-13.7%	-10.3%	-5.3%	-2.1%
65 and over	365	408	446	469	470	513	559
% Change		11.8%	9.3%	5.2%	0.2%	9.1%	9.0%

Source: U.S. Bureau of the Census, Global Insight, "CT Economic Outlook", October 2003

Changes in the Mortgage Market

In fiscal 2003, as was the case in fiscal 2002, thirty-year fixed rate loans and one-year adjustable rate loans began the fiscal year perched around their highs. The averages for the thirty-year fixed and one-year adjustable rates in June of 2002 were 6.6% and 4.7% respectively. Throughout fiscal year 2003, rates declined until they bottomed out in June of 2003. The catalyst for the decline in rates was the statements made by the Federal Reserve Committee on the threat of deflation. The statements induced a rally in the bond market, thereby driving long-term yields to the lowest level in 45 years. As a result, mortgage rates also declined. By fiscal year end, rates on thirty-year fixed mortgages were as low as 5.4%, and the one-year adjustable-rate mortgages averaged 3.75%. The upside of the low interest rates include an increase in the affordability of homes and the cash-out refinancing of existing mortgages, both of which increase the purchasing power of consumers.

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 workers in the agricultural sector. By that measure, total residential employment over the past ten years expanded during the economic boom of the late 1990s, then contracted during the last recession, and has only recently started to strengthen, adding back 4,500 jobs in fiscal 2003. However, growth in establishment employment has yet to materialize, after showing some signs of stabilizing earlier in the fiscal year, establishment employment ended fiscal 2003 by falling 1.0%, representing a loss of close to 16,100 jobs.

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

TABLE 13
CONNECTICUT SURVEY EMPLOYMENT COMPARISONS
(In Thousands)

Fiscal Year	Residential Employment	% Growth	Establishment Employment	% Growth
1993-94	1,653.7	(1.30)	1,533.1	0.35
1994-95	1,623.4	(1.83)	1,555.9	1.48
1995-96	1,614.8	(0.53)	1,568.5	0.81
1996-97	1,629.9	0.93	1,599.6	1.99
1997-98	1,645.0	0.93	1,627.6	1.74
1998-99	1,645.6	0.04	1,657.4	1.83
1999-00	1,703.9	3.54	1,682.2	1.50
2000-01	1,726.5	1.33	1,690.4	0.49
2001-02	1,691.0	(2.06)	1,675.6	(0.88)
2002-03	1,695.5	0.26	1,659.5	(0.96)

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 14
NONAGRICULTURAL EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1993-94	112,410	2.57	6,133.9	1.74	1,533.1	0.35
1994-95	116,045	3.23	6,272.7	2.26	1,555.9	1.48
1995-96	118,383	2.01	6,371.1	1.57	1,568.5	0.81
1996-97	121,198	2.38	6,505.1	2.10	1,599.6	1.99
1997-98	124,380	2.63	6,650.0	2.23	1,627.6	1.75
1998-99	127,428	2.45	6,786.9	2.06	1,657.4	1.83
1999-00	130,605	2.49	6,936.7	2.21	1,682.2	1.50
2000-01	132,258	1.27	7,059.0	1.76	1,690.4	0.49
2001-02	130,888	(1.04)	6,961.9	(1.38)	1,675.6	(0.88)
2002-03	130,198	(0.53)	6,891.8	(1.01)	1,659.5	(0.96)

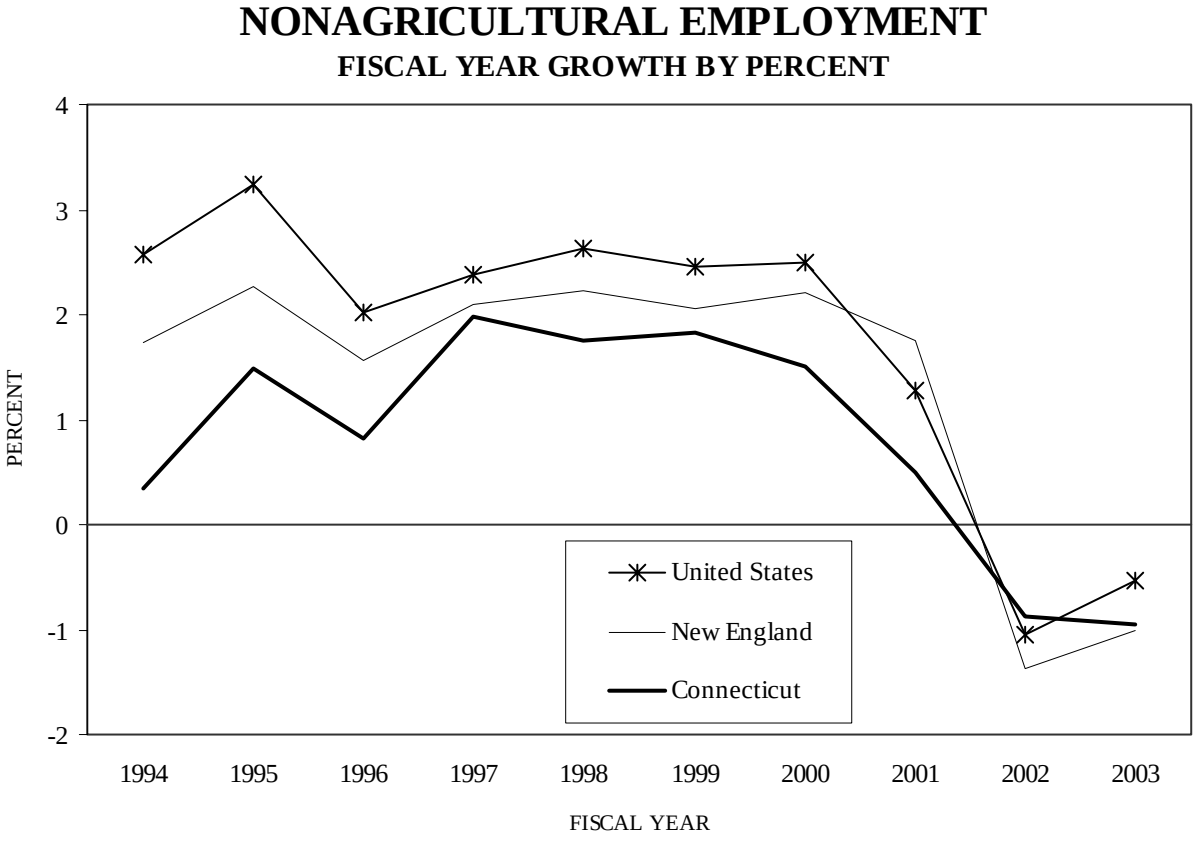
Source: U.S. Bureau of Labor Statistics, Connecticut State Labor Department

In Connecticut, approximately 59% 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 previous recession. This persisted through fiscal 1993. The state's economy lost 143,700 nonagricultural jobs during this period, a reduction of 8.6%. In fiscal 1994, the state's economy started to gain momentum and it steadily improved in each successive year through fiscal 2001, adding 162,700 new jobs and establishing a new high for nonagricultural employment in Connecticut. Unfortunately, the economic expansion that officially earned the distinction as the longest in U.S. history came to an abrupt end. Nonagricultural employment in Connecticut declined by 16,100 jobs in fiscal 2003 as the sluggish nature of the economy forced businesses to trim their workforce for a

second year in a row as part of a restructuring intended to reduce costs, boost profits, and to stay competitive.

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 2002, approximately 87% of the state's workforce was employed in nonmanufacturing jobs, up from roughly 50% in the early 1950s.

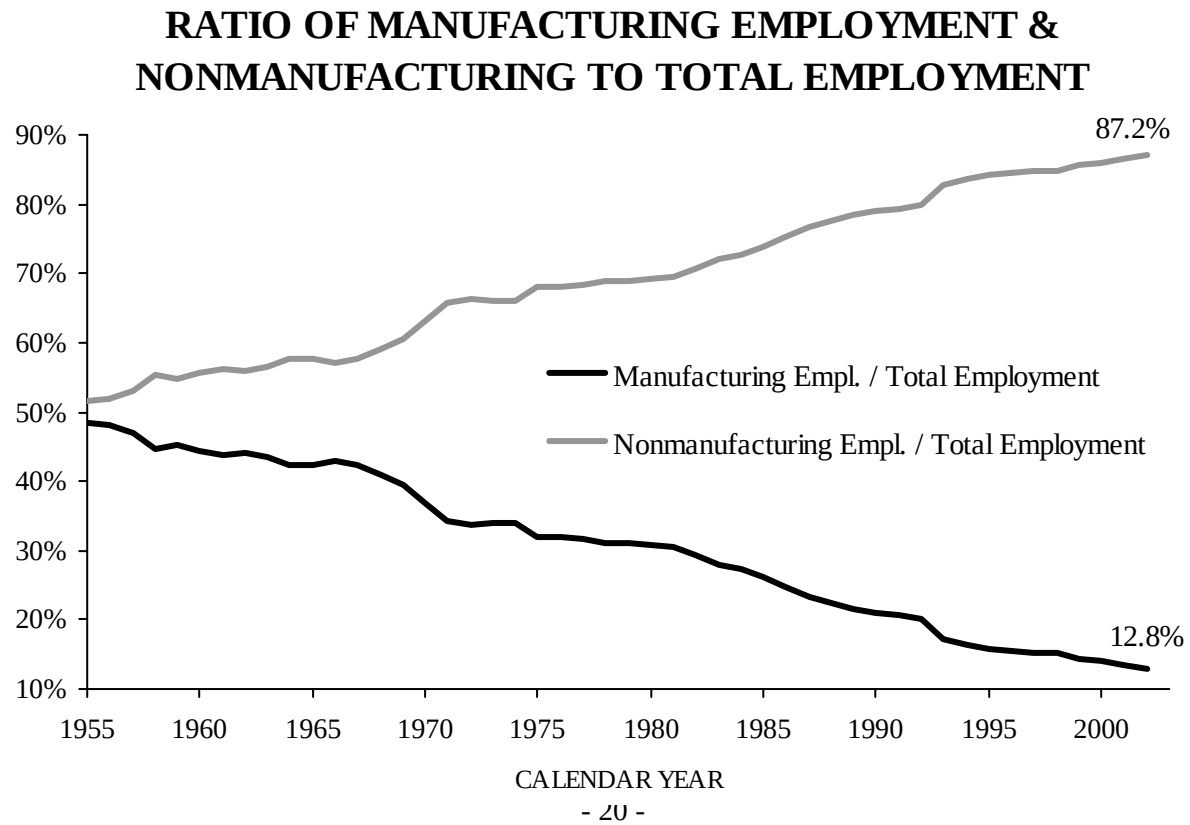
Despite the fact that manufacturing is an economic base industry in Connecticut, the state still possesses a diversified economy. It is one of the few states whose service sector exports a product--insurance. For example, total premium and annuity income from policyholders of all lines of insurance to Connecticut based companies was $102.8 billion in calendar 2002. Of the $102.8 billion, $12.9 billion or approximately 12.5% is derived from Connecticut residents. The other 87.5% is derived from sales outside of the state. This provides an additional source of incoming funds to bolster the economy of the state.

The Table on the following page depicts the decrease in the ratio of manufacturing employment to total employment in Connecticut over the last five decades.

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

Calendar Year	Total Employment	Manufacturing Employment	NonMfg. Employment	Ratio of Mfg. Employment to Total Employment
1950	766.1	379.9	386.2	49.6
1955	874.7	423.2	451.6	48.4
1960	915.2	407.1	508.1	44.5
1965	1,033.0	436.2	596.8	42.2
1970	1,198.1	441.8	756.3	36.9
1975	1,224.6	389.8	834.8	31.8
1980	1,428.4	440.8	987.6	30.9
1985	1,558.2	408.0	1,150.2	26.2
1990	1,623.5	341.0	1,282.5	21.0
1995	1,561.6	248.5	1,313.1	15.9
2000	1,693.2	235.7	1,457.5	13.9
2001	1,681.1	226.7	1,454.4	13.5
2002	1,668.2	212.9	1,455.3	12.8

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.



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 seventeenth 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 2002 Connecticut ranked ninth in total defense dollars awarded and second in per capita dollars awarded. The state is one of the leading producers of military and civilian helicopters. The industry is well diversified, with transportation equipment (primarily aircraft engines, helicopters and submarines) the dominant industry. The transportation equipment sector is followed, in order of the total number employed, by fabricated metals, machinery and computer & electronic products. The following Table provides a ten year historical picture of the state's manufacturing employment in these four concentrated sectors.

TABLE 16
CONNECTICUT MANUFACTURING EMPLOYMENT
(In Thousands)

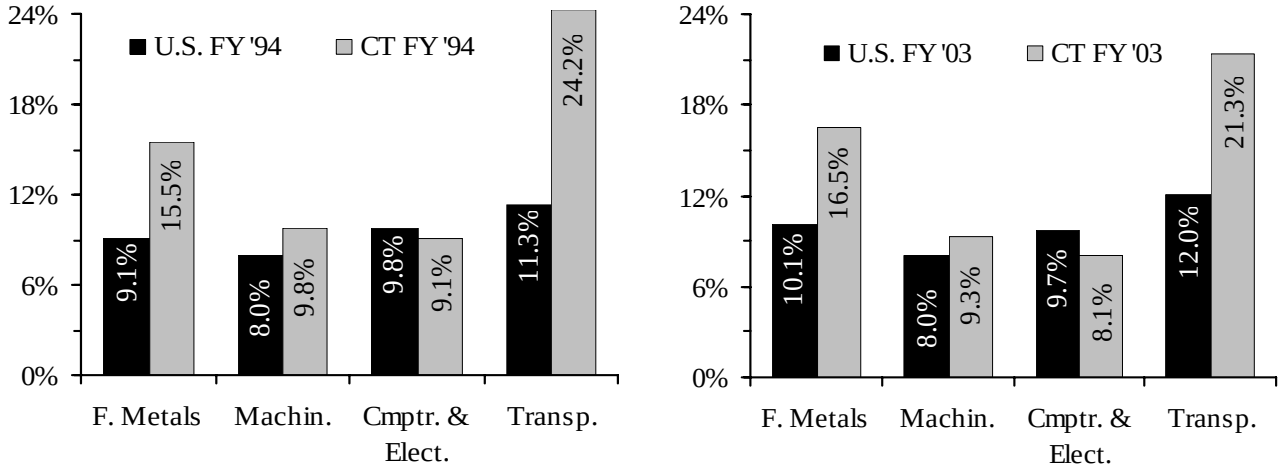
Fiscal Year	Transportation Equipment	Fabricated Metals	Machinery	Computer & Electronic Products
1993-94	62.1	39.7	25.0	23.3
1994-95	57.7	40.9	24.9	22.9
1995-96	54.3	40.9	24.8	23.0
1996-97	52.4	41.9	24.8	22.8
1997-98	51.7	42.0	25.8	24.1
1998-99	51.7	41.9	24.7	23.1
1999-00	47.9	40.5	23.7	22.4
2000-01	47.0	39.8	23.3	22.3
2001-02	46.3	36.2	21.3	19.3
2002-03	44.5	34.4	19.3	16.9

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 24.2% in fiscal 1994 to 21.3% by fiscal 2003. 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 contract awards below 1989 levels, the state's shift towards the national trend should result in a moderation of potential manufacturing job losses. The following charts provide an 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.

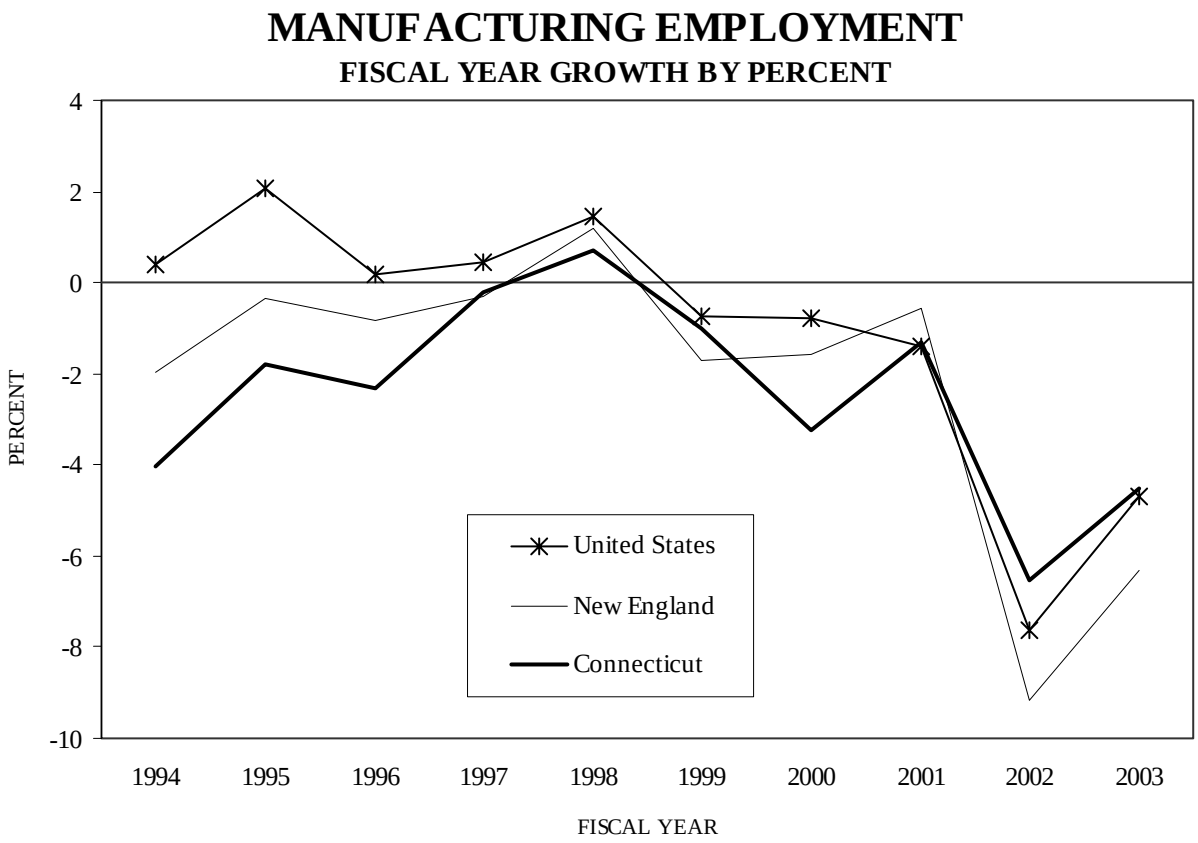
TABLE 17
MANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1993-94	16,848	0.42	975.2	(1.99)	256.4	(4.01)
1994-95	17,193	2.05	972.0	(0.33)	251.8	(1.80)
1995-96	17,223	0.17	963.9	(0.83)	245.9	(2.34)
1996-97	17,303	0.46	960.9	(0.31)	245.4	(0.22)
1997-98	17,558	1.47	972.5	1.21	247.1	0.72
1998-99	17,428	(0.74)	956.1	(1.69)	244.7	(1.00)
1999-00	17,288	(0.80)	941.2	(1.56)	236.7	(3.24)
2000-01	17,043	(1.42)	936.0	(0.55)	233.7	(1.30)
2001-02	15,740	(7.64)	850.1	(9.18)	218.4	(6.52)
2002-03	15,000	(4.70)	796.3	(6.32)	208.5	(4.53)

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, smaller defense budgets, and improved productivity, played a significant role in affecting the overall level of manufacturing employment in Connecticut. Consequently, during the past decade, the state's manufacturing sector diminished considerably. The sector shed nearly 19% of its employment from fiscal 1994 through fiscal 2003, a loss of around 47,900 jobs. The manufacturing sector suffered in large part because of the ramp down in defense and aerospace spending during the 1990s. Faced with leaner times, the state's manufacturers confronted the turbulent market conditions head-on and subsequently have restructured in response to global market forces: rapidly changing technologies, mounting competition from overseas markets, and shrinking defense spending.

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

Unfortunately, the sharp downturn in industrial activity that began at the end of fiscal 2001 and the additional burden of the soft national economy dimmed any prospect for employment stability in the manufacturing sector. Within Connecticut, the manufacturing sector struggled as the rate of job loss remained firmly entrenched during fiscal 2003. The sector's workforce

shrunk by roughly 4.5% as renewed weakness throughout the sector prompted manufacturers to reduce employment levels by 9,900 jobs. The sharp cutback by durable goods industries to the tune of about 7,800 jobs was the principal sector responsible for the contraction.

In fiscal 2003, activity in the manufacturing sector expanded considerably during the course of the fiscal year as output produced by manufacturers increased by roughly 4.6%, as measured by the Connecticut Manufacturing Production Index, (CMPI). The increase was attributed to demand driven gains. Better demand cut inventories to the bone, triggering renewed ordering for both consumer goods and capital equipment. In addition, total factory production work hours rose 1.2% on an average annual basis. This coupled with an increase of 3.1% in weekly manufacturing earnings suggests sustained momentum for the economy. However, these gains will not reverse the long-term structural shift that keeps diminishing manufacturing's strength. The continued erosion of the state's manufacturing base reflects the national trend away from traditional industries, both durable and nondurable. More of U.S. demand is being satisfied by foreign producers who can manufacture goods more cheaply. Lastly, the upward trend of higher productivity has enabled Connecticut manufacturers to make more with fewer workers. Even with the structural change, manufacturing employment in Connecticut still accounts for 12.6% of all nonfarm payroll jobs, compared to only 11.5% in the U.S. through fiscal 2003. The sector still matters. Manufacturing jobs remain one of the best-paid segments of payroll, contributing more to personal income than the same number of service jobs.

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 18
CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
Industry	F.Y. 1993-94	F.Y. 2001-02	F.Y. 2002-03	FY 2002 to FY 2003	FY 1994 to FY 2003
Durable Manufacturing	193.45	162.01	154.24	(4.8)	(20.3)
Fabricated Metals	39.68	36.20	34.39	(5.0)	(13.3)
Machinery	25.02	21.25	19.34	(9.0)	(22.7)
Computer & Electronic	23.29	19.26	16.86	(12.4)	(27.6)
Transportation Equipment	62.10	46.35	44.48	(4.0)	(28.4)
Electrical Equipment	13.36	12.05	11.28	(6.3)	(15.5)
NonDurable Manufacturing	62.95	56.40	54.28	(3.8)	(13.8)
Printing & Publishing	11.96	9.48	8.44	(10.9)	(29.4)
Chemicals	17.37	19.27	18.33	(4.9)	5.5
Total Mfg. Employment	256.40	218.41	208.52	(4.5)	(18.7)

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

In fiscal 2003, manufacturing employment in Connecticut contracted in every major sector. This trend reflects the strain that weak global markets and fierce foreign competition has put on

the state's manufacturing base. Despite the losses, the state's vital transportation sector fared reasonably well relative to its peers. The sector ranked first out of the seven in terms of posting the smallest year-over year decline in employment growth. With defense spending projected to experience sizable increases due to changing world events, (See Table 41 – Defense Contract Awards & Related Employment) some of Connecticut's defense-related industries could begin new rounds of hiring which could help stem the downward spiral in manufacturing employment. Military producers like Sikorsky Aircraft, Pratt & Whitney and Electric Boat are likely recipients of military contracts to build and supply hardware to the nation's armed forces. Likewise, specialized work could spillover to smaller manufacturers in the state, boosting both employment and industrial 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 ranks the 50 states in terms of their relative dependence on manufacturing wages as a percentage of total personal income.

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

State	Personal Income	Mfg. Wages	%	FY 03 Rank	State	Personal Income	Mfg. Wages	%	FY 03 Rank
Indiana	$176,620	$27,100	15.34	1	Massachusetts	$252,473	$18,265	7.23	26
Wisconsin	165,969	22,112	13.32	2	Washington	202,274	14,417	7.13	27
Michigan	307,833	40,353	13.11	3	Georgia	250,858	17,850	7.12	28
Ohio	339,593	39,205	11.54	4	California	1,172,933	82,850	7.06	29
South Carolina	106,266	11,313	10.65	5	Texas	626,214	43,866	7.00	30
Iowa	84,231	8,755	10.39	6	Nebraska	52,622	3,466	6.59	31
North Carolina	233,172	24,226	10.39	7	Delaware	26,584	1,748	6.58	32
N.Hampshire	44,199	4,536	10.26	8	New Jersey	344,372	22,336	6.49	33
Kentucky	106,843	10,915	10.22	9	West Virginia	43,162	2,796	6.48	34
Tennessee	161,342	16,212	10.05	10	Oklahoma	88,944	5,564	6.26	35
Arkansas	64,723	6,477	10.01	11	Arizona	145,368	8,930	6.14	36
Alabama	115,001	11,346	9.87	12	Louisiana	115,515	7,092	6.14	37
Vermont	18,490	1,711	9.26	13	South Dakota	21,179	1,167	5.51	38
Kansas	79,551	7,348	9.24	14	Virginia	242,610	13,281	5.47	39
Minnesota	172,559	15,777	9.14	15	Colorado	151,036	8,026	5.31	40
Mississippi	65,816	6,012	9.13	16	Maryland	199,943	9,042	4.52	41
Connecticut	149,830	12,699	8.48	17	North Dakota	17,447	732	4.20	42
Pennsylvania	397,103	32,665	8.23	18	New York	688,671	27,551	4.00	43
Oregon	101,977	8,380	8.22	19	Florida	503,488	16,001	3.18	44
Illinois	423,107	33,543	7.93	20	New Mexico	45,287	1,430	3.16	45
Missouri	166,116	12,607	7.59	21	Montana	23,117	677	2.93	46
Utah	56,613	4,237	7.48	22	Nevada	67,378	1,719	2.55	47
Idaho	34,323	2,547	7.42	23	Wyoming	15,534	344	2.21	48

Maine	36,756	2,689	7.32	24	Alaska	20,884	346	1.66	49
Rhode Island	33,939	2,468	7.27	25	Hawaii	38,354	467	1.22	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)

				Percent Change	
Industry	F.Y. 1993-94	F.Y. 2001-02	F.Y. 2002-03	FY 2002 to FY 2003	FY 1994 to FY 2003
Construction & Mining	48.63	65.78	62.12	(5.6)	27.7
Information	39.92	42.69	40.28	(5.7)	0.9
Transp., Trade & Utilities	288.39	311.33	310.43	(0.3)	7.6
Transp., & Warehousing	38.22	40.34	39.55	(2.0)	3.5
Utilities	10.68	9.08	8.93	(1.6)	(16.3)
Wholesale	62.82	66.59	65.41	(1.8)	4.1
Retail	176.67	195.32	196.55	0.6	11.3
Finance (FIRE)	138.27	142.98	142.56	(0.3)	3.1
Finance & Insurance	119.17	122.28	122.14	(0.1)	2.5
Real Estate	19.09	20.70	20.43	(1.3)	7.0
Services	548.41	646.24	648.48	0.3	18.2
Professional & Business	167.97	205.84	200.23	(2.7)	19.2
Education & Health	218.31	256.59	261.63	2.0	19.8
Leisure & Hospitality	104.47	121.07	124.08	2.5	18.8
All Other Services	57.66	62.74	62.55	(0.3)	8.5
Government	213.13	248.21	247.10	(0.4)	15.9
Federal	24.50	21.38	20.91	(2.2)	(14.7)
State and Local	188.62	226.83	226.19	(0.4)	19.9
Total Nonmanufacturing Employment	1,276.73	1,457.22	1,450.96	(0.4)	13.6

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

Source: Connecticut State Labor Department

More recently, employment in Connecticut's nonmanufacturing sector has fallen, as economic growth has remained subdued. As evidence of the unsteady nature of the state's economy, nonmanufacturing employment in Connecticut contracted for the first time in a decade, as 6,200 jobs were cut through the end of fiscal 2003. Before fiscal 2003, approximately 196,600 jobs had been added in this sector since fiscal 1993. The new fiscal year brought a slow down, and in some cases a decline, to nearly all of the state's nonmanufacturing industries, as economic activity faltered further and businesses still determined to cut costs took their toll on the state's economy. With the exception of services, the rest of the major sectors saw employment declines in fiscal 2003. The construction industry, despite being helped by a relatively healthy residential housing market, was hindered by a weak commercial real estate market. As a result, employment in the sector declined by 5.6%. Similarly, the information sector, comprising establishments engaged in telecommunications, broadcasting, publishing and data processing declined by 5.7% in fiscal 2003, following losses of 8.0% in fiscal 2002. These industries continue to suffer from the hangover that resulted from over investment during the late 1990s. Smaller capital outlays, business downsizing and slow growth in sales restricted employment gains in the finance, transportation, trade, and utility sectors. While gains in the health & education services and leisure & hospitality service sectors were not enough to offset the overall loss in nonmanufacturing employment, they were one of the main factors in keeping the net loss to a minimum. Nevertheless, further compounding the weak nature of the state's economy, downsizing in the state and federal government sectors and anemic growth at the two Indian Casinos restricted expansion in the government sector. Much of the decade long rise in government employment at the state level can be attributed to the Federal Government's decision to classify all workers employed on Indian Reservations as state government employees. (In June of 2003, per the state's Department of Labor, approximately 21,900 combined employees worked at the Foxwood Casino & Mohegan Sun Casino.)

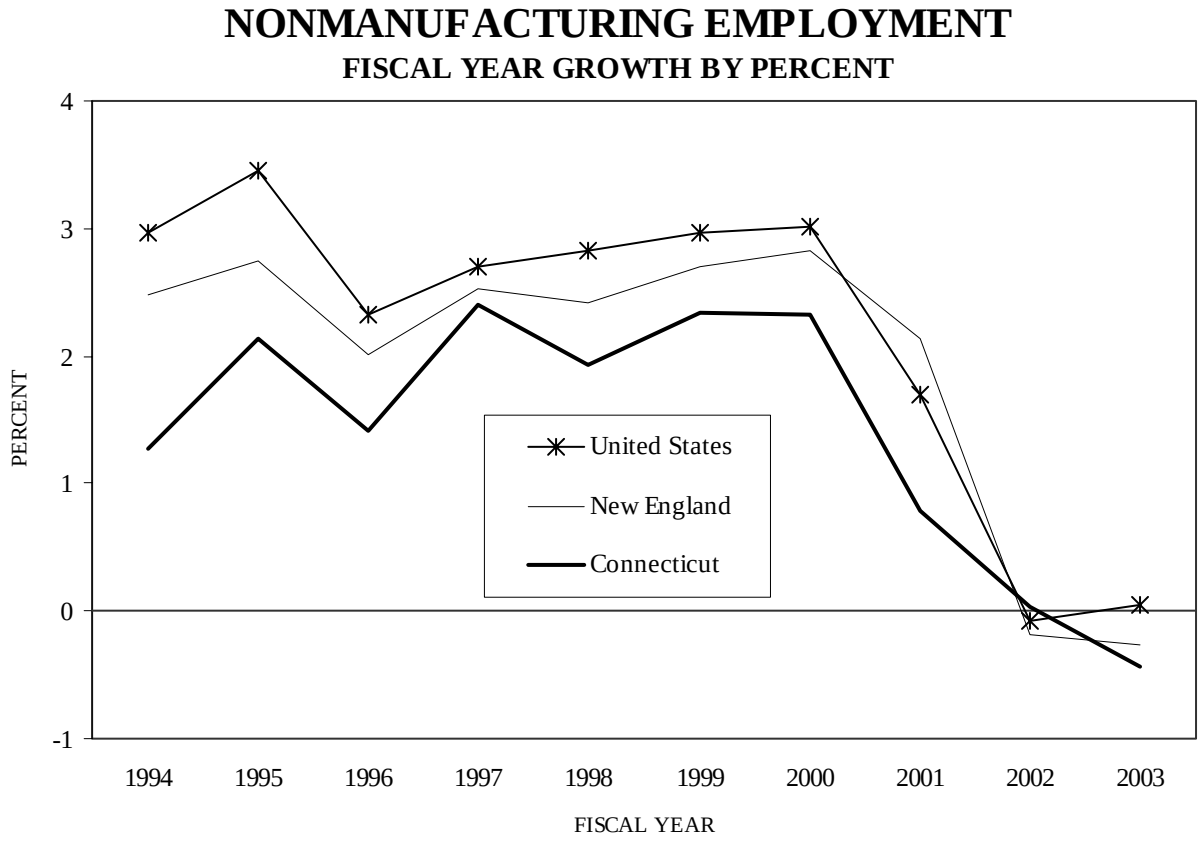
The following Table provides a ten year profile of nonmanufacturing employment in the United States, the New England Region, and Connecticut.

TABLE 21
NONMANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1993-94	95,560	2.96	5,158.7	2.48	1,276.7	1.28
1994-95	98,858	3.45	5,300.7	2.75	1,304.1	2.14
1995-96	101,163	2.33	5,407.2	2.01	1,322.6	1.42
1996-97	103,895	2.70	5,544.2	2.53	1,354.3	2.40
1997-98	106,825	2.82	5,677.7	2.41	1,380.4	1.93
1998-99	109,995	2.97	5,830.8	2.70	1,412.7	2.34
1999-00	113,313	3.02	5,995.5	2.82	1,445.4	2.32
2000-01	115,223	1.69	6,122.9	2.13	1,456.8	0.79
2001-02	115,148	(0.07)	6,111.8	(0.18)	1,457.2	0.03
2002-03	115,203	0.05	6,095.5	(0.27)	1,451.0	(0.43)

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

The following Chart provides a graphic presentation of the growth in nonmanufacturing 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

Impediments to nonmanufacturing employment growth in certain sectors still remain in the state. The FIRE sector could undergo a painful period of downsizing associated with mergers in the state's insurance industry and with slow growth amongst financial firms. The nature of utilities in the region is also changing as the generation component of electric service has been opened up to competition. Finally, as fiscal 2003 turns into fiscal 2004, Connecticut's economic recovery is expected to move onto more solid footing. Even though employment gains are expected to be modest at best, the improving economic climate should lead to rising spending and investment, which should spur further nonmanufacturing employment growth.

Annual salaries for Connecticut's nonmanufacturing industries are listed in the Table on the following page. 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

Industry	F.Y. 1993-94	F.Y. 2001-02	F.Y. 2002-03	Percent Change FY '02 to FY '03	Percent Change FY '94 to FY '03
Construction	$39,048	$51,155	$50,210	(1.8%)	28.6%
Information	54,986	56,432	58,001	2.8%	5.5%
Transp., Trade & Utilities	32,127	42,632	43,805	2.8%	36.3%
Wholesale Trade	48,599	66,862	67,372	0.8%	38.6%
Retail Trade	21,096	27,809	27,778	(0.1%)	31.7%
Finance, Ins. & Real Estate	50,693	92,889	97,159	4.6%	91.7%
Service	32,992	47,192	47,986	1.7%	45.4%
Professional & Business	43,865	59,677	59,516	(0.3%)	35.7%
Education & Health	27,307	38,802	40,785	5.1%	49.4%
Leisure & Hospitality	12,834	18,059	17,693	(2.0%)	37.9%
Government	33,863	41,753	43,324	3.8%	27.9%
Federal	37,937	46,145	49,424	7.1%	30.3%
State and Local	33,333	41,340	42,762	3.4%	28.3%

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.

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.

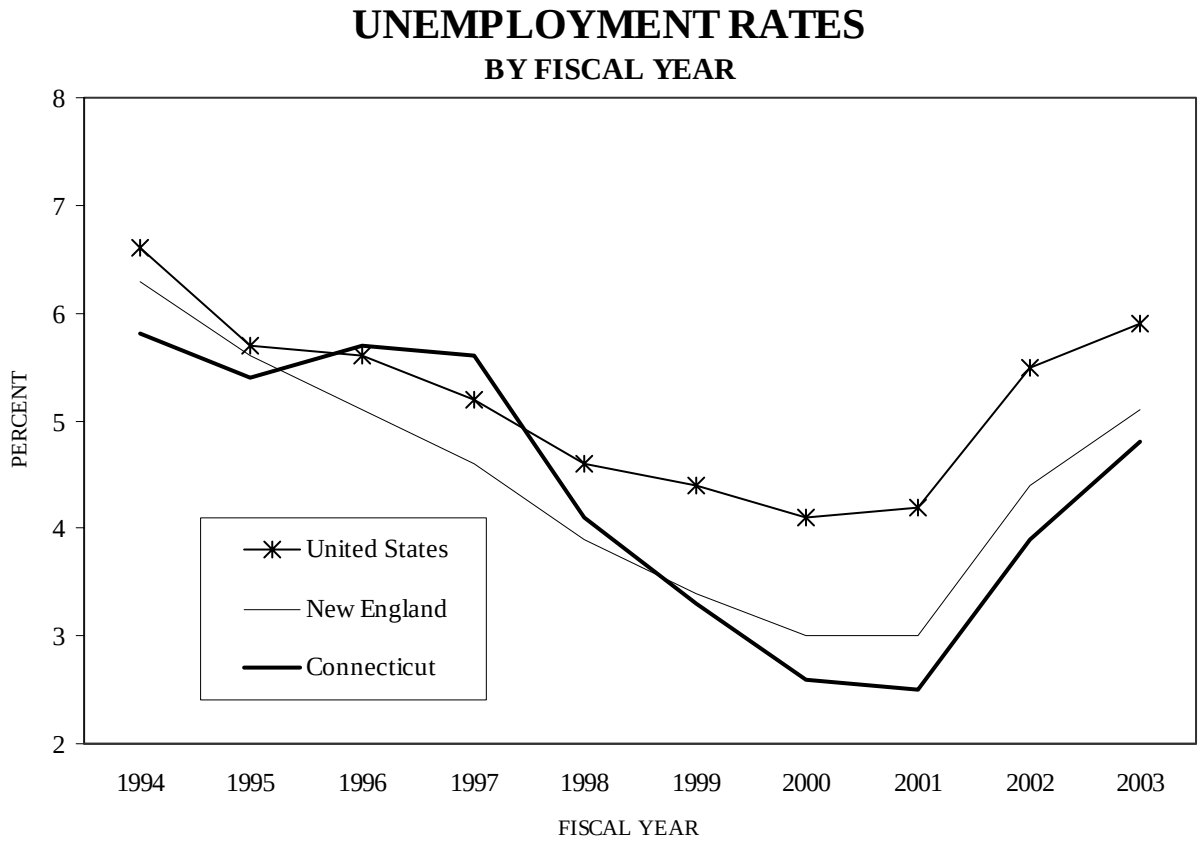
The following Table shows the unemployment rate for the United States, the New England Region, and Connecticut over a ten year period.

TABLE 23
UNEMPLOYMENT RATES

Fiscal Year	United States	New England	Connecticut
1993-94	6.6	6.3	5.8
1994-95	5.7	5.6	5.4
1995-96	5.6	5.1	5.7
1996-97	5.2	4.6	5.6
1997-98	4.6	3.9	4.1
1998-99	4.4	3.4	3.3
1999-00	4.1	3.0	2.6
2000-01	4.2	3.0	2.5
2001-02	5.5	4.4	3.9
2002-03	5.9	5.1	4.8

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

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 latest 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 of 1991.

The United States, like the rest of the industrialized world, relies heavily on three fossil fuels: crude oil, coal, and natural gas. In 2002, they accounted for 86% of total energy consumption. 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 Table on the following page illustrates the disparity between the world's suppliers of oil and its users. Members of the Organization of Petroleum Exporting Countries (OPEC), for example, supplied 28.71 million barrels per day (MBPD) in 2002 and consumed roughly 7 MBPD, leaving a 20 MBPD surplus. The Organization for Economic Cooperation and Development (OECD), on the contrary, consumed more than it supplied. In 2002, the OECD consumed 47.69 MBPD, while supplying only 23.40 MBPD, registering a 24.29 MBPD deficit.

The United States consumed 19.76 MBPD in 2002, representing 25.5% of total world demand, compared to a production of 9.00 MBPD, or 11.8% of world supply. The deficit between supply and demand also exists in larger economies such as Japan, France, and Germany. China, which switched from a net exporter of oil as recently as 1993, began running an increasing oil deficit as its economy continued to grow at a fast pace. In 2002, China consumed 5.26 MBPD while supplying 3.39 MBPD, leaving a 1.87 MBPD deficit, up from a 1.56 MBPD deficit in 2001. Demand for petroleum in China is expected to accelerate and the country is expected to become the world's second largest oil consumer after the U.S. by 2020. Transportation demand for oil is the major factor as the highway network expands and personal wealth increases. Industrial demand is also increasing as the manufacturing sector prospers. China's Production of cars is expected to surpass that of Germany and Japan, and to become the world's 2nd biggest car producer in this decade. The countries making up the former USSR supplied more oils than they demanded. In 2002, the former USSR consumed 3.93 MBPD while supplying 9.38 MBPD, registering a 5.45 MBPD surplus, up from a 5.21 MBPD surplus in 2001.

TABLE 24
WORLD OIL SUPPLY AND DEMAND
Calendar 2002

	Supply			Demand	
	Millions of Barrels Per Day	% of Total		Millions of Barrels Per Day	% of Total
Total OECD (a)	23.40	30.7	Total OECD	47.69	61.5
United States	9.00	11.8	United States	19.76	25.5
Canada	2.93	3.8	Canada	2.10	2.7
North Sea (b)	6.21	8.1	Japan	5.30	6.8
Other OECD	5.26	6.9	Germany	2.72	3.5
			France	1.98	2.6
Total OPEC (c)	28.71	37.6	Italy	1.85	2.4
Saudi Arabia	8.03	10.5	United Kingdom	1.70	2.2
Iran	3.44	4.5	Other OECD	12.28	15.8
Iraq	2.02	2.6			
Other OPEC	15.22	19.9			
Total Non-OECD	24.22	31.7	Total Non-OECD	29.87	38.5
Former USSR	9.38	12.3	China	5.26	6.8
China	3.39	4.4	Former USSR	3.93	5.1
Other	11.45	15.0	Other	20.68	26.7
Total Supply	76.33	100.0	**Total Demand**	77.56	100.0

Note:
(a) The OECD includes the United States, Western European countries, Australia, Canada, Japan, and New Zealand.
(b) North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
(c) The OPEC includes Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

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

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, followed by Iraq's 11.3%. While the Middle East countries dominate crude oil reserves, they hold only 40% of natural gas reserves.

As the economy grows, the United States continues to deplete its energy reserves. U.S. crude oil and natural gas reserves in 2002 were estimated at 22.4 billion barrels and 183.5 trillion cubic feet, or 2.2% and 3.1%, 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 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.

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.

TABLE 25
WORLD OIL & NATURAL GAS RESERVES
January 1, 2002

	Oil		Gas	
	Billions of Barrels	% of Total	Trillions of Cubic Feet	% of Total
North America	**50.9**	**5.0**	**282.1**	**4.8**
United States	22.4	2.2	183.5	3.1
Mexico	23.1	2.3	39.0	0.7
Canada	5.4	0.5	59.7	1.0
Central & South America	**69.1**	**6.8**	**250.2**	**4.2**
Venezuela	50.2	4.9	149.2	2.5
Middle East	**662.5**	**65.0**	**2,367.9**	**39.9**
Saudi Arabia	261.7	25.7	228.2	3.8
Iraq	115.0	11.3	112.6	1.9
Kuwait	98.9	9.7	56.6	1.0
Iran	99.1	9.7	939.4	15.8
Other Mid. East	87.8	8.6	1,031.1	17.4
Western Europe	**17.7**	**1.7**	**182.4**	**3.1**
E. Europe & Former USSR	**67.1**	**6.6**	**1,950.5**	**32.9**
Africa	**94.9**	**9.3**	**477.1**	**8.0**
Far East & Others	**56.5**	**5.5**	**419.9**	**7.1**
Total	**1,018.7**	**100.0**	**5,930.2**	**100.0**

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, "*Annual Energy Review 2002*", May 2003

United States

The nation has long been a net energy importer. According to the *Annual Energy Review 2002*, the U.S. consumed 97.35 quadrillion British Thermal Units (QBTU's) of energy, 2.2 times the 1960 level. Whereas the U.S. produced only 70.95 QBTU's and exported 3.65 QBTU's, it required net imports of 25.39 QBTU's, which represented 26.1% of total national consumption, up from 16.6% in 1990. 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 2002,

fossil fuels accounted for 80.4% of total energy production with coal accounting for 31.9%; natural gas, 27.6%; crude oil, 17.3% and natural gas plant liquids, 3.6%.

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 2002 by fuel type and by economic sector. As can be seen, petroleum products are the most important energy source for the U.S. economy. In 2002, the U.S. consumed 97.61 QBTU's of energy. (The figure differs slightly from the 97.35 QBTU's reported on the prior page due to a difference in the estimation approach). The 38.40 quadrillion petroleum generated BTU's accounted for 39.3% of U.S. fuel consumption, followed by natural gas of 23.15 QBTU's and coal of 22.14 QBTU's. These three fuel sources together accounted for approximately 86% of U.S. fuel consumption. Nuclear and hydroelectric power were distant followers.

TABLE 26
U.S. ENERGY CONSUMPTION IN 2002
(Quadrillion BTU's)

Fuels	Residential	Commercial	Industrial	Trans-portation	Electric Generation	Total	% of Total
Natural Gas	5.06	3.21	8.55	0.67	5.66	23.15	23.7
Petroleum	1.49	0.73	9.15	26.12	0.91	38.40	39.3
Coal	0.01	0.10	2.04	0.00	19.99	22.14	22.7
Nuclear	0.00	0.00	0.00	0.00	8.15	8.15	8.3
Hydroelectric	0.00	0.00	0.05	0.00	2.63	2.68	2.7
Other	0.42	0.10	1.73	0.00	0.06	2.31	2.4
Electricity	4.33	4.12	3.39	0.02	0.78	12.65	13.0
Electric Losses	9.60	9.15	7.53	0.04	(38.18)	(11.86)	(12.2)
Total Demand	20.91	17.41	32.44	26.85	0.00	97.61	100.0
% of Total	21.7%	18.1%	33.7%	27.9%	0.0%	100.0%	

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, "*Monthly Energy Review*", October 2003

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 non-utility facilities and equipment used in the electricity industry. Of the four end-users, the industrial sector was the largest energy consumer in 2002, consuming 32.44 QBTU's, followed by transportation of 26.85 QBTU's, residential of 20.91 QBTU's, and commercial of 17.41 QBTU's. In contrast to the relatively smooth trends in the other sectors, industrial consumption has fluctuated sharply. The electric power generation sector consumes and also produces energy. Energy losses occur throughout the entire electrical system beginning with utility generation in fossil-fired,

nuclear or hydroelectric power plants all the way to the end-users. Energy losses are approximately two-thirds of total energy input during the conversion process of heat energy into mechanical energy for turning electric generators. Of the electricity generated, about 5% is lost in plant use and 9% is lost in transmission and distribution.

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 illustrates 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				
	$/Barrel	$/Barrel Chained		Persian Gulf	Other OPEC	Non-OPEC	Total Imports	Total Demand
Year	Current $	1996$	Year	(%)	(%)	(%)	(%)	(MBPD)
1970	3.40	11.70	1970	N.A.	N.A.	N.A.	N.A.	14,697
1975	10.38	25.93	1975	7	15	15	37	16,302
1980	28.07	49.21	1980	9	16	15	41	17,056
1985	26.75	36.30	1985	2	10	21	32	15,726
1990	22.22	25.68	1990	12	14	22	47	16,988
1995	17.23	17.56	1995	9	14	27	50	17,725
2000	28.26	26.44	2000	13	14	31	57	19,701
2001	22.95	20.97	2001	14	14	32	59	19,593
2002	24.09	21.77	2002	12	12	35	58	19,656

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 2002*", October 2003

Crude 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.

The average price of crude oil in 2002 registered at $24.09 per barrel after reaching a decade high of $28.26 per barrel in 2000. In 2000, crude oil prices rose to $37.80 a barrel in late September, the highest since the Gulf War in 1990-91. This followed a turbulent summer when reformulated gasoline prices soared and global inventories were drawn down significantly. Oil prices fell to the high teens per barrel in late 2001 and early 2002 as demand sharply contracted due to the slowdown in the economy and the September 11th attack, along with a slowdown in the world economy while cutbacks in production were not implemented by some OPEC producers. Oil prices jumped to a high of $35 a barrel in early 2003 with an average of $33.10 a barrel in February as the anxiety surrounding a potential war in the Persian Gulf spread through the oil market and stockpiles of oil reached their lowest levels since 1975. Oil prices slid to $25.74 a barrel in May as the war ended and plans to produce 3 MBPD in Iraq were underway. Oil prices, however, crept up to over $30 a barrel by yearend as world oil demand picked up, Iraqi oil flow bogged down, and crude stocks in the U.S. were below levels considered comfortable.

Crude Oil Consumption

Petroleum consumption in the U.S. has steadily grown from 15.2 MBPD in 1983 to 19.76 MBPD in 2002. As shown in the Table on U.S. Energy Consumption, in 2002, petroleum consumption accounted for approximately 40% 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 24.9 barrels per capita in 2002, down slightly from 25.1 in 2001 but gradually up from 24 barrels in 1983.

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 58.0% in 2002.

Efficiency

Increasing efficiency has spearheaded the nation's energy conservation policy. Energy regulatory agencies have been aggressively promoting energy-efficient products over the past two decades. The National Appliance Energy Conservation Act of 1987 set minimum efficiency standards for 13 appliances and prohibited the sale if standards were not met. In 1992, the EPA embarked upon "*Energy Star*" as a voluntary labeling program to identify and promote energy-efficient products to reduce greenhouse gas emissions. The first labeled products were computers and monitors. The *Energy Star* label is now applicable to furnaces, air conditioners, dishwashers, refrigerators, dehumidifiers, windows, TVs, DVDs, cordless phones, totaling over 30 product categories and thousands of models. The label is granted for

qualified commercial products. Manufacturers having commercial products with scores higher than energy efficiency standards can apply and display this label on their product to convey excellent performance. These certified products carry out the same or better functions and use less energy as compared to older models. For example, a refrigerator labeled with an *Energy Star* can save 50% of the energy of a 10-year old model.

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

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

			Million BTU per 96$ GDP			
	U.S. Energy Consumption*		GDP	Million		Productivity*
Calendar	Total	Percent	Billion	BTU	Percent	Percent
Year	Quadrillion BTU's	Change	(96$)	Per 96$	Change	Change
1975	72.0		4,085	17.64		2.36
1980	78.4	8.87	4,901	15.97	(9.38)	1.16
1985	77.1	(1.75)	5,717	13.48	(16.32)	1.70
1990	84.3	9.45	6,708	12.61	(5.64)	1.38
1995	90.9	7.82	7,544	12.06	(4.13)	1.50
2000	98.8	1.99	9,191	10.75	(10.98)	2.48
2001	96.3	(2.54)	9,215	10.45	(2.89)	1.90
2002	97.6	1.34	9,440	10.34	(1.08)	5.40

Note: * Average productivity for the one-year comparison is the percentage change from one year ago for nonfarm business based on per hour labor output. Average productivity for the 5-year comparison is the average productivity changes for this year and the past four years.

Source: U.S. Department of Energy, "*Monthly Energy Review*", October 2003
U.S. Department of Labor, Bureau of Labor Statistics

In 1980, it required 15.97 million BTU's of energy to produce $1 of GDP measured in 1996 dollars, gradually falling to 10.34 million BTU's in 2002. This reflects that energy efficiency has increased at an average annual rate of 1.6% over the past 20 years. The number of BTU's used per constant dollar of GDP declined 21.0% between 1980 and 1990, compared to a 14.7% reduction 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. A continuing shift in car purchases from the smaller sized

models to the sought-after, less-efficient utility and larger models dramatically reduced the pace of improvement in energy efficiency. According to the U.S. Department of Labor, productivity for the non-farm business sector in the U.S. has increased from an average of 1.50% during the first half of the 1990s to 2.48% during the second half of the 1990s. Productivity increased by 5.40% in 2002.

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. As of the end of 2002, the reserve held 599 million barrels of crude oil.

In early 2000, a shortage of home heating oil sent prices to a high of $2.45 a gallon from $1.00 a gallon a year earlier. To reduce the risk, the U.S. Department of Energy established the Northeast Heating Oil Reserve under the SPR program. The maximum inventory of heating oil in the reserve is 2 million barrels, which will provide relief for approximately 10 days. New Haven, Connecticut is one of the designated storage facilities. This reserve program was permanently established in March 2001 as a part of America's energy readiness effort, separating it from the Strategic Petroleum Reserve. Heating oil is the dominant fuel used for home heating in Connecticut with 52% of all homes in Connecticut using heating oil as the primary heating fuel.

Connecticut

Connecticut is ranked as the most efficient state in the nation in energy usage. Connecticut consumed 5,329 MBTU's per dollar of Gross State Product in 2000, the latest available data, 46% less than the national average of 9,930 MBTU's. When compared to the national per person consumption, Connecticut residents are moderate energy users. Connecticut consumed 253.4 MBTU's of energy per person in 2000, ranking it 45th among the 50 states and 27% less than the national average of 349.0 MBTU's. These figures were far less than Alaska's consumption of 1,000.6 MBTU's, the largest 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 consumers' energy choices and results in prices that are more than 20% higher than the national average in 2003, according to the American Chamber of Consumer Research Association. (Please see the section "Cost of Living Index" elsewhere in this publication.)

The Table on the following page shows a breakdown of the amount and percentage share of total energy consumed in Connecticut by fuel in 2000, the latest available data. When compared to the national average, petroleum has supplied more of Connecticut's energy needs relative to coal and natural gas. This is because petroleum is more easily transported than other types of fuel. The Table on page 40 shows that petroleum prices in 2000 were only 16.8% higher than the national average compared to 80.3% and 38.4% more for coal and natural gas, respectively.

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 state 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 originally four plants located in the state, each with a generation capacity slightly over 6.0 gigawatt 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 and, in 1999, the other one resumed operations. In 2000, the latest available data, the state generated 16,993 gigawatt hours out of total electricity sales of 29,917 gigawatt hours. This implies that, in 2000, the state generated only 56.8% of its demand, relying heavily on imports from other states and Canada for the balance of its need.

TABLE 29
CONNECTICUT ENERGY CONSUMPTION IN 2000
(Trillion BTU's)

Fuels	Resi-dential	Com-mercial	In-dustrial	Trans-portation	Electric Generation	CT Total	% of CT Total	% of US Total
Natural Gas	42.6	49.7	34.4	3.2	0.0	129.9	15.1	23.7
Petroleum	84.4	24.1	41.2	226.3	0.0	376.0	43.6	39.3
Coal	0.0	0.1	36.1	0.0	0.0	36.2	4.2	22.7
Nuclear	0.0	0.0	0.0	0.0	170.7	170.7	19.8	8.3
Hydroelectric	0.0	0.0	3.9	0.0	11.7	15.6	1.8	2.7
Other	8.2	0.9	30.6	0.0	4.9	44.6	5.2	2.4
Deliv. Elec.	39.7	42.6	19.8	0.0	5.8	107.9	12.5	13.0
Deliv. Losses	68.1	73.1	34.0	0.0	(193.1)	(17.9)	(2.1)	(12.2)
Total Demand	243.0	190.5	200.0	229.5	0.0	863.0	100.0	100.0
% of Total	29.0	22.7	23.8	27.3	0.0	100.0		

Note: Totals may not add due to rounding.

Source: U.S. Department of Energy, "*State Energy Data Report, 2000*"

The power grid that supplies electricity to the entire state is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, New England and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. The electricity is delivered to the consumer over the wires of the regulated distribution companies. 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. The Connecticut deregulation law requires the sale of nuclear assets by 2004. In August 2000, Northeast Utilities (NU) announced that Dominion Resources would acquire its three-unit Millstone nuclear station. In 2000, there were 1.5 million electricity consumers in Connecticut, consuming nearly 30 gigawatt hours of electricity provided by investors and publicly owned utility companies. Approximately 95% of the electricity was sold by two investor-owned companies: Connecticut Light & Power Company and United Illuminating Company

Energy prices, including petroleum, natural gas, electricity, and coal in Connecticut have been higher than the national average due primarily to the lack of indigenous fuel sources. The following Table shows that overall energy prices in Connecticut averaged $12.66 per MBTU in 2000, 28.5% higher than the national average of $9.85.

TABLE 30
ENERGY PRICES IN THE U.S. AND CONNECTICUT IN 2000
(Dollars Per Million BTU)

	Coal	Natural Gas	Petroleum	Electricity (End-users)	Total Energy
Connecticut	$2.29	$7.86	$11.61	$27.91	$12.66
United State	$1.27	$5.68	$9.94	$20.04	$9.85
CT as a % of U.S.	180.3%	138.4%	116.8%	139.3%	128.5%

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

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. The aging nuclear generators and the distribution system in Connecticut are more than 30 years old, requiring higher maintenance and operation costs. 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 DPUC, 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. In 1996, the average cost of electricity was 10.5 cents per kilowatt-hour for all end-users. This "standard offer" service is available to all consumers except those that had already entered into special contracts with the electric companies.

Natural gas prices are also higher in Connecticut. Connecticut is situated far from sources of supply and must rely on pipelines that have capacity limitations during periods of peak demand. 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 consumers using the local distribution company's mains and pipelines.

The lack of energy resources and its relatively higher price have a negative impact on the State's economy. As energy prices increase, the use of energy declines and so does the state's output. The University of Connecticut estimates that a 10% increase in energy prices will cut real Gross State Product by 2.5%.

Gasoline Consumption and Automotive Fuel Economy

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 2001, the latest available data year, gasoline consumption in the United States totaled 134.1 billion gallons, the equivalent of 8.75 million barrels per day.

In Connecticut, gasoline consumption totaled 1.50 billion gallons or 35.6 million barrels during 2001. Consumption increased by 1.4%, paralleling the national increase. This converts to consumption of 432 gallons per Connecticut resident versus 465 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.

The following Table shows gasoline consumption during the past ten years for the United States and Connecticut.

TABLE 31
GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT

Calendar Year	U.S. Consumption Gallons (000's)	Percent Change	Connecticut Gallons (000's)	Percent Change
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)
2001	134,110,264	1.4	1,496,469	1.4

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

In 1975, the U.S. Congress authorized the Department of Transportation to set automobile efficiency standards, known as Corporate Average Fuel Economy (CAFE). These regulations mandate that automobile makers achieve a fleet wide minimum for fuel efficiency. After the

enactment of the law, the average miles per gallon (MPG) for automobiles and light trucks increased from 15.3 MPG in model year (MY) 1975 to 28.9 MPG in MY 2002, an 88% improvement in CAFE. The increase in fuel efficiency varied over the past three decades: picking up quickly during the 1970s and 1980s, but remaining relatively constant in the 1990s. This reflects the change in driver's tastes and reduced consciousness on energy conservation. During the 1970s and 1980s, more efficient engines and smaller cars were produced. During the 1990s and into 2000s, light trucks gained market share while sales for high-powered, four-wheel drive cars increased, reducing the average MPG rating for new vehicles. Despite recently introduced high mileage vehicles powered by hybrid-electricity and fuel cells, they only accounted for a fraction of the improvement in the whole auto-industry.

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 (SUVs), and small pick-up trucks that are generally less efficient than cars. As market demand for heavier, larger, and high performance passenger cars resumed, car manufacturers continued to provide less fuel-efficient models. The minivan emerged in the early 1980s and the SUVs popularity rose in the 1990s.

The following Table also shows that the gap in average MPG between foreign imports and American cars has continually been narrowing since 1995. This positive gap even reversed itself beginning in MY 2000 as the fuel economy performance of domestic passenger cars continued to improve while imported cars experienced a decline. Foreign cars with higher performance features continued to be imported as demand increased. The average fuel efficiency of foreign produced 2002 MY passenger cars was 28.7 MPG, up slightly from 28.4 MPG for MY 2001, but down from more than 29.0 MPG for most of the MY 1990s.

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

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
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	20.4	20.5	20.6	20.7	20.7	20.7	20.7	20.7	20.7	20.7
Cars Produced	28.4	28.3	28.6	28.5	28.7	28.8	28.3	28.5	28.6	28.9
Domestic Cars	27.8	27.5	27.7	28.1	27.8	28.6	28.0	28.5	28.8	29.0
Import Cars	29.6	29.6	30.3	29.6	30.1	29.2	29.0	28.3	28.4	28.7
Light Trucks Produced										
(up to 8,500 lbs.)	21.0	20.8	20.5	20.8	20.6	21.1	20.9	21.3	20.9	21.3
Total Fleet	25.2	24.7	24.9	24.9	24.6	24.7	24.5	24.8	24.4	24.6

Source: U.S. Dept. of Transportation, National Highway Traffic Safety Administration, "*Automotive Fuel Economy Program, Annual Update Calendar Year 2002"*

Fuel economy for passenger cars varies, depending upon the car size, manual or automatic transmission, or type of travel, etc. For MY 2004, the two-seater Honda Insight, for example, using a hybrid electric system with 5-speed manual transmission gets 66 miles per gallon on the highway, while the mid-size Toyota Camry SE Standard Sedan using gasoline gets only 24 miles in the city. CAFE standards for passenger cars have remained at 27.5 miles per gallon since 1990 and light trucks at 20.7 miles since 1996. As the economy continues to rely on foreign oil and seeks to increase energy efficiency, tougher auto fuel-economy standards have been fiercely debated for both energy security and environmental concerns.

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. Unlike battery-powered electric cars, which were introduced in California in the 1990s and are required to be recharged by plugging in, the hybrid vehicle can charge as the vehicle runs. 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. However, hybrid-electric vehicles are expected to be on the road in large numbers before fuel cell powered cars hit the market. 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.

Reformulated Gasoline

According to the Clean Air Act, as amended in 1990, 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. The burning of RFG reduces emissions of ozone-forming and toxic air pollutants. Those areas include Hartford and other big cities such as Boston, Chicago, and New York. RFG is blended with domestically produced ethanol to burn cleaner than conventional gasoline, producing approximately 15% to 17% less pollution. After implementing Phase I of the Clean Air program that ran from 1995 through 1999, the Phase II RFG program was begun in 2000, and is designed to result in greater emissions reductions for areas with the worst smog problems, reducing 22% of total toxic pollutants versus 17% for Phase I of the program. California has been enforcing its own reformulated gas rule since 1996, with the whole state already meeting the Phase II RFG program requirements. Reformulated gasoline has been sold in Connecticut since January 1, 1995.

Public Act 03-122 mandated the removal of MTBE from gasoline sold in the state of Connecticut. The effective date for this change is January 1, 2004, contingent upon the state of New York imposing a similar ban. Should the state of New York not implement the ban on MTBE, the effective date for the change in Connecticut will be July 1, 2004. It is expected that the motor fuels industry will substitute MTBE with increased levels of ethanol. Gasoline with an ethanol content of ten percent or more would be eligible for 5.2 cents tax credit from the federal government and a one-cent discount on the state's motor fuels tax rate.

Fluctuations in Gasoline Prices

The price of gasoline is one of the most closely watched items by consumers. The U.S. Bureau of Labor Statistics assigns a 3.091% relative weight to this single component to calculate the CPI-U index, the consumer price index for all urban consumers. Due to their more volatile price fluctuations, energy and food prices are excluded from the CPI-U index to measure the "core inflation" rate in order to understand underlying price changes.

Short-term gasoline prices have long been known for their drastic volatility, often rising and dropping markedly during relatively short periods of time. Regular gasoline, for example, in the U.S. averaged $1.19 per gallon in January 2002, down from $1.63 in September of 2001, then shot back up to $1.42 in April 2002. Gasoline price fluctuations are caused by many factors, but are basically determined by the fundamental law of supply and demand of fuel, any disruption of refinery operations, inventory levels, seasonality and weather conditions, the regulation of environmental standards and geopolitical conditions, etc. In addition, gasoline prices tend to go up faster than they go down when there is turbulence in the energy markets. The long run price, however, shows a relatively stable upward trend except for a 3-year sharp uptick in the early 1980s. Gasoline prices averaged approximately 30 cents a gallon during the 1950s through the early 1970s. After the Arab oil embargo in 1973, gasoline prices gradually increased to hover around $1.50 a gallon. To remove the effects of inflation, the use of inflation-adjusted prices for comparison can better reflect the real price changes. The following Table shows that the average real gasoline price for the past five decades was $1.35 per gallon, with the 1980s much higher and the 1990s much lower than the norm.

TABLE 33
RETAIL MOTOR GASOLINE PRICES
(Dollars per Gallon, Regular Gasoline)

Calendar Year	Nominal Price	Real Price	Average Real Price (for the Decade of)
1950	$0.27	$1.54	$1.46
1960	0.31	1.40	1.32
1970	0.36	1.23	1.33
1980	1.25	2.18	1.63
1990	1.16	1.16	1.19
1999	1.17	1.11	-
2000	1.51	1.41	1.38
2001	1.46	1.34	-
2002	1.36	1.23	-
Average			$1.35

Note: Prices for 1950, 1960, and 1970 are leaded regular and after 1980, unleaded regular. Real prices are in chained 1996 dollars, calculated by using GDP implicit price deflators.

Source: U.S. Dept. of Energy, Energy Information Admin. "*Annual Energy Review,*" Oct. 2003

Gasoline Prices In Developed Countries

The retail price of gasoline in the U.S. averaged $1.76 per gallon in October 2003, compared to $4.82 in the U.K. and $4.75 in Germany. Gasoline prices in the U.S. are slightly over one third that of European countries. Gasoline prices in the U.S may rank among the lowest in the world for oil-importing countries. The Table on the following page shows the retail price of gasoline among selected countries. International gasoline prices are determined by global supply and demand, technological levels, differing consumer tastes, and non-economic factors such as heightened consciousness of energy conservation and the environment. In Europe, these non-economic factors play the primary role in driving up gasoline prices. To conserve energy and prevent environmental damage, large gas taxes, in addition to steep taxes on car purchases and ownership, are levied to discourage car use and hence gasoline consumption. The tax portion of the price of gasoline in the U.S. accounted for only 22% of the retail price, compared to 77% in the U.K. and 76% in France. Of the 39-cent tax in the U.S., 18.4 cents was the federal fuel tax with the remainder attributable to state taxes. In 2003, the highest state fuel tax was Hawaii, at 30.1 cents, and the lowest was Alaska, at 8.0 cents. (Please see section entitled Motor Fuel Tax under the "Major Revenue Raising Taxes" Chapter of this report.)

TABLE 34
END-USER GASOLINE PRICES AMONG DEVELOPED COUNTRIES
Unleaded Premium Gasoline, October 2003

	Before Tax	Tax	End-User Price	Tax As a % of Price	U.S. End-User Price as a % of Other Country
France	1.05	3.34	4.39	76%	40%
Germany	1.19	3.56	4.75	75%	37%
Italy	1.45	3.17	4.62	69%	38%
United Kingdom	1.12	3.70	4.82	77%	36%
Average of Above	**1.20**	**3.44**	**4.64**	**74%**	**38%**
USA	1.37	0.39	1.76	22%	

Source: U.S. Department of Energy, Information Administration, International Energy Agency, November 2003

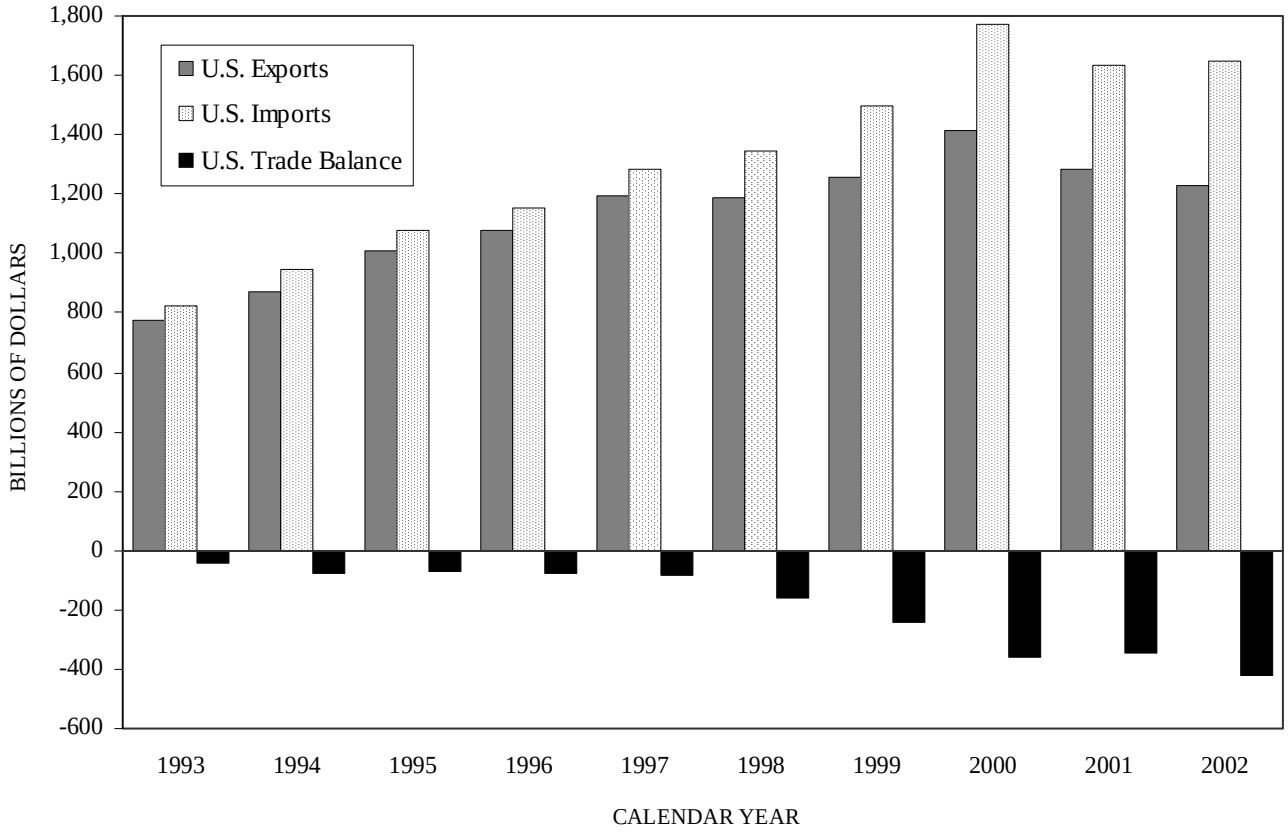
Export Sector

The United States is increasingly becoming a world trade oriented economy. U.S. real exports and imports accounted for 27.6% of Gross Domestic Product (GDP) in 2002, down from 29.1% in 2000, but up from 19.4% in 1990, 13.8% in 1980, 12.4% in 1970, and 9.4% in 1960. The decline in the 2002 share was due to a slowdown in the U.S. and worldwide economies, which impeded export and import trade activities. 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 have been significantly boosting economic growth over the past decades, accounting for 11.2% of real GDP in 2002, down from 12.4% in 2000, but gradually up from 10.4% in 1990, 8.5% in 1980, and 5.6% in 1970. The Chart on the following page 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 $52.3 billion and further dropped to $7.0 billion by 1991. However, it bounced back and grew rapidly to a new record high of $355.8 billion by 2000 due to rapid growth in imports over exports. In 2002, the deficit grew further to $422.0 billion, brought about by an increase in the deficit on goods combined with a decline in the surplus in services and a deterioration in investment income.

The United States' trade balances in the past decade generally improved during recession years, and deteriorated during recovery and expansionary periods. Trade deficits narrowed in 1991 and 2001 when the U.S. experienced an economic slowdown whereas deficits widened during the boom years that were experienced during most of the 1990s. 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.

U.S. TRADE BALANCE
BY CALENDAR YEAR



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, narrowing surpluses in services, and a shift in investment income from surplus to

deficit. In 2002, the surplus in services fell to $64.8 billion from $69.4 billion in 2001 and $77.0 billion in 2000 and the surplus in investment income reversed to a deficit of $14.4 billion from surpluses of $10.7 billion in 2001 and $19.6 billion in 2000. The deficit in merchandise gradually expanded to $482.9 billion in 2002 from a low of $76.9 billion in 1991. The total trade deficit registered $422.0 billion in 2002, up from $347.1 billion in 2001.

In 2002, either imports grew faster or exports declined more in all major categories including merchandise, services, and investment income. This was attributed to a slowdown in the worldwide economy. Most of America's major trade partners in 2002 experienced a lackluster growth after either a negative or mediocre growth in real GDP in 2001. Major trade partners with stagnant real GDP growth included Germany (0.2% vs. 1.0% in 2001), Japan (0.2% vs. 0.4% in 2001), France (1.2% vs. 2.1% in 2001), Mexico (-0.3% vs. 0.9% in 2001), and Singapore (-2.4% vs. 2.2% in 2001.) The European Union, which is comprised of large economies including the United Kingdom, France, and Germany, grew only 1.1% in real GDP after a growth of 1.8% in 2001. Real GDP in the U.S. grew 2.5% in 2002, after an anemic expansion of 0.3% in 2001. U.S. total exports fell 4.3% after falling 9.3% in 2001 as the world economy weakened. A two-year detailed listing of these three categories is broken down in the Table on the following page.

Merchandise Trade

There are six subcategories within merchandise trade, including foods, feeds and beverages; industrial supplies and materials; capital goods excluding autos; consumer goods and others. The deficit in merchandise trade registered $482.9 billion in 2002, up from $427.2 billion in 2001 and much higher than the recent low of $76.9 billion in 1991. Before 1991, the merchandise trade deficit had declined as exports grew faster than imports. After 1991, however, the situation reversed itself; imports climbed faster than exports, resulting in a continued increase in the trade deficit. The increase in the 2002 deficit in merchandise trade was due to an increase in imports while exports declined. U.S. commodity imports registered an increase of 1.6% in 2002 compared to a decrease of 5.1% in exports.

United States merchandise 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. In contrast, U.S. exports have been concentrated in two categories: capital goods and industrial supplies & materials. These two categories accounted for approximately 66% of the country's merchandise exports. The broad penetration of foreign imports indicates the difficulty the U.S. would have in improving its trade position.

Of the total deficit of $482.9 billion, consumer goods accounted for the largest portion of the deficit, reaching $223.6 billion in 2002. This category registered a 14.0% increase after growth of 1.8% in 2001 and 19.6% in 2000. 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, toys and sporting goods. Nondurables include footwear, apparel, medical, dental and pharmaceutical preparations.

The second largest portion of the deficit occurred in the auto category at $124.8 billion, a 9.1% increase from 2001's deficit of $114.3 billion. Both exports and imports experienced single-digit growth. Exports of automotive vehicles, engines, and parts increased 4.7%, due mostly to

shipments of completed autos, trucks, buses, and parts to Canada. Imports of automotive products increased 7.4%, compared to a decrease of 3.1% in 2001. Imports of complete automotive vehicles and parts from Germany and Japan, as well as parts and accessories from Mexico accounted for most of the increase. Overall, the U.S. imported 3.3 million cars and light trucks, capturing 19.6% of the domestic market, up from 18.0% in 2001.

TABLE 35
U.S. TRADE DEFICIT BY CATEGORY
(In Billions of Dollars)

	2001			2002		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**1,284.9**	**1,632.1**	**(347.1)**	**1,229.6**	**1,651.7**	**(422.0)**
Merchandise	**718.7**	**1,145.9**	**(427.2)**	**681.9**	**1,164.7**	**(482.9)**
Foods/Beverages	49.4	46.6	2.8	49.6	49.7	(0.1)
Industrial Supplies & Materials	160.2	276.1	(115.9)	156.9	268.1	(111.2)
Capital Goods, Excluding Autos	321.7	298.0	23.7	290.5	283.3	7.2
Autos	75.4	189.8	(114.3)	78.9	203.7	(124.8)
Consumer Goods	88.3	284.5	(196.2)	84.4	308.0	(223.6)
Others	23.6	50.9	(27.3)	21.6	51.9	(30.4)
Services	**288.9**	**219.5**	**69.4**	**292.2**	**227.4**	**64.8**
Travel & Transportation	118.3	121.5	(3.3)	112.8	116.5	(3.8)
Royalties, License fees, etc.	157.2	70.9	86.3	166.7	70.9	95.8
Other Services	13.4	27.0	(13.6)	12.7	39.9	(27.2)
Investment Income	**277.4**	**266.7**	**10.7**	**255.5**	**259.5**	**(4.0)**
Direct Investment	124.3	17.8	106.5	142.9	49.5	93.5
Other Private Investment	146.4	160.0	(13.7)	106.1	127.7	(21.6)
U.S. Gov't Receipts/Payments	3.6	80.7	(77.1)	3.3	73.9	(70.6)
Compensation of Employees	3.1	8.1	(5.0)	3.2	8.4	(5.2)
	Percent Change From Previous Year					
Total Trade	**(9.3)**	**(7.9)**	**(2.4)**	**(4.3)**	**1.2**	**21.6**
Merchandise	**(6.9)**	**(6.4)**	**(5.6)**	**(5.1)**	**1.6**	**13.0**
Foods/Beverages	3.2	1.4	46.2	0.4	6.5	(102.6)
Industrial Supplies & Materials	(7.2)	(8.6)	(10.5)	(2.1)	(2.9)	(4.1)
Capital Goods, Excluding Autos	(9.9)	(14.1)	137.9	(9.7)	(4.9)	(69.8)
Autos	(6.1)	(3.1)	(3.1)	4.7	7.4	9.1
Consumer Goods	(1.2)	0.9	1.8	(4.5)	8.3	14.0
Others	(4.5)	(1.0)	2.3	(8.7)	2.0	11.2
Services	**(3.1)**	**(0.7)**	**(9.9)**	**1.2**	**3.6**	**(6.6)**
Travel & Transportation	(11.0)	(6.8)	(230.9)	(4.7)	(4.1)	16.2
Royalties, License fees, etc.	4.4	(0.6)	8.9	6.0	0.0	11.0
Other Services	(8.3)	40.3	191.9	(4.7)	47.8	99.2
Investment Income	**(20.0)**	**(18.5)**	**(45.5)**	**(7.9)**	**(2.7)**	**(137.1)**

Direct Investment	(18.1)	(68.6)	12.2	15.0	177.1	(12.2)
Other Private Investment	(22.2)	(11.0)	(262.9)	(27.5)	(20.2)	58.0
U.S. Gov't Receipts / Payments	(7.4)	(2.8)	(2.5)	(7.2)	(8.4)	(8.4)
Compensation of Employees	5.4	7.8	9.3	2.4	3.7	4.6

Note: Percent changes were derived before rounding to billions.

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2003

Industrial supplies and materials including energy products, iron and steel, metal products, lumber and paper and chemicals accounted for the third highest portion of the deficit. As worldwide demand for final goods declined, so did the need for industrial materials. Imports decreased 2.9% to $268.1 billion and exports decreased 2.1% to $156.9 billion, resulting in a $111.2 billion deficit. This was the only trade category that improved from the previous year. Imports of petroleum decreased slightly to $103.5 billion from $103.6 billion in 2001. The imported price of petroleum, measured by the refiner's acquisition cost of crude oil, averaged $24.09 per barrel in 2002 compared to $22.95 in 2001. Imports of petroleum fell to 12.06 million barrels per day (MBPD) from 12.42 MBPD in 2001.

Capital goods continued to post a surplus at $7.2 billion in 2002; however, the surplus dropped 69.8% from previous year's $23.7 billion. This sector, which excludes autos, includes machine tools, telecommunications equipment, hospital and scientific instruments, industrial engines, and oil drilling and mining equipment. The deterioration in surplus was caused by a faster decline in exports than imports. Exports declined by 9.7% to $290.5 billion in 2002, compared to a 4.9% decrease in imports, bringing it to the lowest level since 1996. Exports of complete civilian aircraft increased, which was more than offset by the declines in computers, peripherals, and parts as well as electric and non-electric machinery. The decrease in imports was attributable to a weak demand for high-technology products, primarily for civilian aircraft, engines, telecommunications equipment, semiconductors and electronic products. Imports of computers, peripherals, and parts as well as hospital and medical equipment increased.

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 falling surplus in service transactions, it continued to play a vital role in the balance of trade. The surplus in service transactions declined to $64.8 billion in 2002, gradually down from a peak of $90.4 billion in 1997. This is the only category that posted a surplus in trade. Faster increases in imports than exports led to the decline in the surplus. Imports increased 3.6% to $227.4 billion while exports of services increased 1.2% to $292.2 billion. Spending by foreign visitors dropped 4.7% over the previous year as slowing growth in major economies abroad limited the number of visitors to America, and likewise visits abroad by U.S. residents decreased by 4.1%. Traveling to and from the U.S. in 2002 is still below pre-September 11th levels. Receipts from royalty and license fees were the major contributor to the surplus in services, and its role continues to be more favorable to the trade balance. Of the $64.8 billion total surplus in 2002, $95.8 billion was attributable to royalty and license fees, which more than

offset the deficits in travel and other services. This ratio rose to 150% in 2002, up from 101% in 2001, and 99% in 2000. This reflects that the U.S. continues to lead in technology worldwide.

Investment Income

The balance in investment income registered a deficit of $4.0 billion, reversing from surpluses of $10.7 billion in 2001 and $19.6 billion in 2000. This component had traditionally experienced higher surpluses in the $30 billion to $40 billion range in the early 1980s, but has been drifting down as foreign-owned assets in the U.S. continue to increase. 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 declined 12.2% to $93.5 billion from $106.5 billion in 2001. Receipts from U.S. direct investment abroad increased 15.0% compared to an extremely large 177.1% increase in payments on foreign investments in the U.S. The increase of U.S. earnings from direct investment abroad reflected mainly an appreciation of some key foreign currencies. Limited economic growth in industrial countries generated only a small increase in earnings for affiliates located abroad. The increase in payments on foreign investments in the U.S. reflected primarily the strong economic recovery in the U.S. The U.S. GDP grew 2.5% in 2002 versus 0.3% in 2001. The deterioration of the deficit in the "other private income" category was due to a larger decrease in receipts than payments. Receipts from foreign financial accounts, stocks, and bonds dropped 27.5% to $106.1 billion while payments of income to foreign investors decreased 20.2% to $127.7 billion. Lower interest receipts accounted for the major losses as average interest rates declined about 200 basis points. Dividends earned on stocks increased slightly, reflecting poor global economic conditions and the weakness in operational profitability.

The deficit in government receipts / payments account declined. U.S. government receipts were $3.3 billion in 2002 whereas payments on U.S. government liabilities declined to $73.9 billion, resulting in a deficit of $70.6 billion, compared to a deficit of $77.1 billion in the previous year. Despite increased net purchases of Treasury securities by foreign holders in 2002, yields declined as interest on short-term bills dropped 150 basis points and long-term bonds fell 100 basis points.

As described above and listed in the Table on the following page, 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.

According to the U.S. Department of Commerce, in calendar 2002, foreign assets in the U.S., measured at current cost, increased by $409.1 billion, or 5.0%, to $8,576.4 billion, compared to a paltry increase of $1.8 billion, or less than 0.1%, to $6,189.2 billion for U.S. assets abroad. This placed U.S. international investment at a net negative of $2,387.2 billion, which deteriorated from $1,979.9 billion in 2001. U.S. direct investment in assets abroad continues to exceed

foreign direct investment in the U.S. In 2002, the U.S.'s direct investment abroad was $1,751.9 billion and foreign direct investment in the U.S. was $1,504.4 billion, registering $247.4 billion in net investment, up from $83.7 billion in 2001. 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 2002 with a 29.1% increase to $1,814.9 billion, up from $1,405.5 billion in 2001.

TABLE 36
INTERNATIONAL INVESTMENT
(Millions of Dollars At Current Cost)

	2001	2002	Change	Percent Change
A. U.S.-owned assets abroad	**6,187,410**	**6,189,191**	**1,781**	**0.0%**
U.S. official reserve assets	129,961	158,602	28,641	22.0%
U.S. government assets	85,654	85,686	32	0.0%
U.S. credit & long-term assets	83,132	83,059	(73)	(0.1%)
Currency holdings & short-term assets	2,522	2,627	105	4.2%
U.S. private assets	5,971,795	5,944,903	(26,892)	(0.5%)
Direct investment abroad	1,598,072	1,751,852	153,780	9.6%
Foreign securities	2,114,734	1,846,976	(267,758)	(12.7%)
Bonds	502,061	501,784	(277)	(0.1%)
Stocks	1,612,673	1,345,192	(267,481)	(16.6%)
Financial instruments	2,258,989	2,346,075	87,086	3.9%
B. Foreign-owned assets in the U.S.	**8,167,316**	**8,576,402**	**409,086**	**5.0%**
Foreign official assets	1,027,194	1,132,530	105,336	10.3%
Government securities	798,844	898,005	99,161	12.4%
Others	228,350	234,525	6,175	2.7%
Foreign private assets	7,140,122	7,443,872	303,750	4.3%
Direct investment	1,514,374	1,504,428	(9,946)	(0.7%)
Foreign securities	3,520,274	3,661,827	141,553	4.0%
Treasury securities & currency	664,569	800,712	136,143	20.5%
Corporate & Municipal Bonds	1,391,616	1,690,296	298,680	21.5%
Stocks	1,464,089	1,170,819	(293,270)	(20.0%)
Financial instruments	2,105,474	2,277,617	172,143	8.2%
C. Net U.S. Total Investment Position (A-B)	**(1,979,906)**	**(2,387,211)**	**(407,305)**	**20.6%**
Net U.S. private investment position	(1,168,327)	(1,498,969)	(330,642)	28.3%
Direct Investment	83,698	247,424	163,726	195.6%
Other Indirect investment	(1,405,540)	(1,814,851)	(409,311)	29.1%
Net Bond and Stock Investment	(811,579)	(888,242)	(76,663)	9.4%
Net Government liabilities and Others	(740,971)	(1,014,139)	(273,168)	36.9%

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2003

The Table on the following page shows U.S. trade transactions by area. The deficit on goods and services in 2002 was $422.0 billion, an increase of $74.9 billion. An increase in imports accompanied with a decline in exports, mostly from Western European, Latin American and the Asian area, contributed to the deterioration in the trade deficit. Most of the import increase in the Asian area was from China, mostly in consumer goods and moderately in capital goods. Both exports and imports with Japan fell. However, declines in U.S. exports were more than declines in imports, resulting in an increase in the deficit. Surplus with Australia increased as a result of a larger increase in exports than in imports of capital goods. The trade deficit with the European Union also increased as the block's economy slowed. The European Union's real GDP grew 1.1% in 2002 after an increase of 1.8% in 2001.

TABLE 37
U.S. INTERNATIONAL TRANSACTIONS
(By Area, In Billions of Dollars)

	2000			2001			2002		
	Exports	Import	Bal.	Exports	Imports	Bal.	Exports	Imports	Bal.
Total Trade	**1,416.9**	**1,772.7**	**(355.8)**	**1,284.9**	**1,632.1**	**(347.1)**	**1,229.6**	**1,651.7**	**(422.0)**
Western Europe	437.4	496.7	(59.2)	398.8	465.0	(66.2)	374.6	471.4	(96.8)
Canada	232.5	260.1	(27.7)	209.9	237.1	(27.2)	204.7	234.5	(29.8)
Japan	112.3	202.2	(89.9)	97.9	174.5	(76.6)	92.7	173.2	(80.6)
Australia	24.4	12.0	12.4	19.6	12.9	6.7	22.7	11.4	11.3
Eastern Europe	13.1	21.6	(8.5)	13.8	20.1	(6.3)	13.5	21.4	(8.0)
Latin America (1)	303.1	318.6	(15.5)	273.1	294.3	(21.1)	241.3	290.3	(49.0)
Asia & Africa (2)	258.4	445.0	(186.7)	237.9	412.3	(174.4)	244.4	431.5	(187.1)
Others (3)	35.8	16.5	19.3	33.8	15.8	18.0	35.9	17.9	18.0
European Union (4)	392.9	444.7	(51.9)	357.7	419.0	(61.2)	335.9	424.3	(88.4)

(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
(4) Includes 15 member states: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, The Netherlands, & United Kingdom

Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2003

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 5.1% of the 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 $8,313.4 million in 2002. 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 $3.6 billion and income receipts of approximately $3.1 billion on Connecticut direct investment abroad also play a vital role in Connecticut. These bring Connecticut's total export related receipts to $15.0 billion, or approximately 9.0% 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 higher than the national average.

Exports of educational services also play an important role in the state's economy. There were 6,603 foreign students attending Connecticut colleges in the 2002-03 school year, accounting for 1.13% of the national total, down 18.0% from 2001-02 school year and compared to the national increase of 0.6%, according to the *Institute of International Education*. It is estimated that this total would rise to 7,500 foreign students if those who attend secondary and middle schools were included. It is estimated foreign students and their dependents spend $230 million on tuition, room and board, and the other incidentals of everyday life. Tourism receipts had also steadily increased up until the September 11th attack. It is estimated that as many as 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 (NAICS 336), Chemicals (NAICS 325), Fabricated Metal (NAICS 332), Nonelectrical Machinery (NAICS 333), Computer & Electronic Equipment (NAICS 334), Electrical Equipment (NAICS 335), and Miscellaneous Manufacturing (NAICS 339). NAICS refers to the North American Industry Classification System, which replaced the Standard Industrial Classification (SIC) system and was implemented in 1997. The top seven industries account for 86.2% of Connecticut's foreign sales. The Table on the following page shows the breakdown of major products by NAICS code for the past five years. In 2002, Transportation Equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters, spacecraft, etc. accounted for 49.3% of total exports, followed by Computer & Electronic at 9.1%, Nonelectrical Machinery at 8.1%, Chemicals at 6.0%, Fabricated Metal at 5.1%, and Miscellaneous Manufacturing at 4.7%. The industrial machinery and equipment related sector, which includes NAICS 332, 333, 334 and 335, accounts for 26.1% of total. In terms of average annual growth for this period, Transportation Equipment posted the strongest growth at 12.0%, followed by increases of 8.3% in Electrical Equipment (NAICS 335), 8.1% in Fabricated Metal (NAICS 332), and 7.5% in Paper (NAICS 322). The industry that posted the biggest loss was Miscellaneous Manufacturing (NAICS 339) at negative 7.3%, followed by Plastics and Rubber Products (NAICS 326) at negative 2.9%, Chemicals (NAICS 325) at negative 2.3% and Nonelectrical Machinery (NAICS

333) at negative 2.2%. The Miscellaneous Manufacturing industry produces medical and surgical equipment and instruments.

Overall growth in exports of commodities for the past five years averaged 3.5%. Exports of $8.3 billion is estimated to account for 5.06% of Connecticut Gross State Product (GSP), 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 4.9% and 5.2% for the past five 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 GSP, resulting in a fairly stable percentage of exported goods relative to GSP.

TABLE 38
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT
(In Millions of Dollars)

NAIC	Industry	1998	1999	2000	2001	2002	% of 2002 Total	Average Growth 98-02
322	Paper	134.1	139.5	150.8	139.5	174.9	2.1%	7.5%
325	Chemicals	557.0	547.7	612.8	567.3	499.9	6.0%	(2.3%)
326	Plastics & Rubber	159.6	153.1	144.6	152.0	141.2	1.7%	(2.9%)
331	Primary Metal	182.1	191.1	247.0	210.1	167.6	2.0%	(0.2%)
332	Fabricated Metal	312.9	328.5	369.8	391.5	427.4	5.1%	8.1%
333	Machinery, exc. Elec.	801.4	755.7	1,005.2	898.0	669.8	8.1%	(2.2%)
334	Computer & Electronic	762.6	877.6	904.5	804.4	760.0	9.1%	0.4%
335	Electrical Equipment	242.9	242.9	292.9	259.8	316.3	3.8%	8.3%
336	Transportation Equip.	2,665.3	2,599.0	3,168.5	3,988.3	4,098.7	49.3%	12.0%
339	Miscellaneous MFG	568.3	581.5	395.1	430.3	393.6	4.7%	(7.3%)
	Others	916.3	814.5	755.7	769.1	664.0	8.0%	(7.6%)
	Total Commodity Exports	7,297.1	7,231.2	8,046.8	8,610.4	8,313.4	100.0%	3.5%
	% Growth	3.4%	(0.9%)	11.3%	7.0%	(3.4%)		
Gross State Product ($M)		142,701	149,010	161,929	166,165	164,337		5.4%
	% Growth	5.73%	4.42%	8.67%	2.60%	2.60%		
Exports as a % of GSP		5.11%	4.85%	4.97%	5.18%	5.06%		

Note: GSP for 2002 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)

Individual Connecticut firms with the highest export sales include General Electric, United Technologies, Xerox, Champion, Perkin & Elmer, Pitney Bowes, and the Stanley Works.

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 2002, exports originating from Connecticut totaled $8.3 billion, with 62.2% of the total being shipped by air, 15.1% being delivered by sea, and the remaining 22.7% being transported inland by railroad or truck to Canada, Mexico or other states for further shipment to other countries. This compares with 55.4% by air, 17.6% by sea, and 27.5% by land for exports totaling $4.5 billion in 1990. This reflects the demand for meeting just-in-time inventory requirements, as the majority of goods produced are transported by air as it provides more frequent departures and faster transit times.

The Table on the following page shows the ten major foreign countries to which state firms export their products. In 2002, Canada remained by far the largest destination country at 18.0%, followed by France, Germany, Japan, and the United Kingdom. These five countries accounted for 53.3% of total state exports in 2002. Exports to Canada declined 14% to $1.49 billion in 2002. Exports to Canada have been fairly stable in the previous five years, hovering between $1.73 billion and $1.83 billion. Exports to Canada benefited from proximity and similar cultural backgrounds, but seemingly not from the North American Free Trade Agreement (NAFTA). Exports to Canada accounted for 17.9% of Connecticut's total exports in 1988, the year before NAFTA. The extension of NAFTA to include Mexico in 1994 also seems not to have yielded a noticeable benefit to the State due in part to the geographical distance. Exports to Mexico for the past five years stayed in the $0.3 billion to $0.4 billion range. The share of the State's exports to Mexico accounted for 4.8% in 2002, compared to 14.1% for the Nation. Exports to our major partners in East Asia including Singapore, South Korea, and Taiwan played an important role. Exports to these three countries totaled $826 million, accounting for 9.9% of exports.

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

Destination	2002 Rank	1998	1999	2000	2001	2002	Percent of 2002 Total	1998-02 Average Growth Rate
Canada	1	1,771.7	1,780.4	1,831.2	1,728.8	1,492.4	18.0%	(4.0%)
France	2	885.4	959.8	1,112.3	1,416.3	1,178.4	14.2%	8.7%
Germany	3	467.0	403.8	561.2	675.4	654.1	7.9%	10.7%
Japan	4	458.8	516.1	508.3	616.6	606.5	7.3%	7.7%
United Kingdom	5	437.4	431.0	471.2	462.4	499.9	6.0%	3.5%
Singapore	6	236.7	180.5	198.5	413.5	407.3	4.9%	23.3%
Mexico	7	302.2	333.3	404.9	326.6	402.0	4.8%	8.9%
South Korea	8	238.8	314.9	158.4	190.9	300.3	3.6%	15.0%
Turkey	9	14.9	183.9	292.7	75.2	229.8	2.8%	332.1%
Belgium	10	167.5	141.4	96.6	159.2	212.8	2.6%	12.8%
Other Areas		2,316.8	1,986.3	2,411.5	2,545.7	2,330.1	28.0%	1.1%
TOTAL		7,297.1	7,231.2	8,046.8	8,610.4	8,313.4	100.0%	3.5%

Source: Connecticut Department of Economic Development

Connecticut's exports have also experienced 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, Asia and the Middle East. Connecticut's firms exported to approximately 170 countries worldwide in 2002. A breakdown of Connecticut's exports by region shows that while trade volume and the share of exports to Europe, Asia, and Latin America continued to increase over the past five years, both trade volume and the share to Africa have declined, with volume dropping from $168.6 million in 1998 to $46.3 million in 2002 when the share declined from 2.3% in 1998 to 0.6% in 2002. Africa may represent a potential market that Connecticut's manufacturers can expand their exporting efforts.

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 1995 dollars of output in Connecticut creates an additional 13.8 jobs in the instrument industry, for example, an additional 15.6 jobs in transportation equipment, and an additional 9.9 jobs in the chemical industry. In 2002, Connecticut had an estimated 120,800 jobs directly related to exports that comprised approximately 57% of the state's work force in the manufacturing sector. These jobs, which were directly involved in exporting, in turn, generated an estimated 88,900 jobs in the service sector in areas such as transportation, communication, retail sales, as well as banking and financial services, bringing the total to 209,700 jobs that are directly or indirectly associated with exports. This implies that, in Connecticut, 148 out of every 1,000 private sector workers were employed in export related jobs in 2002.

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 2001, the latest available data, there were 813 manufacturing and non-manufacturing foreign affiliates in Connecticut, employing 123,000 workers with $14.42 billion of investment, up from 116,000 workers with $13.22 billion of investment in 2000. A foreign affiliate is defined as a single foreign person owning or controlling, directly or indirectly, 10% or more of the voting securities.

In 2001, Germany comprised 20.2% of total foreign investment at $2.92 billion, followed by the United Kingdom at $2.41 billion, the Netherlands at $1.71 billion, France at $0.88 billion, and Japan at $0.84 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 slowed. Canadian investment in Connecticut registered $884 million in 2001, gradually rising from $852 million in 2000 and $716 million in 1999, but still well below the peak of $1,270 million in 1992.

In order to increase global competitiveness and sustain the state's economic growth and prosperity by expanding the state's international business and investment, the Connecticut Department of Economic and Community Development launched an international trade initiative and set up foreign trade representatives in Africa, Argentina, Brazil, China, Israel, 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 the following:

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

Or visit their website, http://www.state.ct.us/ecd/ 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 2002, according to information supplied by the U.S. Department of Defense, Connecticut-based companies received $5.64 billion in defense-related prime contract awards. This was up 32.1% from the $4.27 billion received in awards for FFY 2001, and was down 7.2% from the peak of $6.08 billion in FFY 1989. The Table on the following page shows the breakdown by type and value of contracts since FFY 1993. Connecticut's total defense awards, based on a three year moving average, have increased at an average annual rate of 1.1% during this time, compared to an average growth of 3.7% for the nation. This is because Connecticut has been much more dependent on supply contracts, which includes procurement of aircraft, ships, weapons, and equipment, etc., than is the nation as a whole, and they declined through most of the 1990s, and are only recently rebounding. 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 had shifted from an emphasis on full production of new systems to the development of prototypes; therefore, defense procurement had been falling at a faster rate than overall defense spending, although the war on terrorism appears to have begun another shift in procurement strategy.

The analysis of contract awards shows that, through 2000, Connecticut's defense industry had been especially vulnerable to contractions in defense spending because of its particular dollar distribution or mix of awards. The state had 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 through most of the last decade. The election of President George W. Bush, however, appears to have reversed this trend, given the level of awards for the last couple of years.

In FFY 2002, contractors in the state were awarded $5.6 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. Of the total awarded, $4.9 billion, or 86.5%, went to the following five Connecticut companies listed below primarily for the described areas of work:

1.	United Technologies Corp.	$2,858,012,000	Aircraft Rotary Wing
2.	General Dynamics Corp.	$1,878,708,000	Submarines
3.	Anteon International Corp.	$48,112,000	Information Technology & Engineering Services
4.	Engineered Support Systems, Inc	$45,295,000	Military Support Equipment
5.	Ensign-Bickford Industries, Inc.	$44,440,000	Ordnance

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

Type of Contract	Supply	R&D*	Service	Construction	Civil Function	Total
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
FFY 2001	3,468,084	376,018	390,812	30,075	4,555	4,269,544
(% of Total)	81.2	8.8	9.2	0.7	0.1	100.0
FFY 2002	4,085,824	979,756	547,279	17,482	8,244	5,638,585
(% of Total)	72.5	17.4	9.7	0.3	0.1	100.0

Average % of Total	72.8	12.9	13.3	0.4	0.6	100.0
Average Growth** (FFY 1993-02)	6.9	20.6	2.0	11.4	6.3	7.7
U.S. FFY 2002	71,503,014	26,491,033	51,235,169	6,097,547	3,410,652	158,737,415
(% of Total)	45.1	16.7	32.3	3.8	2.1	100.0

Note: * Denotes Research & Development.
** Average annual growth rate of 3 year moving average trend.

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

Prime defense contracts have tended to be "leading" indicators of the state's economic activity. This means that changes in defense contract awards precede changes in employment. However, new defense contract awards cannot be directly converted into anticipated employment gains or losses because: a) contracts have different terms and different completion dates; b) subcontracting on prime awards may be done by firms in different states; c) research and development contracts are usually capital intensive rather than labor intensive; and d) there often exists a time lag between awarding the contract and having the necessary funding become available. Although employment is affected by the defense budget, the state's economic activity is not immediately impacted by fluctuations in defense contracts. The following Table compares defense contract awards with employment in Connecticut's transportation equipment sector.

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 Table also shows that the coefficient of variation for the state's real defense contract awards, over the past decade, was 0.267 compared with only 0.118 for transportation equipment employment. This implies that, in general, the fluctuations in employment are 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.

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 '96 Dollars (000's)	% Growth
1992-93	2,894,638	(6.6)	64.57	(11.3)	3,143,036	(9.3)
1993-94	2,450,069	(15.4)	58.27	(9.8)	2,593,899	(17.5)
1994-95	2,718,021	10.9	53.53	(8.1)	2,798,278	7.9
1995-96	2,638,260	(2.9)	50.94	(4.8)	2,638,260	(5.7)

1996-97	2,535,981	(3.9)	50.21	(1.4)	2,478,806	(6.0)
1997-98	3,408,719	34.4	50.24	0.1	3,281,153	32.4
1998-99	3,169,394	(7.0)	48.24	(4.0)	2,984,861	(9.0)
1999-00	2,177,465	(31.3)	45.69	(5.3)	1,983,997	(33.5)
2000-01	4,269,544	96.1	46.02	0.7	3,782,560	90.7
2001-02	5,638,585	32.1	45.93	(0.2)	4,917,699	30.0
Coefficient of Variation	0.328		0.118		0.267	

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

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 $3.1 billion in FFY 1993, real defense contract awards increased to $4.9 billion in FFY 2002. This represents an average growth of 5.1% per year from FFY 1993 to FFY 2002, with virtually all of the growth occurring in the last two years, most likely spurred by the war on terrorism.

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 0.328, compared to 0.138 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
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
2000-01	4,270	96.1	3,205	9.8	135,225	9.7	124,465	7.4
2001-02	5,639	32.1	4,029	25.7	158,737	17.4	139,086	11.7
Coefficient of Variation	0.328				0.138			

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 signs of reversal in the last few years.

Over the last several 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 prior year defense reductions, dramatically increased the volatility of Connecticut's awards during the 1990's.

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 3.4% in FFY 1993 to 1.8% in FFY 2000, and back up to 2.5% in FFY 2002. (This was 9.8% in 1982.) This decline, shown in the following Table, has been the result of dwindling defense contract awards, now appearing to reverse itself, increasingly competitive defense markets, and 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
1992-93	2,895	114,145	2.5	107,924	3,658	3.4
1993-94	2,450	110,316	2.2	112,395	2,815	2.5
1994-95	2,718	109,005	2.5	118,645	2,688	2.3
1995-96	2,638	109,408	2.4	124,157	2,602	2.1
1996-97	2,536	106,561	2.4	134,968	2,631	1.9
1997-98	3,409	109,386	3.1	142,701	2,861	2.0
1998-99	3,169	114,875	2.8	149,010	3,038	2.0
1999-00	2,177	123,295	1.8	161,929	2,918	1.8
2000-01	4,270	135,225	3.2	166,165	3,205	1.9
2001-02	5,639	158,737	3.6	164,337	4,029	2.5
Coefficient of Variation	0.328	0.138				

Note: GSP for 2002 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 2002, while Connecticut ranked ninth in total defense contracts awarded, it ranked second in per capita defense dollars awarded with a figure of $1,629. This figure was almost three times the national average of $550. In 2001, Connecticut ranked tenth in total defense contracts awarded and third in per capita defense dollars awarded with a figure of $1,243. This was more than 2.4 times the national average of $513 for that year.

The Table on the following page shows, by state, federal fiscal year 2002 total awards, per capita awards and their corresponding rank.

TABLE 44
COMPARISON OF STATE PRIME CONTRACT AWARDS
Federal Fiscal Year 2002

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	18,128,343	2	2,486	1	Louisiana	1,682,809	23	375	26
Connecticut	5,638,582	9	1,629	2	Pennsylvania	4,570,848	12	371	27
Alaska	911,385	34	1,416	3	Rhode Island	364,615	41	341	28
Arizona	6,685,413	5	1,225	4	North Dakota	206,758	44	326	29
Maryland	6,505,464	6	1,192	5	Arkansas	833,144	35	307	30
Hawaii	1,433,119	28	1,151	6	Minnesota	1,528,522	25	305	31
Alabama	4,671,544	11	1,041	7	Indiana	1,860,420	22	302	32
Missouri	5,755,988	8	1,015	8	Ohio	3,444,476	15	302	33
Maine	1,107,665	32	856	9	South Carolina	1,138,075	31	277	34
Mississippi	2,271,531	18	791	10	South Dakota	190,930	45	251	35
Massachusetts	4,928,649	10	767	11	New York	4,434,714	13	231	36
Georgia	5,814,196	7	679	12	Tennessee	1,304,690	29	225	37
California	23,816,142	1	678	13	Michigan	2,179,845	20	217	38
Utah	1,509,355	27	652	14	Wisconsin	1,064,752	33	196	39
Texas	13,699,660	3	629	15	Iowa	552,231	38	188	40
Vermont	383,942	40	623	16	North Carolina	1,520,133	26	183	41
Colorado	2,623,545	17	582	17	Nebraska	306,109	43	177	42
Kentucky	2,268,249	19	554	18	Delaware	135,059	48	167	43

New Hampsh.	605,703	37	475	19	Nevada	359,265	42	165	44
Washington	2,789,479	16	460	20	Illinois	2,005,747	21	159	45
Kansas	1,222,936	30	450	21	Wyoming	79,203	50	159	46
Oklahoma	1,572,674	24	450	22	Montana	128,625	49	141	47
New Mexico	823,384	36	444	23	Idaho	160,694	47	120	48
Florida	7,072,494	4	423	24	Oregon	404,142	39	115	49
New Jersey	3,452,119	14	402	25	West Virginia	169,538	46	94	50
U.S. Total	158,737,107		$550						

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 Table on the following page summarizes some programs of particular interest to the State of Connecticut contained in the Department of Defense Budget for 2004.

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

Item	Contractor	Component	Budget FFY 2004 ($M)	Proposed 2005 by DoD ($M)	Quantity	
RAH-66 Commanche Helicopter	Sikorsky Aircraft	Airframe and avionics systems development	$1,079.3	$1,181.6	N / A	(a)
UH-60 Blackhawk Hel.	Sikorsky Aircraft	Prime Contractor for production	$237.2	$148.0	10 in 2004 & 8 in 2005	
MH-60R Helicopter	Sikorsky Aircraft	Prime Contractor for airframe dev. and production	$475.6	$510.9	6 in 2004 & 10 in 2005	(b)
MH-60S- Helicopter	Sikorsky Aircraft	Prime Contractor for production	$490.6	$483.5	13 in 2004 & 15 in 2005	
C-17 Airlift Aircraft	Pratt & Whitney	Engine production	$3,686.3	$4,169.9	11 in 2004 & 14 in 2005	(b) (c)
F-15E Eagle Fighter	Pratt & Whitney	Prime Contractor for engine	$317.0	$307.0	N / A	(b)
F-16 Falcon Fighter	Pratt & Whitney	Continued engine development	$402.0	$388.9	N / A	(d)
F-22 Advanced Tactical Fighter	Pratt & Whitney	Engine production	$5,170.2	$5,087.5	22 in 2004 & 24 in 2005	(e)

Item	Contractor	Component	Budget FFY 2004 ($M)	Proposed 2005 by DoD ($M)	Quantity	
F-35 Joint Strike Fighter	Pratt & Whitney	Engine develop. and evaluation	$4,365.8	$4,588.0	N/A	(f)
Virginia Class Submarine	Electric Boat Div. of General Dynamics	Prime Contractor, design, joint production	$2,640.5	$2,993.0	1 in 2004 & 1 in 2005	(g)

(a) Currently in development phase. Joint venture with Boeing.
(b) Includes research, development, testing and evaluation.
(c) Replacement for C-141.
(d) Joint venture with General Electric. To be replaced by Joint Strike Fighter.
(e) To replace F-15 aircraft.
(f) To replace F-16, AV-8B & F/A-18.
(g) Will replace retiring submarines. At this time, at least six are planned.

Source: U.S. Department of Defense

Moreover, the Table on the following page 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
SAMPLES 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
Cabrera Services, Inc., East Hartford	Several Locations World-wide	11/21	$4,000.0	Air Force base design, construction, renovation and repair	11/2008
Cabrera Services, Inc., East Hartford	Several Locations World-wide	4/11	$1,100.0	Architectural/engineering environmental assessment and design services	9/2011
Morganti/AICI (Joint Venture), Danbury	Air Base in Qatar	9/29	$70.3	Facility design and construction	9/2005
McLaughlin Research Corp., New London	Newport, RI	9/18	$17.2	Engineering support, safety, environmental, security, occupational health services	9/2008
Loos & Company, Pomfret	Pomfret, CT	9/30	$11.4	Provide wire rope and mechanical cable assemblies	9/2006

Yardney Technical Products, Inc., Pawcatuck	Pawcatuck, CT	8/4	$8.9	Provide silver zinc batteries	6/2008

Source: U.S. Department of Defense

While defense budgets for the foreseeable future had been expected to be leaner than ten years ago, the Bush Administration appears to have reversed the declining trend seen over most of the last decade, especially given the wars in Afghanistan and Iraq and the war on terrorism. These new conflicts 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. Additionally, with previously awarded contracts and ongoing construction contracts for aircraft engines, helicopters and submarines, production activity in Connecticut will extend well into the future.

Over the last decade or so, the defense industry reacted to defense cutbacks in various ways. With fewer contracts to compete for, companies consolidated, leaving fewer companies to compete for the shrinking pie. As the federal budget experienced slower growth and the defense industry consolidated through mergers, acquisitions and joint ventures, Connecticut 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 are in the past and the industry diversified into commercial markets. Former prime contractors have now become subcontractors. Companies also engaged in aggressive cost cutting measures. These moves 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 were 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 helped mitigate the impact of the cuts on the state. To aid the defense industry as well as boost the overall business climate, the state enacted some innovative legislation in the form of tax credits, exemptions, and reductions for both specific industries and businesses in general. These changes created a more friendly business climate, provided long-term economic benefit, and aided in the revitalization of the economy. These companies responded further by developing new technologies, new products, and new markets at home and abroad. Again, however, the administration in Washington has stated a commitment to increased defense spending, and contracts for 2001 and 2002 have begun to hint at a dramatic reversal of the trend established during most of the 1990s.

The Table on the prior page 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 finding different 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 Table on the following page 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 2004.)

Retail sales reflect the pulse of economic conditions: they perform strongly as the economy expands whereas they perform poorly during a recession. The following Table demonstrates the fluctuating pattern of retail sales in the state. Connecticut retail trade in fiscal 2003 totaled $45.2 billion, a 2.8% increase.

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

SIC		FY 1999	% of Total	FY 2000	FY 2001	FY 2002	FY 2003	% of Total
A.	**Amounts of Retail Trade**							
52	Hardware Stores	2,320	5.8%	2,418	2,376	2,751	2,736	6.0%
53	General Merchandise	3,742	9.4%	3,744	3,024	4,002	4,191	9.3%
54	Food Products	6,922	17.4%	7,139	7,521	8,127	8,142	18.0%
55	Automotive Products	7,963	20.0%	8,712	8,531	8,605	8,688	19.2%
56	Apparel & Accessory	2,047	5.1%	2,195	2,237	2,274	2,105	4.7%
57	Furniture & Appliances	4,011	10.1%	4,299	3,971	3,629	3,518	7.8%
58	Eating & Drinking	2,966	7.4%	3,148	3,327	3,374	3,460	7.7%
59	Misc. Shopping Stores	9,865	24.8%	10,975	11,247	11,161	12,329	27.3%
	Total	39,836	100.0%	42,630	42,234	43,924	45,169	100.0%
Durables (SIC 52,55,57)		14,294	35.9%	15,429	14,878	14,986	14,942	33.1%
Nondurables (All Other SIC)		25,542	64.1%	27,201	27,356	28,939	30,227	66.9%

B.	**Change From Previous Year**						FY 99-03 Average Growth
52	Hardware Stores	53.4%	4.2%	(1.7%)	15.8%	(0.5%)	14.2%
55	Automotive Products	4.0%	9.4%	(2.1%)	0.9%	1.0%	2.6%
57	Furniture & Appliances	(7.4%)	7.2%	(7.6%)	(8.6%)	(3.1%)	(3.9%)
	Durables (SIC 52,55,57)	5.9%	7.9%	(3.6%)	0.7%	(0.3%)	2.1%
53	General Merchandise	(1.3%)	0.0%	(19.2%)	32.3%	4.7%	3.3%
54	Food Products	6.8%	3.1%	5.3%	8.1%	0.2%	4.7%
56	Apparel & Accessory	7.9%	7.2%	1.9%	1.6%	(7.4%)	2.3%
58	Eating & Drinking	6.0%	6.1%	5.7%	1.4%	2.6%	4.4%
59	Misc. Shopping Stores	4.7%	11.3%	2.5%	(0.8%)	10.5%	5.6%
	Nondurables (All Other SICs)	4.7%	6.5%	0.6%	5.8%	4.5%	4.4%
	Total	5.1%	7.0%	(0.9%)	4.0%	2.8%	3.6%

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.

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 had a minimal 0.3% decline in fiscal 2003, after a 0.7% increase in 2002.

Sales by hardware stores (SIC 52), which include establishments selling lumber and building materials, paint, wallpaper, and hardware registered $2.74 billion in fiscal 2003, a 0.5% decrease from fiscal 2002, with sales of lumber and building materials increasing 1.8% to $2.17 billion. Although the State's non-agricultural employment started falling in July 2000 and continued through the end of fiscal year 2003, a historically low inflation rate coupled with favorable mortgage interest rates and the shift of investment dollars from equities into the housing market created a strong demand for new and existing housing.

Sales in the general merchandise category (SIC 53) were $4.19 billion, an increase of 4.7% from $4.00 billion in fiscal 2002. 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 and Target. These merchandise stores carry a diverse range of commodities, including items such as appliances, radios, TVs, home furnishings, household linens, dry goods, and a general line of apparel. A sharp increase in sales at 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 and Costco 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 $8.14 billion in fiscal 2003, up 0.2% from $8.13 billion in fiscal 2002. Sales in dairy products stores increased 34.7% to $0.02 billion, followed by increases of 19.8% in cannery & confectionary stores to $1.41 billion, and 9.3% in miscellaneous food stores to $0.3 billion. Fruit and vegetable stores as well as retail bakeries also had minimal increases in sales of 3.7% and 0.5% respectively. In contrast, sales by meat and fish market stores fell 17.7% to $0.07 billion in fiscal 2003, followed by a decline of 3.7% at grocery stores that registered $6.2 billion. Sales at retail bakeries continued to lose ground to the super-grocery stores. Food products are necessary goods; therefore, consumption is less affected by economic conditions.

Sales of automotive products (SIC 55) were $8.69 billion, a scant 1.0% increase from the $8.60 billion in fiscal 2002. Automotive product stores play an important role in the retail industry, generating approximately 20% of total retail trade. Auto dealers include new and used passenger cars, light trucks, and other vehicles such as boats and motorcycles, as well as recreational trailers and campers. The increase in fiscal 2003 sales mostly reflected activity at dealers of new and used cars, recreation and utility trailers, and motorcycles.

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. In addition the introduction of crossover vehicles that feature an SUV on car platforms have started to create another wave of buyer interest. Minivans and light trucks, which have gained popularity at the expense of station wagons and sedans, are estimated to account for 52.4% of 2002 model sales, up from 49.1% in 2001.

Sales by apparel and accessory stores (SIC 56) were $2.11 billion in fiscal 2003, down 7.4% from fiscal 2002. 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. Sales in men's & boys' stores, women's accessory & specialty, and miscellaneous stores showed growth in fiscal 2003, up 0.5%, 3.2%, and 11.4% respectively. On the other hand, sales in women's stores, children & infants, family clothing stores and shoe stores dropped, falling 1.6%, 9.4%, 18.5% and 8.3% respectively.

Sales by home furniture and appliance stores (SIC 57) registered $3.5 billion in fiscal 2003, down 3.1% from $3.6 billion in fiscal 2002. These establishments are comprised of computer

and software stores, furniture stores, and home furnishing stores. Sales by home improvement related stores increased, while sales of computer related items fell significantly, reflecting mixed business conditions in a sagging economy. Sales at computer and software stores fell 27.2% to $0.41 billion, caused by poor sales, deep price cuts, and the ability to custom order computers through the Internet. Sales also declined at record stores (17.8%) and household appliance stores (14.1%). Sales increases were registered in drapery (16.2%), radio, TV & electronics (10.4%) furniture stores (5.0%), and at floor covering stores (2.8%).

Sales by eating and drinking establishments (SIC 58) were $3.5 billion in fiscal 2003 up 2.6% from fiscal 2002. Of the total, sales in eating places were $3.3 billion, up 2.6% from $3.2 billion in fiscal 2002. Sales in drinking places rose by 1.6% to $0.15 billion.

Sales by miscellaneous shopping stores (SIC 59) were $12.3 billion in fiscal 2003, up 10.5% from fiscal 2002. 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 at jewelry stores increased a dramatic 53.6%. Sales also increased at fuel dealers (32.4%), luggage stores (8.4%), and liquor stores (5.2%). In contrast, sales at gift novelty & souvenir stores declined 47.0%, followed by decreases at news dealers (16.8%), cigar shops (16.7%), florists (12.7%), and specialty stores (6.3%).

As people become more conscientious about their health and the population ages, demand for nutritional supplements (such as vitamins or herbal drugs and medicines for preventive purposes) and fitness & exercise equipment has increased. Sales by drug stores reflected this trend, growing 44.3% in fiscal 2003. Although the need for health care drugs and supplements grows with an aging population, drug stores at the same time face fierce competition. Traditional and chain drug stores have been yielding market share to supermarkets and discount stores. Sales by direct selling organizations such as Amway and Tupperware continued to grow, up 28.9% to $1.3 billion in fiscal 2003 while sales by mail order houses fell 14.9% to $0.73 billion.

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

U.S. Supreme Court rulings forbid states from forcing retailers to collect sales tax unless the seller has a physical presence in the state where the purchase is made (nexus). As retail sales via the Internet grew rapidly, the U.S. Department of Commerce started estimating e-commerce quarterly transactions in late 1999. In fiscal 2003 national retail e-commerce sales are estimated at $48.64 billion, accounting for 1.47% of total retail sales of $3,317.8 billion. Retail transactions through the Internet have increased much faster than traditional brick and mortar sales. E-

commerce retail sales rose 22.1% in fiscal 2003 compared to a 3.67% increase for traditional retail sales. The estimate of e-commerce sales does not include travel agencies, financial services, manufacturers, and wholesalers.

Sales via the Internet continue to grow at a brisk pace. According to the Bureau of Census, national e-commerce retail sales in the third quarter of 2003 were up 27.0% from the same period a year ago. Retail e-commerce sales in Connecticut were estimated at $975 million in fiscal 2003. Connecticut has seen erosion of its tax base due to the Internet sales trend. With most residents failing to file use taxes for the purchase of goods and services made over the Internet, along with the increase in on-line businesses, future sales tax losses are inevitable.

Currently, a joint effort by state and local governments as well as the private sector on the Streamlined Sales Tax Project (SSTP) has been undertaken, aimed at fundamentally restructuring the national sales tax system by creating a uniform taxable base and simplifying tax administration among the states. The SSTP, which is a voluntary system, reached an agreement among the 35 implementing states on November 11th, 2002. As of October 2003, 20 states are in compliance with the Streamlined Sales Tax Implementing States Agreement. Connecticut is currently a non-voting participant state. If enough states make the required changes to their tax codes to bring about national uniformity, it will be one less legal obstacle for states to face in collecting revenue from Internet transactions. Momentum for the project is likely to grow as many states confront fiscal difficulties over the next year. The likelihood of Congressional action on the issue also increases as more states adopt the streamlined approach.

Retail trade as a percentage of disposable income in Connecticut decreased to 35.7% in 2003, down from 36.6% in 2002. The decrease reflects a slower growth in the demand for goods, and to a lesser extent for services, than disposable income. The state's per capita disposable income of $36,313 in 2003 was 30% above the national average of $27,391. In 2003, Connecticut per capita retail trade was estimated at $12,968. With the highest per capita disposable income in the nation, continued overall growth in retail sales is expected. In general, wealthier people tend to purchase more expensive cars and replace them more frequently. The same may be applicable for other durable goods such as computer equipment, appliances and furniture. Additional factors, 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 Table on the following page 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 declining in Hartford, Tolland, and Windham.

Although the retail trade sector is one of the major sources of jobs in the Connecticut economy, both the number of establishments and employment has declined. 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 Table on the following page using the most recently collected data from 1997 compares retail sales with personal income growth and changes in population. Slower sales growth in Hartford reflected below average growth in income and a decline in population while the healthy sales growth in Fairfield reflected the then strong economic growth due to the gains in the stock market and the high concentration of similar sources of unearned income.

TABLE 49
RETAIL SALES, INCOME AND POPULATION BY COUNTY

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

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

Small Business in Connecticut

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

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

According to Connecticut General Statutes, Chapter 588r, a small business is a firm with 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 2001, the latest year for which complete, consistent and comparable data is available, among the total 92,105 establishments employing 1,555,214 persons in Connecticut, small businesses with fewer than 100 employees accounted for 82.5% of total establishments and 35.7% of the total labor force.

The Table on the following page shows the breakdown of employment for manufacturing and non-manufacturing sectors and the distribution statistics for establishments and employment

by business size in Connecticut. This Table demonstrates that small businesses constitute a major part of the state's employment and have contributed to job growth through the 1990s.

The Table also shows that, in 2001, small business firms played almost an equally important role in the nonmanufacturing sector as in manufacturing. Businesses with more than 500 employees accounted for 49.1% of total employment in nonmanufacturing, compared to 54.3% 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. This certainly fits the traditional economic production model. Determining whether small or large businesses create more jobs, however, depends upon the point in the economic cycle when the assessment begins. We may be seeing a change.

A breakdown of total employment into manufacturing and nonmanufacturing sectors reflects different growth patterns for various firm sizes. During this 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. During this time, the percentage of all manufacturing firms which had 500 or more employees fell from 63.7% in 1992 to 54.3% in 2001, while the percentage of all nonmanufacturing firms which had 500 or more employees rose from 45.5% in 1992 to 49.1% in 2001. This more pronounced decrease in the employment in larger manufacturing firms could be explained by a move to permanent downsizing and outsourcing, thus becoming more productive. It is cheaper for larger firms to outsource more work to smaller firms and reduce their costs of sudden and drastic changes in labor requirements. The relatively larger increases in employment seen in the larger nonmanufacturing firms could be the result of a maturing of the service industries and the resulting consolidation of some services into larger firms.

TABLE 50
SMALL BUSINESS EMPLOYMENT IN CONNECTICUT
(Size of Employment in Thousands)

Calendar Year	1-4	5-9	10-19	20-99	100-499	500&up	Total
A. Employment			Manufacturing Employment				
1992	4.0	6.7	12.4	45.1	49.8	207.5	325.6
2000	3.5	6.1	12.1	44.3	40.8	125.9	232.8
2001	3.5	6.0	12.1	44.2	40.8	126.7	233.2
(# Change, 92-01)	(0.6)	(0.8)	(0.3)	(0.9)	(9.1)	(80.8)	(92.4)
(% Growth, 92-01)	(13.9%)	(11.4%)	(2.5%)	(2.0%)	(18.2%)	(38.9%)	(28.4%)
(% Growth, 92-00)	(12.5%)	(8.6%)	(1.8%)	(1.9%)	(18.1%)	(39.3%)	(28.5%)
(% Growth, 00-01)	(1.6%)	(3.0%)	(0.7%)	(0.2%)	(0.1%)	0.7%	0.2%
			Nonmanufacturing Employment				
1992	73.9	82.7	93.1	195.2	146.8	494.9	1,086.6
2000	72.9	85.5	101.9	227.2	181.2	644.8	1,313.5
2001	72.0	84.7	100.9	231.2	184.5	648.8	1,322.0
(# Change, 92-01)	(1.9)	2.0	7.7	36.0	37.7	153.9	235.4
(% Growth, 92-01)	(2.6%)	2.4%	8.3%	18.5%	25.7%	31.1%	21.7%
(% Growth, 92-00)	(1.3%)	3.3%	9.4%	16.4%	23.4%	30.3%	20.9%
(% Growth, 00-01)	(1.3%)	(0.9%)	(1.0%)	1.8%	1.8%	0.6%	0.7%
			Total Employment				
1992	77.9	89.5	105.5	240.3	196.6	702.5	1,412.2
2000	76.4	91.6	114.1	271.4	222.0	770.6	1,546.3
2001	75.4	90.7	112.9	275.4	225.2	775.5	1,555.2
(# Change, 92-01)	(2.5)	1.2	7.4	35.1	28.6	73.0	143.0
(% Growth, 92-01)	(3.2%)	1.4%	7.1%	14.6%	14.5	10.4%	10.1%
(% Growth, 92-00)	(1.9%)	2.4%	8.1%	13.0%	12.9%	9.7%	9.5%
(% Growth, 00-01)	(1.3%)	(1.0%)	(1.0%)	1.5%	1.4%	0.6%	0.6%
B. Total Establishments							
2001	44.2	14.0	8.9	8.9	3.9	12.2	92.1
C. Distribution of Establishments & Employment, 2001							
Establishments	48.0%	15.2%	9.6%	9.7%	4.2%	13.3%	100.0%
Cumulative	48.0%	63.2%	72.8%	82.5%	86.7%	100.0%	
Total Employment	4.9%	5.8%	7.3%	17.7%	14.5%	49.9%	100.0%
Cumulative	4.9%	10.7%	17.9%	35.7%	50.1%	100.0%	
Nonmfg Employ.	5.4%	6.4%	7.6%	17.5%	14.0%	49.1%	100.0%
Cumulative	5.4%	11.9%	19.5%	37.0%	50.9%	100.0%	

Totals may not add due to rounding.

Source: U.S. Department of Commerce, Bureau of the Census
Manufacturing employment in Connecticut has continued on a downward trend through the 1990s since its peak in 1984. The loss of manufacturing employment occurred across the board with the smallest decrease in smaller firms which 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. Large manufacturing businesses have been more responsive to economic conditions by adjusting their workforce size or moving. The downward trend is a common phenomenon for states in the Northeast because of unique regional economic factors. The decline has been more rapid until 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 a long track record, 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 may not be able 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 from larger firms. To ensure constant growth for the economy, it is imperative that policy makers pay special attention to small businesses. Recognizing that small business is an important engine of economic growth, the State has aggressively created and provided a wide range of programs and services aimed to help expand or set-up new businesses. The Connecticut Department of Economic and Community Development (DECD) has partnered with the Connecticut Economic Resource Center, Inc. to provide programs such as counseling, training, financing, technical assistance, and trade information to assist this important sector.

For more information, please write or contact the following:

Connecticut Economic Resource Center, Inc.
805 Brook Street
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

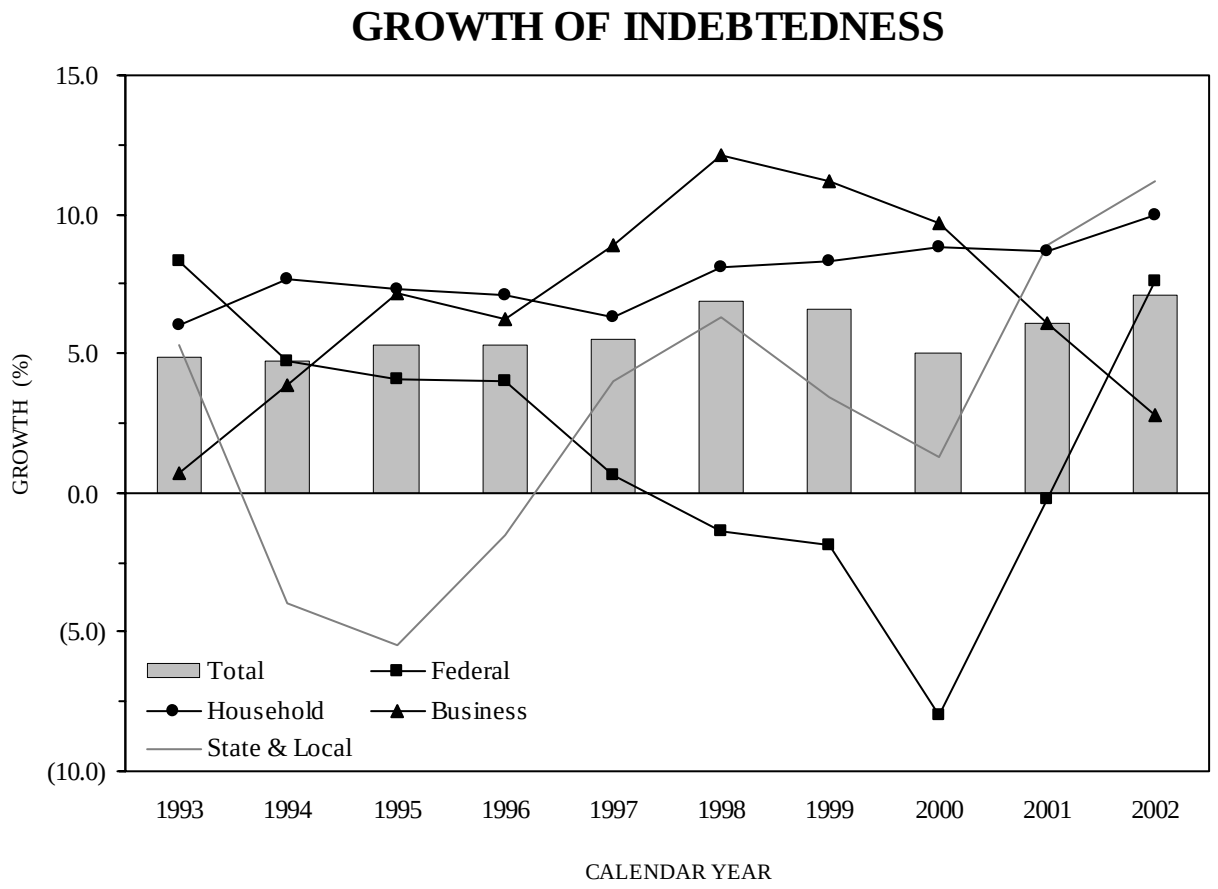
For many years, national attention has centered on the issue of the federal budget and trade deficits, as well as the level of indebtedness of domestic nonfinancial entities. Domestic Nonfinancial Debt (DNFD) is the aggregate net indebtedness of all nonfinancial borrowers in the United States. It includes 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 Chart on the following page 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 an average of 6.6% in the past 10 years. It grew 7.1% in 2002, up from 6.1% in 2001. Among the four components, only the growth in debt of nonfinancial businesses slowed, the other three sectors showed either a continued rapid increase or a reversal in their downward trend. Growth in both the household as well as the state and local government sectors continued at a brisk pace, growing 10% or more. The improvement in debt outstanding of the federal government stopped with a 7.6% growth in 2002. The turnaround for the federal government was due to a reduction in revenue from tax cuts, a slowdown in the economy, an increase in spending related to the fight against terrorism at home and abroad, as well as other functions such as the rising cost of health care. Growth in household borrowings jumped as interest rates sank to a 45-year low that spurred demand for housing and resulted in substantial appreciation in home values and equity. Growth in state and local government's debt financings climbed in recent years as financial conditions turned sour. In addition, favorably low interest rates permitted large refinancings for debt retirement. Growth in the business sector continued to edge down after a decade of fast paced expansion, reflecting a decline in fixed investment due to a weakening economy. Details for each sector are described beginning on the next page.

In 2002, according to the Federal Reserve, the seasonally adjusted year-end total domestic nonfinancial debt outstanding was $20,655.1 billion, with households accounting for 41.0% of the total, nonfinancial businesses at 34.4%, the federal government at 17.6%, and state and local governments at 7.0%. Prior to 1990, household borrowings trailed those of businesses; however, faster growth since 1991 in home mortgages and consumer credit coupled with a steady increase in income helped catapult household borrowings to the top. Over the past decade, the private sector has increasingly played a more important role in the debt market. Debt outstanding in the household and nonfinancial business sectors accounted for 75.4% of the total in 2002, up from 63.9% for 1993. Rapid growth of debt in the household and nonfinancial business sectors was accompanied by a gradual decline in federal as well as state & local government debt in late 1990s. Among the four categories, the household sector grew 100% in the past decade, followed by nonfinancial business at 92%; state and local governments at 25%; and the federal government at 9%, compared to an increase of 66% for total debt balances.

The DNFD-to-GDP ratio stood at 195.1% in 2002, up from 182.6% in 2000, 185.6% in 1990 and 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 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 decline in the late 1990s in the ratio was due to a reduction in federal debt accompanied by more robust GDP growth. However, the ratio increased lately, resulting from a slowed economy and an accommodative monetary policy.



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

Household Borrowing

Household borrowings, which accounted for 41% of total non-financial debt, include home mortgages, consumer credit, and other miscellaneous items. Growth in household borrowings accelerated to 10.0% in 2002 after an average growth of 8.5% for the previous four years.

Growth in household borrowings is closely related to economic and household wealth conditions. When income and wealth expand, it nurtures consumer spending and confidence, and then sustains consumer spending and borrowings. During the second half of the 1980s, when borrowing growth averaged 9.0%, 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. In the first half of the 1990s, when growth averaged 6.3%, sluggish income growth, the depressed value of real estate, an uncertain economy, and increased health insurance and educational costs made consumers more cautious. In the second half of the 1990s, household borrowings climbed to 7.7% on average as a result of the continued strong economy, a healthy growth in income from wages, capital gains, and an appreciation in home values.

The rapid growth in household borrowings continued in 2002 and extended into 2003 despite a slowing economy. The value of stocks dropped 44% by the end of 2002 to $7.2 trillion from their peak in the first quarter of 2000. However, due to the continued decline of mortgage rates to a four-decade low, home values increased 34% to $13.7 trillion during the same period, according to the Board of Governors of the Federal Reserve System. Continued appreciation in home values and a decline in interest rates have created a vibrant housing market, helping dilute the negative wealth impact brought about by a sharp decline in the stock market. The economy continues to grow as families use home equity to finance spending, trade up, or invest in new construction amid a time when business investment has been on the wane. The ratio of net home equity to disposable personal income, one of the measures of the wealth effect, increased from a ratio of 1.49 in the first quarter of 2000 to 1.73 in late 2002. The share of net home equity, which is the value of one's home less a home mortgage, in total family net assets has become more important, increasing from 30% to 52% during the same period.

Among total household borrowings of $8.47 trillion in 2002, home mortgage loans accounted for $6.05 trillion, or 71.4%, followed by consumer credit at $1.93 trillion, or 22.8%, with the remainder in other miscellaneous items. The resurgence of household borrowings primarily reflects strength in home mortgages despite a slowdown in the economy. Total outstanding home mortgages in late 2002 were up 12.4% from a year ago. Brisk demand for homes and refinancings were mainly supported by extraordinarily favorable mortgage rates and aggressive mortgage lending. Higher housing turnover rates have accelerated one-time purchases of investment type spending such as home furniture, appliances, tools, and others. It is estimated that 33% of cashed-out mortgage refinancing dollars is for home improvement, followed by debt repayment at 28%, investment at 21%, and other spending at 18%. 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. Home mortgages continued to expand into 2003 as 30-year mortgage rates reached its record low of 5.21% in mid-June. As a result of the fast increase in mortgage loans, the household mortgage debt-service burden, measured by payments as a percentage of disposable personal income, also reached its recent high at 7.79% in late 2002, up from 6.35% in 2001. The tapping of home equity for spending on items other than home improvements or upgrade concerns economists. When housing prices stop rising and interest rates creep up, consumer spending may negatively affect the economy if personal income only increases modestly.

Consumer credit not secured by real estate, including automobile loans, personal loans, and revolving credit (which includes credit card debt and store charges) registered $1,932 billion in late 2002, up 4.3% from a year go. Consumer credit helped finance a large expansion in spending for consumer non-durables. Credit card debt continues to increase at a rapid pace as convenience and security continue to improve, and more consumers rely on credit cards for making purchases online or by telephone. It is estimated that 61% of American have one or more credit cards. This sector not only offers "teaser" rates to lure new clients with rates as low as a 0% for a portion of a year, but also has lowered the minimum payments to 2% of balances from 3% or 4% in the last five years. In addition, credit cards have been making inroads in the purchases of other goods and services. Use of credit cards for 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 the rise 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 half of all small businesses used credit cards as a financing source. 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.

Business Borrowing

Business borrowings include debts owed by corporations, nonfarm noncorporations and farms. Total borrowings grew by 2.8% to $7.29 trillion at the end of 2002. The bulk of the debts are owed by corporations that account for 70% of the total. Corporate borrowings grew slowly by 1.1% to $4.87 trillion at the end of 2002, the slowest growth year since 1993, due to previous over-investment and uncertainty in the economy. 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 38.9%, followed by mortgages at 31.4%, and bank loans at 16.0%. Both corporate bonds and mortgages grew substantially as interest rates remained low, while financing through traditional bank loans declined. Corporate bonds issued grew 5.3% to $2.70 trillion at the end of 2002 and corporate mortgage borrowing grew 8.8% to $2.18 trillion. Mergers and acquisitions as well as equity initial public offerings continued to weaken.

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 $22.0 billion in fiscal 1997. The situation continued to improve, resulting in a surplus of $69.3 billion in fiscal 1998, the first surplus since 1969, a surplus of $236.5 billion in fiscal 2000 and $127.3 billion in fiscal 2001. However, deficits returned in fiscal 2002 registering $157.8 billion and deteriorated to $374.2 billion in fiscal 2003.

The turn from a consecutive 4-year surplus to deficits was due to the combination of a decline in revenue accompanied by an increase in outlays. The major revenue categories that registered a sharp decline were personal income and corporation taxes associated with softened job and stock markets. Outlays in 2003 that grew by double-digit growth rates included health and education. Thanks to an accommodative monetary policy, Federal Funds interest rates fell to 1.0% that helped reduce interest payments by 5.6%. As the federal operating results turned worse, so did the increase in the national debt. By the end of federal fiscal year 2003, gross debt outstanding registered $6,783.2 billion, up 8.9% from fiscal 2002, compared to an increase of 2.3% and 0.3% in fiscal 2001 and 2000. Gross debt outstanding as a percentage of GDP declined to an estimated 53% for federal fiscal year 2003, down gradually from a recent high of 60% in 1995.

Of the 2003 total federal gross debt of $6,783.2 billion, $3,924.1 billion was held by the public and $2,859.1 billion by intra-governmental agencies. Public holders include individuals, corporations, state or local governments, foreign governments, and other entities outside of the United States while intra-governmental agencies hold federal securities in trust funds, revolving funds, and other special funds. The federal statutes authorize federal agencies such as the Federal Reserve Bank and various trust funds to invest in Treasury securities. In the past few years, while the federal government tries to shed publicly held debt, intra-governmental holdings, on the contrary, continue to build, resulting in a net increase in total national debt. From fiscal 1997, intra-governmental holdings increased by $1,235.7 billion compared to an increase of $236.5 billion in public holdings, bringing a total increase of $1,370.7 billion in total national debt. Intra-governmental holdings accounted for 42% of total national debt in fiscal 2003, up from 30% in fiscal 1997.

Total state and local government's debt outstanding spiked in 2001 and 2002. It totaled $1.51 trillion at the end of 2002, an 11.2% growth after increases of 8.9% in 2001 and an average of 2.3% for the previous two years. This compares with its peak increase of 32.0% in 1985. State and local government includes states, counties, municipalities and other local entities. State coffers shrank as the increase in current expenditures exceeded the increase in current receipts. Current receipts registered $1,304.5 billion versus $1,356.4 billion for current expenditures, yielding a deficit of $52.1 billion for 2002. This deficit reversed surpluses of $18.0 billion in 1999 and $40.7 billion in 1998, and up from a deficit of $31.3 billion in 2001. The last time total state and local governments registered a deficit was in the early 1990s: $7.8 billion in 1991 and $4.9 billion in 1992. State and local government’s 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 government debt outstanding in Connecticut, from all obligations at the end of fiscal 2001, the latest available year, was $19.01 billion, up 3.0% from $18.45 billion in 2000. Per capita state government debt was $5,539, up from $5,419 in fiscal 2000 and compared with $2,025 for the nation.

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

Because prices of goods and services change over time, both GNP and GDP may also change, even if there has been no change in physical output. Therefore, to measure changes in real output, they are adjusted by an index of the general price level and expressed in constant dollars. Other things being equal, when real gross product rises the economy is experiencing an expansion; when real gross product falls the economy is experiencing a decline. In the past, a fixed-weighted inflation index, the GDP deflator, had been used to measure real output, but with the rapid change in technology, price movements for certain commodities actually grew less than the price for all goods on average. As such, the traditional measurement of real product 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, uses a chained-type inflation index based on 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 2001, the State of Connecticut produced $166.2 billion worth of goods and services and $153.0 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 displays gross state product by source in 2001, shows Connecticut’s production concentrated in three areas: finance, insurance and real estate (FIRE); services; and manufacturing. Production in these three industries accounted for 67.0% of total production in Connecticut compared to 56.5% for the nation and was up from 64.6% in 1992. 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 Year	United States * Dollars	United States * % Growth	New England * Dollars	New England * % Growth	Connecticut Dollars	Connecticut % Growth
A. Millions of Current Dollars						
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	4.6
1997	8,224,960	6.6	471,336	7.2	134,968	8.7
1998	8,750,174	6.4	503,940	6.9	142,701	5.7
1999	9,251,541	5.7	533,324	5.8	149,010	4.4
2000	9,891,187	6.9	582,874	9.3	161,929	8.7
2001	10,137,190	2.5	594,686	2.0	166,165	2.6
% Increase ('92 to '01)		63.3		66.5		60.1
B. Constant Dollars**						
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	8,502,663	5.1	488,673	5.4	138,159	4.2
1999	8,882,613	4.5	511,623	4.7	142,699	3.3
2000	9,298,227	4.7	549,341	7.4	151,987	6.5
2001	9,335,399	0.4	549,472	0.0	152,985	0.7
% Increase ('92 to '01)		37.8		40.4		33.2

* 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 generally declining defense

expenditures during this period. The broadly defined services in the private sector, which includes industries in transportation & utilities, trade, FIRE and other services, have increased to 72.1% of total GSP in 2001 from 67.6% in 1992. During the past decade, the shift toward services in Connecticut has been occurring at about the same rate as in the nation as a whole. The share of service production increased 4.5 percentage points (6.7%) in Connecticut versus 4.2 percentage points (6.8%) for the nation. The increasing share of service production may help smooth the business cycle, reducing the span and depth of recession and prolonging the length of expansion. 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 1992 ------				------- Calendar 2001 -------			
Industry	U.S.	%	CT	%	U.S.	%	CT	%
Agriculture, Forest & Fisheries	111.7	1.8	0.732	0.7	140.7	1.4	1.152	0.7
Mining	87.6	1.4	0.059	0.1	139.0	1.4	0.129	0.1
Construction	234.4	3.8	3.434	3.3	480.0	4.7	5.898	3.5
Manufacturing	1,082.0	17.4	19.452	18.7	1,423.0	14.0	24.277	14.6
Transportation & Utilities	538.5	8.7	7.212	6.9	819.5	8.1	9.754	5.9
Wholesale Trade	414.6	6.7	7.013	6.8	680.7	6.7	10.004	6.0
Retail Trade	551.7	8.9	8.340	8.0	931.8	9.2	12.887	7.8
Finance, Insurance, Real Estate	1,140.9	18.4	26.607	25.6	2,077.0	20.5	51.458	31.0
Services	1,219.4	19.6	20.995	20.2	2,226.6	22.0	35.654	21.5
Government	828.3	13.3	9.948	9.6	1,219.0	12.0	14.951	9.0
Total	6,209.1	100.0	103.792	100.0	10,137.2	100.0	166.164	100.0
Sum of Three Major Industries		55.4		64.6		56.5		67.0
Broadly Defined Services		62.2		67.6		66.4		72.1
CT as a % of U.S. Total GSP			1.67				1.64	

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

Per Capita Gross Product

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

provides a comparison of annual nominal per capita and annual 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.
1992	24,206	3.9	26,912	3.6	31,446	3.5	130
1993	25,058	3.5	27,995	4.0	32,614	3.7	130
1994	26,340	5.1	29,441	5.2	33,894	3.9	129
1995	27,451	4.2	30,890	4.9	35,692	5.3	130
1996	28,642	4.3	32,431	5.0	37,210	4.3	130
1997	30,167	5.3	34,550	6.5	40,297	8.3	134
1998	31,720	5.1	36,693	6.2	42,403	5.2	134
1999	33,155	4.5	38,542	5.0	44,002	3.8	133
2000	35,060	5.7	41,777	8.4	47,459	7.9	135
2001	35,594	1.5	42,320	1.3	48,380	1.9	136
% Increase ('92 to '01)		47.1		57.3		53.9	

B. In 1996 Chained Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
1992	26,410	1.0	29,492	0.5	34,789	0.3	132
1993	26,618	0.8	29,808	1.1	34,971	0.5	131
1994	27,375	2.8	30,606	2.7	35,430	1.3	129
1995	27,918	2.0	31,362	2.5	36,338	2.6	130
1996	28,642	2.6	32,431	3.4	37,210	2.4	130
1997	29,685	3.6	33,975	4.8	39,596	6.4	133
1998	30,823	3.8	35,582	4.7	41,053	3.7	133
1999	31,833	3.3	36,973	3.9	42,139	2.6	132
2000	32,958	3.5	39,373	6.5	44,545	5.7	135
2001	32,779	(0.5)	39,102	(0.7)	44,542	0.0	136
% Increase ('92 to '01)		24.1		32.6		28.0	

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

Growth in Connecticut was relatively low in the early 1990s, 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 1992 and 2001, registering 132% in 1992 and climbing to 136% in 2001 after reaching a low point of 129% in 1994. This suggests that, although that 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 1994 and 2001, Connecticut's real per capita output increased 25.7% compared to 19.7% nationally for the same period, and has exhibited greater strength in the last few years 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 $55.2 in 1992 to $89.5 in 2001, a 62.0% increase in output per hour over the decade compared to only a 26.2% 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)
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	$24,045	320.0	$75.1	$5,064.6	$15.8	21.1¢
1999	$23,542	298.2	$78.9	$4,946.5	$16.6	21.0¢
2000	$24,825	295.1	$84.1	$5,093.9	$17.3	20.5¢
2001	$24,277	271.3	$89.5	$4,807.1	$17.7	19.8¢
% Increase ('92-'01)			62.0		31.3	(18.9)

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 24.4 cents in 1992 to 19.8 cents in 2001, an 18.9% reduction over the decade, even while production workers have enjoyed a 31.3% increase in average hourly wages.

Overall, productivity depends upon a broad range of factors. Other than wages, the quality of management as well as the size of and quantity of capital stock invested in the form of plant,

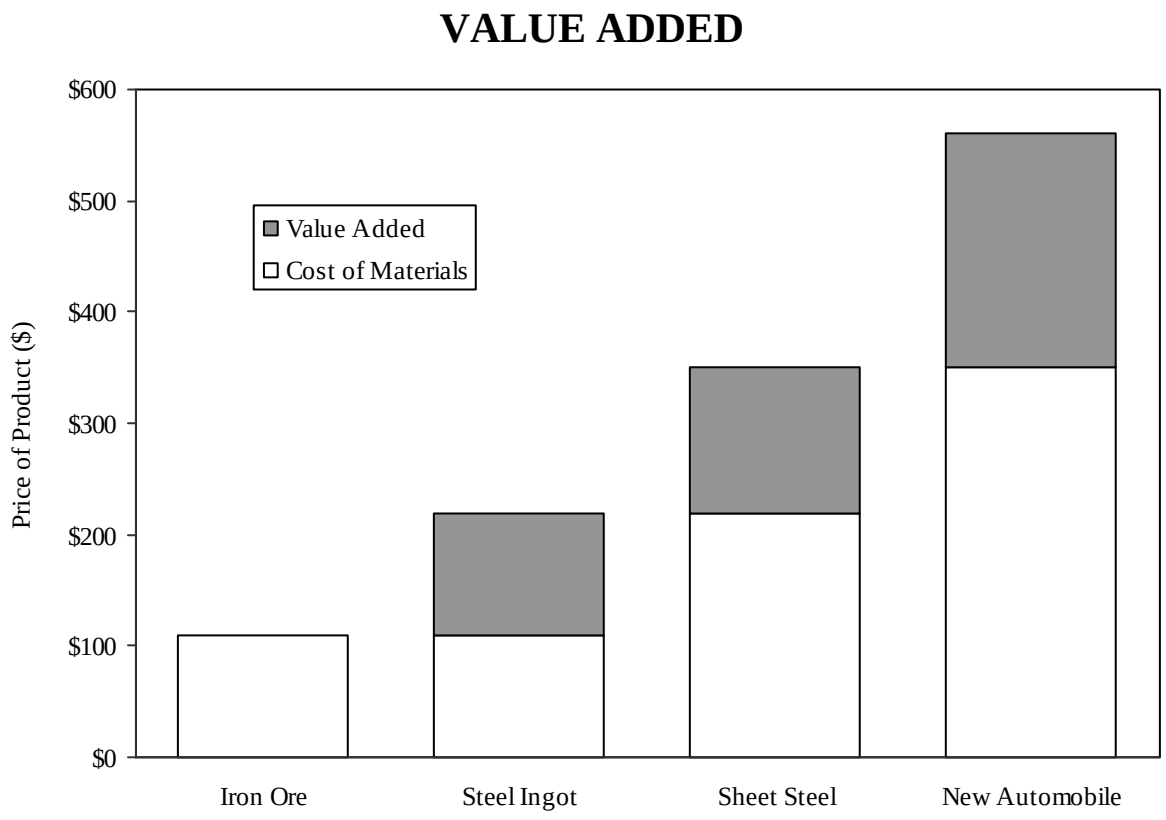
machinery and equipment, and the employment of new technologies impact productivity. Any increase in labor productivity is the combined result of all these factors.

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 180,100 manufacturing jobs between calendar year 1977 and 2001, 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 Table on the following page 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 2001, Connecticut's value added per production worker was 122% 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	155,155	2.1	2.5	2.1	2.5	1.182
1999	188,914	163,185	3.0	5.2	5.2	7.9	1.158
2000	189,191	165,245	0.1	1.3	5.4	9.2	1.145
2001	201,127	165,012	6.3	(0.1)	12.0	9.1	1.219

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 2001, Connecticut's value added per production worker more than exceeded the rate of 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	150,315	0.9	1.3	0.9	1.3	1.182
1999	180,261	155,711	1.4	3.6	2.3	4.9	1.158
2000	176,979	154,579	(1.8)	(0.7)	0.5	4.1	1.145
2001	183,845	150,834	3.9	(2.4)	4.4	1.6	1.219

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 2000 and 2001.

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

Industry	2000	2001	% Change
Manufacturing	189,191	201,127	6.3
Food	234,930	255,220	8.6
Printing	113,349	107,329	(5.3)
Paper	199,848	210,306	5.2
Chemical	729,820	734,740	0.7
Plastics & Rubber	122,713	114,092	(7.0)
Primary Metals	126,818	128,953	1.7
Fabricated Metals	118,135	110,871	(6.1)
Machinery	221,705	256,427	15.7
Computer & Electronic	169,973	174,701	2.8
Electrical Equipment	164,729	155,241	(5.8)
Transportation Equipment	239,104	296,524	24.0

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 Table on the following page 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.

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

Calendar Year	Connecticut Capital Expenditures	Percent Change
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)
2000	1,861.6	8.5
2001	1,783.2	(4.2)

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 2003 was $149.8 billion, a 2.4% increase over fiscal 2002. Total personal income in Connecticut increased 52.1% from fiscal 1994 to 2003. For the United States, total personal income increased 57.7%, and in the New England Region, the increase for the identical period was 57.4%.

The Table on the following page 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
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	7,178,543	6.56	421,820	6.45	120,463	6.77
1998-99	7,611,143	6.03	448,069	6.22	127,671	5.98
1999-00	8,082,435	6.19	481,984	7.57	135,829	6.39
2000-01	8,599,667	6.40	518,188	7.51	144,942	6.71
2001-02	8,781,140	2.11	523,985	1.12	146,347	0.97
2002-03	9,051,900	3.08	535,685	2.23	149,830	2.38

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 59% of total personal income compared to roughly 56% 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 2001-02				FISCAL YEAR 2002-03			
	U.S.	%	CT	%	U.S.	%	CT	%
Manufacturing Salaries & Wages	769.5	8.8	13.2	9.0	752.0	8.3	12.7	8.5
Nonmanufacturing Salaries & Wages	4,190.6	47.7	73.9	50.5	4,288.9	47.4	75.3	50.3
Proprietors Income	739.9	8.4	12.1	8.3	779.8	8.6	12.8	8.6
Property Income	1,642.2	18.7	27.5	18.8	1,656.8	18.3	27.8	18.5
Other Labor Income	585.9	6.7	9.5	6.5	633.0	7.0	10.2	6.8
Transfer Payments Less Payments to Social Insurance	853.1	9.7	10.1	6.9	941.5	10.4	11.0	7.3
Total	8,781.1	100.0	146.3	100.0	9,051.9	100.0	149.8	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 44.8% from fiscal 1994 to 2003, compared to a national increase of 42.7% and a New England Region increase of nearly 48.4%.

Per capita personal income in Connecticut, for the most recent fiscal year, was 14.1% higher than for the New England Region and 38.2% 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 Table on the following page 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

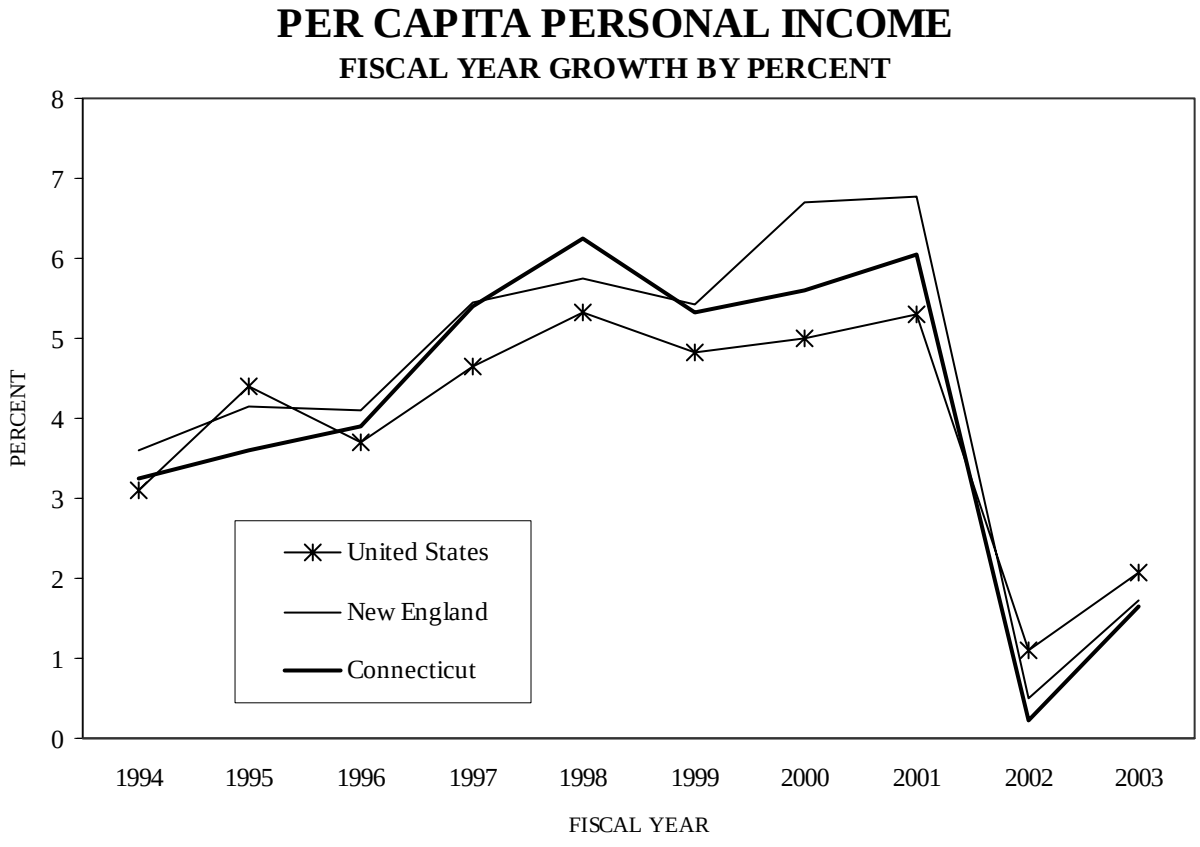
Table provides a graphic representation of the growth rates in per capita personal income for the three entities over a ten year fiscal period.

TABLE 61
PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1993-94	21,808	3.09	25,407	3.59	29,700	3.26
1994-95	22,768	4.40	26,458	4.14	30,764	3.58
1995-96	23,613	3.71	27,545	4.11	31,963	3.90
1996-97	24,708	4.64	29,048	5.45	33,687	5.39
1997-98	26,023	5.32	30,714	5.74	35,794	6.26
1998-99	27,276	4.82	32,380	5.43	37,701	5.33
1999-00	28,643	5.01	34,546	6.69	39,809	5.59
2000-01	30,164	5.31	36,887	6.78	42,220	6.06
2001-02	30,493	1.09	37,073	0.50	42,314	0.22
2002-03	31,127	2.08	37,711	1.72	43,013	1.65

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

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



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

The following Table shows per capita income for each of the fifty states with their corresponding ranking for fiscal year 2003. In 2003, the $43,013 figure for Connecticut per capita personal income remained more than 38% higher than the national average.

TABLE 62
PER CAPITA PERSONAL INCOME BY STATE
(Fiscal 2003)

State	Per Capita Income	Rank	State	Per Capita Income	Rank
Connecticut	$43,013	1	Kansas	$29,209	26
New Jersey	39,865	2	Missouri	29,120	27
Massachusetts	39,244	3	Georgia	28,885	28
Maryland	36,294	4	Oregon	28,648	29
New York	35,887	5	Iowa	28,610	30
New Hampshire	34,324	6	Indiana	28,507	31
Minnesota	34,107	7	Texas	28,312	32
Illinois	33,438	8	Maine	28,150	33
Colorado	33,190	9	North Carolina	27,735	34
California	33,055	10	South Dakota	27,711	35
Washington	32,990	11	Tennessee	27,619	36
Virginia	32,846	12	North Dakota	27,528	37
Delaware	32,518	13	Arizona	26,048	38
Alaska	32,189	14	Kentucky	25,947	39
Pennsylvania	32,114	15	Louisiana	25,691	40
Rhode Island	31,536	16	South Carolina	25,623	41
Wyoming	30,993	17	Alabama	25,551	42
Michigan	30,539	18	Oklahoma	25,329	43
Hawaii	30,498	19	Montana	25,193	44
Wisconsin	30,329	20	Idaho	25,121	45
Nebraska	30,255	21	New Mexico	24,158	46
Nevada	30,063	22	Utah	24,075	47
Vermont	29,865	23	West Virginia	23,841	48
Ohio	29,696	24	Arkansas	23,745	49
Florida	29,584	25	Mississippi	22,842	50
U.S. Average	$31,127				

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 2003.

TABLE 63
PER CAPITA DISPOSABLE PERSONAL INCOME BY STATE
(Fiscal 2003)

State	Per Capita Disposable Income	Rank	State	Per Capita Disposable Income	Rank
Connecticut	$36,313	1	Missouri	$25,928	26
New Jersey	34,589	2	Kansas	25,852	27
Massachusetts	33,581	3	Iowa	25,613	28
Maryland	31,318	4	Texas	25,583	29
New York	30,789	5	Georgia	25,511	30
New Hampshire	30,512	6	Indiana	25,353	31
Minnesota	29,640	7	South Dakota	25,290	32
Illinois	29,327	8	Tennessee	25,229	33
Washington	29,181	9	Oregon	25,015	34
Colorado	28,961	10	North Dakota	25,014	35
Alaska	28,887	11	Maine	24,926	36
Virginia	28,652	12	North Carolina	24,523	37
California	28,602	13	Arizona	23,264	38
Delaware	28,365	14	Louisiana	23,258	39
Pennsylvania	28,349	15	South Carolina	23,014	40
Rhode Island	27,904	16	Alabama	23,013	41
Wyoming	27,342	17	Kentucky	23,011	42
Hawaii	27,236	18	Oklahoma	22,649	43
Michigan	26,966	19	Montana	22,599	44
Nebraska	26,886	20	Idaho	22,493	45
Wisconsin	26,764	21	New Mexico	21,752	46
Nevada	26,701	22	West Virginia	21,504	47
Vermont	26,556	23	Arkansas	21,355	48
Florida	26,383	24	Utah	21,320	49
Ohio	26,060	25	Mississippi	20,918	50

U.S. Average $27,391

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 fiscal year period.

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

Fiscal Year	C.P.I.	% Growth
1993-94	146.2	2.63
1994-95	150.4	2.84
1995-96	154.5	2.73
1996-97	158.9	2.84
1997-98	161.8	1.79
1998-99	164.5	1.73
1999-00	169.3	2.89
2000-01	175.1	3.43
2001-02	178.2	1.76
2002-03	182.1	2.21

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)

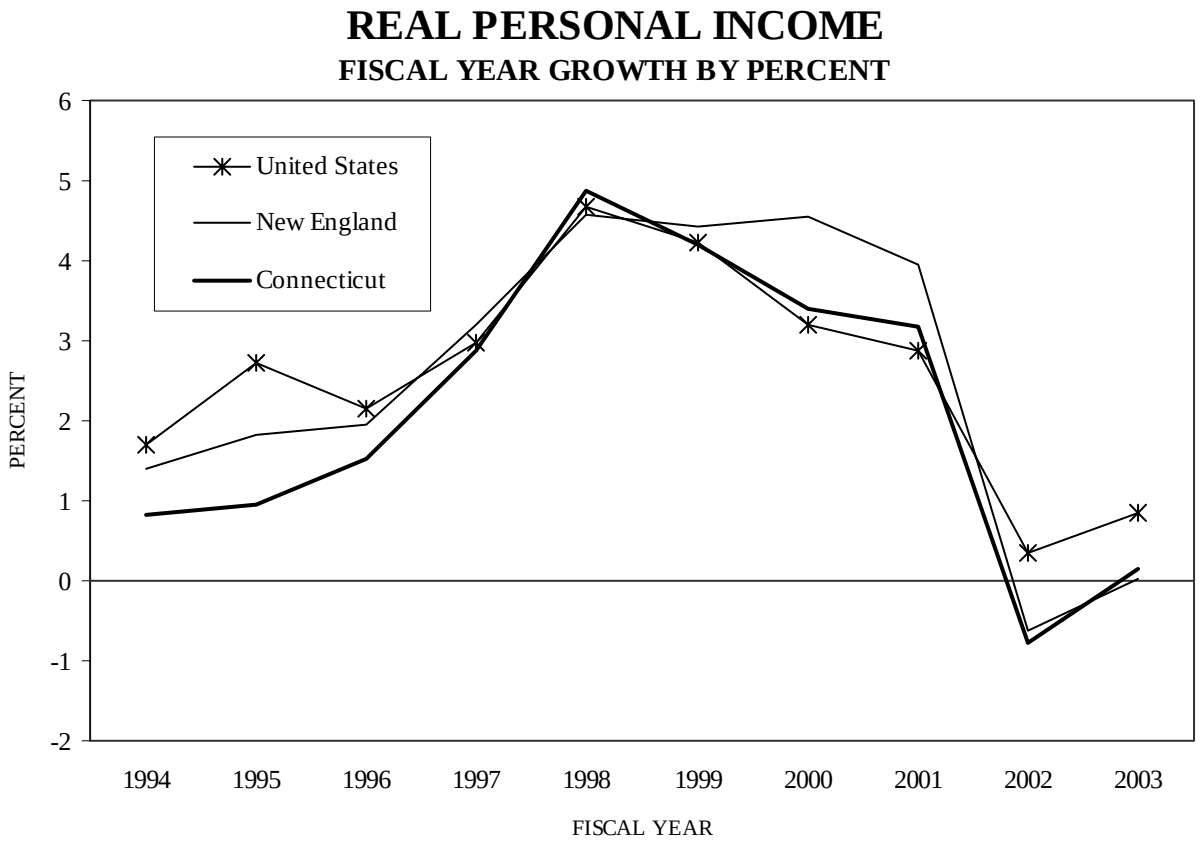
Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1993-94	3,923,862	1.69	232,738	1.41	67,346	0.83
1994-95	4,030,839	2.73	236,996	1.83	67,991	0.96
1995-96	4,117,087	2.14	241,652	1.96	69,027	1.52
1996-97	4,239,537	2.97	249,386	3.20	71,006	2.87
1997-98	4,438,048	4.68	260,785	4.57	74,474	4.88
1998-99	4,625,661	4.23	272,313	4.42	77,592	4.19
1999-00	4,774,264	3.21	284,706	4.55	80,234	3.40
2000-01	4,911,520	2.87	295,952	3.95	82,781	3.17
2001-02	4,928,614	0.34	294,099	(0.63)	82,140	(0.77)
2002-03	4,970,615	0.85	294,157	0.02	82,275	0.16

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 fiscal year period.



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

Real Per Capita Personal Income

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

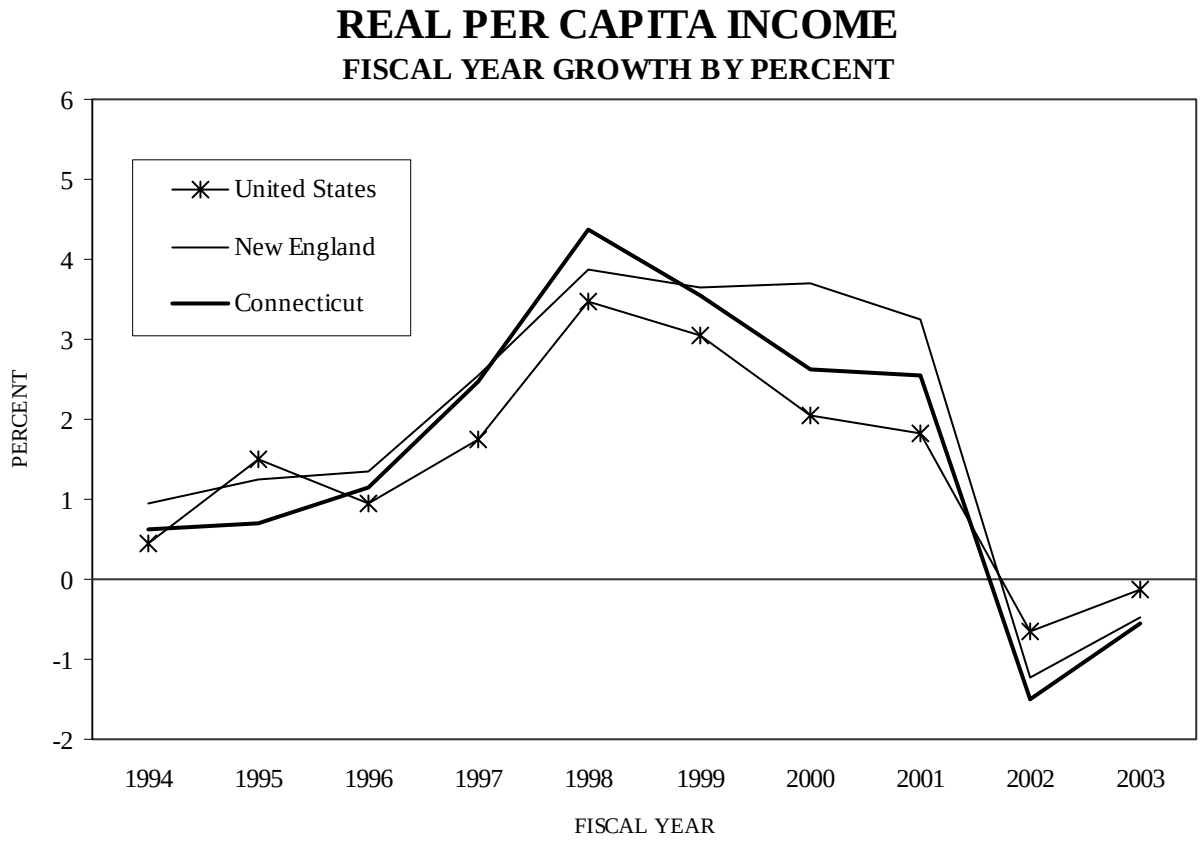
The Table on the following page shows the growth in real per capita personal income for the United States, the New England Region, and Connecticut. The Chart following the Table provides a graphic presentation of the growth in real per capita personal income for the three entities over a ten fiscal year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

TABLE 66
REAL PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
1993-94	14,912	0.45	17,373	0.94	20,309	0.62
1994-95	15,138	1.51	17,591	1.25	20,454	0.71
1995-96	15,283	0.96	17,828	1.35	20,687	1.14
1996-97	15,550	1.75	18,280	2.54	21,200	2.48
1997-98	16,088	3.47	18,989	3.87	22,129	4.38
1998-99	16,577	3.04	19,679	3.64	22,913	3.54
1999-00	16,919	2.06	20,406	3.69	23,515	2.63
2000-01	17,228	1.82	21,067	3.24	24,113	2.54
2001-02	17,115	(0.66)	20,808	(1.23)	23,750	(1.51)
2002-03	17,092	(0.13)	20,708	(0.48)	23,619	(0.55)

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

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.

A Cost of Living Index, produced by the American Chamber of Commerce Research Association (ACCRA), 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 survey includes the Hartford MSA, New Haven-Meriden PMSA, New London-Norwich MSA, and Stamford-Norwalk PMSA.

The Cost of Living Composite Index is weighed by a "market basket" of approximately 60 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 Hartford MSA area, for example, for the second quarter of 2003 was 118.0 compared to the national average of 100. This index demonstrates that the overall living cost in the Hartford MSA area was higher than the national average by 18.0%. For the six categories, the housing index category registered the highest level at 131.7, followed by the utilities index at 127.9, the transportation index at 115.5, grocery items index at 111.6, the miscellaneous goods and services index at 108.6, and the health care index at 101.0. In other words, among the six categories, the cost of housing in the Hartford MSA area was the most expensive item, a full 31.7% higher than the national average, while the health care category is approximately on par with the national average, higher only by 1.0%. The index, updated quarterly, does not measure tax differentials.

The following Table shows the cost of living comparison for three neighboring cities: Boston, Hartford, and New York (Manhattan) in the second quarter of 2003.

TABLE 67
COMPARISON OF COST OF LIVING

2nd Quarter 2003 MSA / PMSA	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc.
Hartford, CT	118.0	111.6	131.7	127.9	115.5	101.0	108.6
Boston, MA	135.9	119.1	180.5	145.1	109.7	128.1	109.9
New York, NY	217.2	143.9	399.8	154.5	120.8	175.8	141.1
Index Weights	100%	16%	28%	8%	10%	5%	33%

Source: The American Chamber of Commerce Research Association, "ACCRA Cost of Living Index", Second Quarter 2003

In the second quarter of 2003, numerous cities had a relatively higher cost of living than the Hartford area. These include, for example, New York City (Manhattan) at 217.2; Jersey City, New Jersey at 182.6, San Francisco, California at 180.7; and Fort Lauderdale, Florida at 123.2. The cost of living in the Hartford area was collectively on par with Palm Springs, California or the Seattle, Washington areas, which registered 119.0 and 119.5, respectively. The cost of living index can provide 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 Hartford resident is considering a move to New York City (Manhattan) and wants to maintain his current mid-management lifestyle, other things being equal, his or her after-tax income level has to increase by 84.1%, (217.2-118.0)/118.0, in order to compensate for the higher cost of living. On the contrary, if a New York City resident is contemplating a move to Hartford, his or her after-tax income level can be reduced by 45.7%, (118.0-217.2)/217.2, 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 2003, ACCRA recorded the cost of living for the Stamford-Norwalk PMSA area at 150.3, the New Haven-Meriden PMSA area at 121.4, and the New London-Norwich MSA area at 117.1, compared to 118.0 for the Hartford MSA area. 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 2003 MSA/PMSA	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc.
Hartford MSA	118.0	111.6	131.7	127.9	115.5	101.0	108.6
New Haven PMSA	121.4	119.1	137.8	139.3	104.7	130.6	106.5
New-London MSA	117.1	107.5	130.7	120.5	103.9	111.8	112.9
Stamford PMSA	150.3	113.9	231.0	121.1	111.5	144.1	116.3

Source: The American Chamber of Commerce Research Association, "ACCRA Cost of Living Index", Second Quarter 2003

THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT

In fiscal 2002, Connecticut's General Fund derived 71 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 2002. The Table shows overall state tax collections as a percentage of personal income. In the Table, note that Connecticut ranks 28th, signifying that in 27 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 2002

State	Percentage	Rank	State	Percentage	Rank
Hawaii	9.40	1	Kansas	6.20	26
Delaware	9.11	2	Iowa	6.17	27
Vermont	8.59	3	Connecticut	6.17	28
West Virginia	8.48	4	Nevada	6.16	29
New Mexico	8.37	5	Arizona	6.06	30
Arkansas	8.08	6	Massachusetts	5.95	31
Minnesota	7.75	7	Nebraska	5.95	32
Kentucky	7.75	8	Ohio	5.94	33
Mississippi	7.51	9	Indiana	5.86	34
Maine	7.47	10	Pennsylvania	5.77	35
Wisconsin	7.37	11	Georgia	5.68	36
Wyoming	7.33	12	South Carolina	5.61	37
Michigan	7.32	13	Maryland	5.60	38
Utah	7.09	14	New Jersey	5.48	39
Oklahoma	6.94	15	Alaska	5.45	40
Idaho	6.91	16	Virginia	5.44	41
North Carolina	6.87	17	Illinois	5.40	42
California	6.84	18	Missouri	5.39	43
North Dakota	6.73	19	Oregon	5.20	44
Louisiana	6.57	20	Florida	5.13	45
Rhode Island	6.52	21	Tennessee	4.99	46
Montana	6.52	22	South Dakota	4.84	47
Washington	6.51	23	Texas	4.68	48
New York	6.35	24	Colorado	4.67	49
Alabama	6.21	25	New Hampshire	4.37	50
U.S. Average	6.09				

Source: U.S. Department of Commerce, "State Government Finances, 2002"

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 for income years 2000 through 2002, with amounts above the initial $100 phased-out at higher income levels. Beginning with income year 2003, the credit was reduced to $350.

The Personal Income Tax generated $4,263.1 million in fiscal year 2002-03, $4,265.9 million in fiscal year 2001-02 and $4,744.2 million in fiscal year 2000-01. In fiscal year 2002-03, this tax accounted for 35.5% of total revenue and 47.1% of total tax collections while in fiscal 2001-02 it accounted for 39.3% of total revenue and 49.7% of total tax collections.

TABLE 70
TAXABLE INCOME AMOUNTS SUBJECT TO THE LOWER RATE
WITH THE REMAINDER SUBJECT TO THE HIGHER RATE

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

TABLE 71
STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2002

State	Percentage	Rank	State	Percentage	Rank
New York	3.75	1	Arkansas	2.39	23
Oregon	3.72	2	Colorado	2.34	24
Minnesota	3.26	3	Montana	2.34	25
North Carolina	3.21	4	Nebraska	2.29	26
Massachusetts	3.18	5	New Mexico	2.27	27
Wisconsin	3.10	6	Missouri	2.24	28
Hawaii	3.05	7	Iowa	2.18	29
Maine	3.05	8	Alabama	2.17	30
Delaware	3.00	9	Vermont	2.10	31
California	2.91	10	Indiana	2.08	32
Utah	2.90	11	Michigan	2.05	33
Virginia	2.86	12	New Jersey	2.05	34
Georgia	2.67	13	South Carolina	1.91	35
Oklahoma	2.62	14	Pennsylvania	1.75	36
Kentucky	2.60	15	Illinois	1.67	37
Idaho	2.56	16	Louisiana	1.59	38
Rhode Island	2.52	17	Mississippi	1.56	39
Ohio	2.52	18	Arizona	1.49	40
Connecticut	2.52	19	North Dakota	1.20	41
West Virginia	2.47	20	New Hampshire	0.17	42
Maryland	2.43	21	Tennessee	0.09	43
Kansas	2.39	22			
U.S. Average	2.11				

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, 2002"

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 2003

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 (no tax)			North Dakota	E	T
Georgia	E	T	Ohio	E	T
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 (no tax)		
Maine	E	T	Utah	E	E
Maryland	E	T	Vermont	E	T
Massachusetts	E	T	Virginia	E	T
Michigan	E	T	Washington (no tax)		
Minnesota	E	T	West Virginia	E	T
Mississippi	E	T	Wisconsin	T (1)	T
Missouri	E	T	Wyoming (no tax)		

T = Taxable / E = Exempt

(1) Interest earned from some qualified obligations is exempt from the tax.
(2) 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	5.1	300,001	Montana (1)	2.0	2,200	11.0	76,200
Arkansas (4)	1.0	2,999	7.0	25,000	Nebraska (1)	2.5	2,400	6.68	46,500
California (1)	1.0	11,924	9.3	78,266	New Hampshire	(b)			
Colorado (2)	4.63	All			New Jersey (4)	1.4	20,000	6.37	150,000
Connecticut (1)	3.0	20,000	5.0	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)	1.4	4,000	8.25	80,000	N. Dakota (2)	2.1	45,200	5.54	297,350
Idaho (2)	1.6	1,087	7.8	21,730	Ohio (1)	0.7	5,000	7.5	200,000
Illinois (1)	3.0	All			Oklahoma (1)	0.5	2,000	7.0	21,000
Indiana (1)	3.4	All			Oregon (2)	5.0	2,500	9.0	6,300
Iowa (1)	0.36	1,211	8.98	54,495	Pennsylvania (4)	2.8	All		
Kansas (1)	3.5	15,000	6.45	30,000	Rhode Island (3)	25.0	All		
Kentucky (1)	2.0	3,000	6.0	8,000	S. Carolina (2)	2.5	2,400	7.0	12,001
Louisiana (1)	2.0	25,000	6.0	50,000	Tennessee	(b)			
Maine (1)	2.0	8,500	8.5	33,950	Utah (2)	2.3	1,500	7.0	7,500
Maryland (1)	2.0	1,000	4.75	3,000	Vermont (3)	3.6	46,700	9.5	307,050
Massachusetts (1)	5.3	All	(a)		Virginia (1)	2.0	3,000	5.75	17,000
Michigan (1)	3.9	All			W. Virginia (1)	3.0	10,000	6.5	60,000
Minnesota (2)	5.35	27,780	7.85	110,391	Wisconsin (1)	4.6	11,040	6.75	165,600
Mississippi (4)	3.0	5,000	5.0	10,000	Dist. of Col. (1)	5.0	10,000	9.0	30,000

* 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, fabricating, processing, printing, or imprinting of tangible personal property to special order or with material furnished by the consumer; 5) the furnishing, preparing or serving of food, meals or drinks; and 6) the occupancy of hotels or lodging house rooms for a period not exceeding thirty consecutive calendar days.

The use tax is imposed on the consideration paid for certain services 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 2002-03, sales and use taxes accounted for 25.2% of total revenue and 36.8% of total tax collections, compared to 27.6% and 38.8%, respectively, in fiscal 2001-02.

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 Table on the following page shows sales tax collections as a percentage of personal income and the corresponding ranking of the states. Note that Connecticut's tax burden is less than 28 other states. The comparison is based on fiscal year 2002 data. From fiscal 1991 to fiscal 2002, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% with a rank of ninth to 2.08% with a rank of 29th. 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 and goods.

The second study provides an analysis of major sales tax exemptions by state. Connecticut excludes from its sales tax such major items as food products for human consumption, drugs and medicines used by humans, clothing and footwear up to $75 (Reduce to $50, effective April 1, 2003), machinery, professional services, residential utilities and motor fuels. Table Number 76 shows the comparison for major sales tax exemptions.

TABLE 75
SALES TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2002

State	Sales Tax Rate	%	Rank	State	Sales Tax Rate	%	Rank
Hawaii	4.0*	4.43	1	Indiana	6.0	2.23	24
Washington	6.5*	4.08	2	Iowa	5.0*	2.15	25
Mississippi	7.0	3.72	3	Nebraska	5.5*	2.13	26
Nevada	6.5**	3.23	4	California	6.0*	2.09	27
New Mexico	5.0	3.09	5	Louisiana	4.0*	2.08	28
Arkansas	5.125*	3.08	6	Connecticut	6.0	2.08	29
Arizona	5.6*	3.07	7	North Dakota	5.0*	2.02	30
Tennessee	7.0*	2.99	8	Georgia	4.0*	1.99	31
Wyoming	4.0*	2.98	9	Ohio	6.0*	1.94	32
Florida	6.0*	2.98	10	Pennsylvania	6.0*	1.91	33
Utah	4.75*	2.71	11	New Jersey	6.0	1.79	34
Michigan	6.0	2.61	12	Missouri	4.225*	1.77	35
South Dakota	4.0*	2.59	13	Oklahoma	4.5*	1.75	36
Idaho	6.0	2.42	14	Alabama	4.0*	1.58	37
Texas	6.25*	2.38	15	Illinois	6.25*	1.54	38
Maine	5.0	2.38	16	Massachusetts	5.0	1.48	39
Kansas	5.3*	2.32	17	North Carolina	4.5*	1.42	40
Wisconsin	5.0*	2.31	18	Maryland	5.0	1.39	41
West Virginia	6.0	2.30	19	Colorado	2.9*	1.28	42
South Carolina	5.0*	2.28	20	New York	4.25*	1.26	43
Kentucky	6.0*	2.25	21	Vermont	5.0	1.20	44
Rhode Island	7.0	2.24	22	Virginia	3.5*	1.19	45
Minnesota	6.5*	2.24	23				
U.S. Average		2.04					

* 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;
U.S. Department of Commerce, "State Government Finances", 2002;
U.S. Department of Commerce, Bureau of Economic Analysis

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	E	E
Colorado	E	E	E	E	T	E	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	E	E
Illinois	T (1)	T (1)	T	E	T	T	E	E
Indiana	E	E	T	E	T	T	T	E
Iowa	E	E	E	T	T	T	E	E
Kansas	T	E	E	T	T	T	T	T
Kentucky	E	E	E	E	T	T	E	E
Louisiana	T	E	E	E	T	T	T	T(6)
Maine	E	E	E	E	T	T	E	E
Maryland	T	E	E	E	T	T	E	E
Massachusetts	E	E	T	E	E (3)	T	E	E
Michigan	E	E	T	E	T	T	E	E
Minnesota	E	E	T	T	E	T	E	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	E	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	T	T	E	E
North Carolina	T (1)	E	E	E	T	T	E	E
North Dakota	E	E	E	E	T	T	E	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	T	E
Rhode Island	E	E	E	E	E	T	T	E
South Carolina	T	E	E	E	T	T	T	T
South Dakota	T	E	E	T	T	T	T	T
Tennessee	T (1)	E	E	E	T	T	T	T
Texas	E	E	E	T	T	T	T	T
Utah	T	E	E	T	T	T	E	E
Vermont	E	E	E	E	E (4)	T	E	E
Virginia	T	E	E	E	T	T	E	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	1	13	21	39	45	22	15

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 $50 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. (6) FY 04: 50% taxed, FY 05: 25% taxed, and FY 06 and thereafter, exempt.

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 2002-03, the Corporation Business Tax accounted for 4.2% of total revenue and 5.6% of total tax collections, while in fiscal 2001-02 they were 3.5% and 4.4% 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. In income year 2003 a 20% surcharge was imposed and for income year 2004 at 25% surcharge has been imposed.

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. The third component of the Corporation Business Tax is the Minimum Tax, which is $250. Corporations must compute their tax under all three bases and then pay the tax under the highest computation.

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

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

TABLE 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 (4)	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)	8.5	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)	9.5	All		
Michigan	1.9	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	7.5	All		
N. Carolina	6.9	All		
N. Dakota	3.0	3,000	10.5	50,000
Ohio	5.1	50,000	8.5	50,000
Oklahoma	6.0	All		
Oregon	6.6	All		
Pennsylvania	9.99	All		
Rhode Island	9.0	All		
S. Carolina	5.0	All		
Tennessee (7)	6.5	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; New Jersey $500; New York $100-$1,500; Ohio $50; Oregon $10; Rhode Island $250; Utah $100; 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: Connecticut 20% for income year 2003 and 25% in income year 2004, 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 twenty-six 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.

The Table on the following page 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 (e)	24.6	-	24.6
Arizona	18.0	-	18.0	Nevada	23.0	-	23.0
Arkansas	21.5	-	21.5	New Hampshire	18.0	-	18.0
California	18.0	6.00	26.5	New Jersey	10.5	6.00	18.5
Colorado	22.0	-	22.0	New Mexico	17.0	-	17.0
Connecticut	25.0	-	25.0	New York	8.0	4.25	13.6
Delaware	23.0	-	23.0	North Carolina (f)	24.2	-	24.2
Florida	14.1	6.00	22.3	North Dakota	21.0	-	21.0
Georgia (a)	7.5	1.00	8.8	Ohio	24.0	-	24.0
Hawaii (b)	30.1	-	30.1	Oklahoma	16.0	-	16.0
Idaho	25.0	-	25.0	Oregon	24.0	-	24.0
Illinois	19.0	6.25	27.9	Pennsylvania	25.9	-	25.9
Indiana (c)	18.0	6.00	25.4	Rhode Island	30.0	-	30.0
Iowa	20.3	-	20.3	South Carolina	16.0	-	16.0
Kansas	24.0	-	24.0	South Dakota	22.0	-	22.0
Kentucky (d)	15.0	-	15.0	Tennessee (g)	21.4	-	21.4
Louisiana	20.0	-	20.0	Texas	20.0	-	20.0
Maine	22.0	-	22.0	Utah (h)	24.5	-	24.5
Maryland	23.5	-	23.5	Vermont	20.0	-	20.0
Massachusetts	21.0	-	21.0	Virginia	17.5	-	17.5
Michigan	19.0	6.00	27.5	Washington	28.0	6.50	37.8
Minnesota	20.0	6.50	29.3	West Virginia (c)	20.5	6.00	27.9
Mississippi	18.0	-	18.0	Wisconsin	28.5	-	28.5
Missouri	17.0	-	17.0	Wyoming	14.0	-	14.0

* The total column in the above table is the sum of the per gallon state tax and sales taxes or additional taxes where applicable. The price used to estimate the effect of the sales tax, which excludes state taxes, was $1.23 per gallon.

(a) Motor fuel is exempt from 3%, but subject to the remaining 1% of the tax.
(b) County taxes between 8.8¢ and 18¢ per gallon are levied in addition to the state tax of 16¢ per gallon. An average of 14.07¢ was used in calculating the excise tax.
(c) The sales tax is not calculated on the excise portion of the cost per gallon.
(d) Tax is 9% of the average wholesale price plus a highway user tax.
(e) 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."
(f) Includes an additional tax based on the average wholesale price of motor fuel.
(g) Plus an optional one-cent-per-gallon special tax imposed by certain counties on petroleum products and an environmental assurance fee at the rate of .4¢ per gallon.
(h) An environmental surcharge of one-half cent per gallon is imposed on all petroleum sold.

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	70.0 ¢
Alaska	$1.00	Nebraska	64.0 ¢
Arizona	$1.18	Nevada	35.0 ¢
Arkansas (1)	59.0 ¢	New Hampshire	52.0 ¢
California	87.0 ¢	New Jersey	$2.05
Colorado	20.0 ¢	New Mexico	91.0 ¢
Connecticut	$1.51	New York	$1.50
Delaware	55.0 ¢	North Carolina	5.0 ¢
Florida	33.9 ¢	North Dakota	44.0 ¢
Georgia	37.0 ¢	Ohio	55.0 ¢
Hawaii	$1.30	Oklahoma	23.0 ¢
Idaho	57.0 ¢	Oregon	$1.28
Illinois	98.0 ¢	Pennsylvania	$1.00
Indiana	55.5 ¢	Rhode Island	$1.50
Iowa	36.0 ¢	South Carolina	7.0 ¢
Kansas	79.0 ¢	South Dakota	53.0 ¢
Kentucky (2)	3.0 ¢	Tennessee	20.0 ¢
Louisiana	36.0 ¢	Texas	41.0 ¢
Maine	$1.00	Utah (3)	69.5 ¢
Maryland	$1.00	Vermont	$1.71
Massachusetts	$1.51	Virginia	2.5 ¢
Michigan	$1.25	Washington	$1.43
Minnesota	48.0 ¢	West Virginia	55.0 ¢
Mississippi (3)	18.0 ¢	Wisconsin (4)	77.0 ¢
Missouri	17.0 ¢	Wyoming	60.0 ¢

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

(1) An additional $12.50 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)	3.003	3.003
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)	1.1-1.90	1.1-1.90
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	(11)	(11)
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	1.75-2.00	1.75-2.00	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)	1.75-3.25	1.75-3.25
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, 0.25% 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) After 2001, foreign and alien insurers are no longer subject to gross premium tax, but are subject to the corporate excise tax.

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

TABLE 81
ALCOHOLIC BEVERAGE TAXES BY STATE
(Dollars Per Gallon)
As of July 2003

State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer	State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer
Alabama (1,2)	56%	1.70	56%	.53	Montana (1,2)	16%	1.02	1.02	.14
Alaska	12.80	2.50	2.50	1.07	Nebraska	3.00	.75	1.35	.31
Arizona	3.00	.84	.84	.16	Nevada	2.05	.40	.75	.09
Arkansas	2.50	.25	.75	.20	New Hampshire (1)	.30	.30	.30	.30
California	3.30	.20	.20	.20	New Jersey	4.40	.70	.70	.12
Colorado	2.28	.28	.28	.08	New Mexico	6.06	1.70	1.70	.41
Connecticut	4.50	.60	.60	.20	New York	6.43	.19	.19	.11
Delaware	3.75	.97	.97	.16	N. Carolina (1,2)	25%	.79	.91	.53
Florida	9.53	2.25	3.00	.48	N. Dakota	2.50	.50	.60	.08
Georgia	4.54	.41	1.02	.32	Ohio (1)	1.20	.30	.98	.18
Hawaii	5.98	1.38	2.12	.93	Oklahoma	5.56	1.40	2.08	.40
Idaho (1,2)	15%	.45	.45	.15	Oregon (1)		.65	.77	.08
Illinois	4.5	.73	.73	.19	Pennsylvania (1,2)	1.00	.07	.11	.08
Indiana	2.68	.47	.47	.12	Rhode Island	3.75	.60	.75	.10
Iowa (1)	1.75	1.75	1.75	.19	S. Carolina (3)	1.92	.90	.90	.77
Kansas	2.50	.30	.75	.18	S. Dakota	3.93	.93	1.45	.27
Kentucky	1.92	.50	.50	.08	Tennessee (4)	4.00	1.10	1.10	.13
Louisiana	2.50	.11	.23	.32	Texas	2.40	.20	.41	.20
Maine (1)	1.25	.60	1.24	.35	Utah (1,2)	13%	13%	13%	.35
Maryland	1.50	.40	.40	.09	Vermont (1,2)	25%	.55	25%	.27
Massachusetts	4.05	.55	.70	.11	Virginia (1,2,5)	20%	1.51	1.51	.01
Michigan (1,2)	9.9%	.51	.76	.20	Washington (1)(8)		2.06	2.06	.15
Minnesota	5.03	.30	.95	.15	W. Virginia (2,6)		1.00	1.00	.18
Mississippi (1)	2.50	.35	1.00	.43	Wisconsin (7)	3.25	.25	.45	.06
Missouri	2.00	.30	.30	.06	Wyoming (1)	1.14	.95	.95	.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.
(8) A surcharge of $1.59 per gallon on distilled spirits is imposed, the surcharge will be eliminated when $14 million is generated or on 6/30/05 whichever is earlier.

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 fiscal year period.

TABLE 82
GENERAL FUND REVENUES

TAXES ($K)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Personal Income	$3,820,837	$4,238,228	$4,744,233	$4,265,912	$4,263,070
Sales and Use	2,932,191	3,096,780	3,125,078	2,997,766	3,025,743
Corporation	619,539	587,756	550,509	380,985	507,975
Hospital Gross Earnings	128,079	69,180	-	38	-
Public Service Corporation	167,705	166,263	180,547	166,597	197,959
Insurance Companies	196,195	201,225	191,107	217,371	239,358
Inheritance & Estate	237,573	228,072	252,802	153,092	184,321
Cigarettes	123,345	122,045	119,476	160,904	256,052
Oil Companies	22,170	54,285	64,497	24,309	117,451
Real Estate Conveyance	106,813	114,565	112,282	120,717	149,317
Alcoholic Beverages	40,281	40,965	41,146	41,619	42,490
Admissions, Dues, Cabaret	26,942	26,716	25,811	26,905	31,696
Miscellaneous	40,635	40,227	35,088	26,229	33,731
Total - Taxes	8,462,305	8,986,307	9,442,576	8,582,444	9,049,163
Less Refunds of Taxes	(645,000)	(713,359)	(735,483)	(829,558)	(808,209)
Less Refunds of R&D Credit	-	-	-	(21,933)	(11,148)
Total - Taxes Less Refunds	7,817,305	8,272,948	8,707,093	7,730,953	8,229,806
OTHER REVENUE					
Transfer-Special Revenue	280,529	259,785	258,181	277,589	262,776
Indian Gaming Payments	288,531	318,986	332,418	368,954	387,255
Licenses, Permits & Fees	122,062	127,544	124,331	137,518	125,179
Sales of Commodities & Services	30,110	32,941	31,312	30,479	32,869
Investment Income	60,856	53,371	67,868	23,848	7,083
Rents, Fines & Escheats	55,763	45,659	48,228	47,620	81,490
Miscellaneous	112,962	125,498	125,594	114,273	182,364
Less Refunds of Payments	-	-	-	(373)	(396)
Total - Other Revenue	950,813	963,784	987,932	999,908	1,078,621
OTHER SOURCES					
Federal Grants	1,938,271	2,078,914	2,237,045	2,142,270	2,318,421
Transfer from Special Funds	-	78,000	138,800	120,000	489,486
Transfer to Other Funds	(90,000)	(180,000)	(85,400)	(147,686)	(93,009)
Total - Other Sources	1,848,271	1,976,914	2,290,445	2,114,584	2,714,898
GRAND TOTAL	$10,616,3891	$11,213,646	$11,985,470	$10,845,445	$12,023,325
TAXES	**% of Total**	**% of Total**	**% of Total**	**% of Total**	**% of Total**
Personal Income	35.99%	37.80%	39.58%	39.33%	35.46%
Sales and Use	27.62	27.62	26.07	27.64	25.17
Corporation	5.84	5.24	4.59	3.51	4.22
Hospital Gross Earnings	1.21	0.62	0.00	0.00	0.00
Public Service Corporation	1.58	1.48	1.51	1.54	1.65
Insurance Companies	1.85	1.79	1.59	2.00	1.99
Inheritance & Estate	2.24	2.03	2.11	1.42	1.53
Cigarettes	1.16	1.09	1.00	1.48	2.13
Oil Companies	0.21	0.48	0.54	0.22	0.98
Real Estate Conveyance	1.01	1.02	0.94	1.12	1.24
Alcoholic Beverages	0.38	0.37	0.34	0.38	0.35
Admissions, Dues, Cabaret	0.25	0.24	0.22	0.25	0.26
Miscellaneous	0.37	0.36	0.29	0.24	0.28
Total - Taxes	79.71	80.14	78.78	79.13	75.26
Less Refunds of Taxes	(6.08)	(6.36)	(6.14)	(7.65)	(6.72)
Less Refunds of R&D Credit	-	-	-	(0.20)	(0.09)
Total – Taxes Less Refunds	73.63	73.78	72.65	71.28	68.44
OTHER REVENUE					
Transfer-Special Revenue	2.64	2.32	2.15	2.56	2.19
Indian Gaming Payments	2.72	2.84	2.77	3.40	3.22
Licenses, Permits & Fees	1.16	1.14	1.04	1.27	1.04
Sales of Commodities & Services	0.28	0.29	0.26	0.28	0.27
Investment Income	0.57	0.47	0.57	0.22	0.06
Rents, Fines & Escheats	0.53	0.41	0.40	0.44	0.68
Miscellaneous	1.06	1.12	1.05	1.05	1.52
Less Refunds of Payments	-	-	-	0.00	0.00
Total - Other Revenue	8.96	8.59	8.24	9.22	8.97
OTHER SOURCES					
Federal Grants	18.26	18.54	18.66	19.75	19.28
Transfer from Special Funds	-	0.70	1.16	1.11	4.07
Transfer to Other Funds	(0.85)	(1.61)	(0.71)	(1.36)	(0.77)
Total - Other Sources	17.41	17.63	19.11	19.50	22.58
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

TABLE 83
SPECIAL TRANSPORTATION FUND REVENUES

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
TAXES ($K)					
Motor Fuels	$499,911	$506,426	$417,523	$430,287	$457,991
Oil Companies	20,000	36,000	46,000	46,000	-
DMV Sales	-	10,000	60,106	65,224	65,523
Less Refunds of Taxes	(5,177)	(5,398)	(7,556)	(7,777)	(8,518)
Total - Taxes Less Refunds	514,734	547,028	516,073	533,734	514,996
OTHER REVENUE					
Motor Vehicle Receipts	187,041	190,324	196,340	200,690	204,824
Licenses, Permits & Fees	112,946	112,618	115,224	130,710	136,597
Interest Income	38,494	37,728	43,888	40,480	27,399
Federal Transit Administration	3,069	2,974	3,305	3,305	3,305
Transfer from Other Funds	-	16,770	-	-	2,634
Transfer to Other Funds	(500)	(2,000)	(3,000)	(9,500)	(60,500)
Less Refunds of Payments	-	-	-	(2,525)	(2,150)
Total – Other Revenue	341,050	358,414	355,757	363,160	312,109
GRAND TOTAL	$855,784	$905,442	$871,830	$896,894	$827,105
	% of Total	**% of Total**	**% of Total**	**% of Total**	**% of Total**
TAXES					
Motor Fuels	58.42%	55.94%	47.89%	47.98%	55.37%
Oil Companies	2.34	3.98	5.28	5.13	0.00
DMV Sales	-	1.10	6.89	7.27	7.92
Less Refunds of Taxes	(0.61)	(0.60)	(0.87)	(0.87)	(1.03)
Total – Taxes Less Refunds	60.15	60.42	59.19	59.51	62.26
OTHER REVENUE					
Motor Vehicle Receipts	21.86	21.02	22.52	22.38	24.76
Licenses, Permits & Fees	13.20	12.44	13.22	14.57	16.52
Interest Income	4.49	4.16	5.03	4.51	3.31
Federal Transit Administration	0.36	0.33	0.38	0.37	0.40
Transfer from Other Funds	-	1.85	-	-	0.32
Transfer to Other Funds	(0.06)	(0.22)	(0.34)	(1.06)	(7.31)
Less Refunds of Payments	-	-	-	(0.28)	(0.26)
Total - Other Revenue	39.85	39.58	40.81	40.49	37.74
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 increasingly integrated flows of trade, finance, technology diffusion, information networking, and cross-cultural exchanges. During the past two decades, total U.S. imports and exports, as measured in 1996 dollars, have increased from $1,321.8 billion in 1992 to $2,606.2 billion in 2002, an increase of 97% versus only a 37% increase for real Gross Domestic Product (GDP). This shows that the growing interaction between the U.S. economy and the world economic system has been more than two times faster than the growth in domestic economic activity. As globalization continues to proceed rapidly, when forecasting the U.S. and Connecticut economies, 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 spread into other countries, affecting the overall world economy and, in turn, the U.S.'s exports. Real world GDP grew 1.3% in 2001 and 2.0% in 2002, down from 4.1% in 2000. U.S. exports declined two consecutive years in 2001 and 2002. As the worldwide economy starts to recover, exports should have improved for 2003 with the prospect of additional momentum for 2004 and beyond. Worldwide real GDP is estimated to grow 2.5% in 2003, and is anticipated to expand 3.7% in 2004 and 3.5% in 2005. Asian and emerging European economies should grow faster than other areas, led by strong growth of 8.0% in China, 6.5% in India, and 5% in the former Eastern Bloc countries such as Poland and the Czech Republic. The Asian area excluding Japan is expected to grow 6%. Real GDP growth in Japan is expected to slowly recover from its past weakness, expanding 2.2% from a meager 0.2% in 2002. The restructuring of its crumbled banking system may revive its decade long ailing economy. The economy of the European Union (EU) is improving. Its real GDP is expected to grow 1.9% in 2004 after expanding only a tepid 1.0% in 2002 and 0.8% in 2003. This 25-member economic bloc has a larger population, 450 million versus 292 million in the U.S., and roughly equivalent size of GDP, $9 trillion versus $10 trillion in the U.S. Exports for the U.S. bode well, enhanced by the depreciation of the dollar that fell about 20% against a basket of foreign currencies from its peak value in early 2002 with a further decline expected in the near future. The U.S. recovery will propel worldwide economic growth as well as U.S. trade.

The continuing expansion of major multilateral trade systems also provides for a much freer flow of resources, helping stimulate economic activity and facilitate trade growth. This favorable development will create a more open, efficient, and uniform market, adding opportunities for U.S. trade. The World Trade Organization (WTO) has nearly 150 member countries that account for over 97% of total world trade. Around 30 others are negotiating to become members. The admission of big traders such as China will play a vital role in the global trade arena. In the EU, several other countries such as Turkey, Romania, and Bulgaria are applying to become members. To extend free trade beyond the North American Free Trade Agreement (NAFTA) to cover the whole of the Americas, the U.S. has signed an agreement with Chile and intends ultimately to include countries in the entire South American hemisphere. Elsewhere, continuing trade liberalization in the Asian area and a steady growth in Eastern Europe will augment trade in the world economy.

Integration between the U.S. and the world economy has been facilitated by the U.S.'s 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 expand while employment in the manufacturing sector has only been moderately impacted. Nonetheless, as communication technology continues to improve, digitalized data can move more freely and effectively beyond national borders, increasing the pressure on the traditionally job-secure service sector in the global arena. Outsourcing of financial and medical related services such as billing and pathological mapping analysis to overseas, not seen years ago, is becoming more common. The trend of switching services offshore only adds to the difficulty in domestic job creation.

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 slowdown in the U.S. economy in 2001 has spread globally. With anemic growth in Europe and Japan and a recession in Mexico, Singapore, and Taiwan, combined with the overall slowdown in the world economy, world GDP growth in 2001 and 2002 slowed to 1.3% and 2.0%, respectively. The outlook for real GDP growth is expected to improve with real GDP growing to 2.5% in 2003, 3.7% in 2004 and to expand into the foreseeable future.

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)
1995	2.7	2.8	1.9	1.8	2.8	1.8	3.0	(6.2)	7.9	2.8	2.9
1996	3.6	1.6	3.4	0.8	2.7	1.0	1.0	5.2	7.4	3.4	3.2
1997	4.4	4.2	1.9	1.5	3.3	1.9	2.0	6.8	5.8	3.7	3.9
1998	4.3	4.1	(1.1)	1.7	3.1	3.6	1.7	4.9	(2.6)	2.5	2.2
1999	4.1	5.5	0.2	1.9	2.8	3.2	1.7	3.7	5.3	3.0	3.7
2000	3.7	5.3	2.8	3.1	3.8	4.2	3.3	6.6	7.2	4.1	4.8
2001	0.3	1.9	0.4	1.0	2.1	2.1	1.7	(0.3)	2.3	1.3	1.6
2002	2.5	3.3	0.2	0.2	1.7	1.2	0.4	0.9	4.7	2.0	2.1
2003 (E)	3.0	1.7	2.2	(0.1)	2.0	0.2	0.5	1.0	4.4	2.5	1.9
2004 (P)	4.7	3.6	2.4	1.3	2.8	1.7	1.6	2.9	5.5	3.7	3.2
2005 (P)	3.8	3.6	2.3	2.1	2.6	2.7	2.3	3.5	5.6	3.5	3.4
% of CT's Exports											
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		20.1	7.2	7.8	5.4	16.4	1.9	3.8	13.7		
2002		18.0	7.3	7.9	6.0	14.2	1.8	4.8	17.0		
2003*		17.0	7.7	10.0	6.5	13.9	1.8	5.9	15.0		

* For first three quarters of 2003

(a) The data reflects a united Germany.
(b) Includes China, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Thailand, Taiwan and Vietnam.
(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: Global Insight, "U.S. Economic Outlook"
U.S. Department of Commerce, and University of Massachusetts (MISER)

Connecticut's exports 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 above table are constructed by weighing Connecticut's share of exports to our trade partner countries. Weak economic growth in our major trade partner countries forced the weighted growth down to 1.6% in 2001, 2.1% in 2002, and 1.9% in 2003, the lowest three years in the past decade. The outlook for Connecticut's exports is projected to improve and grow 3.2% in 2004

and 3.4% in 2005. Collectively, the big 7 nations, Mexico and the countries in the Pacific Basin area account for approximately 75% of Connecticut's total exports.

Despite the promising outlook for trade in 2004 and 2005, continued globalization only makes actual economic growth and trade performance hinge more upon smooth and orderly market conditions. Any unexpected disturbances, either domestically or elsewhere, may send the world economy into tailspin. Any regional financial or non-financial shocks have the potential not only to interrupt an individual country's own economic stability but also disturb the international landscape. Regional tensions in the Middle East, instability in Iraq, and the terrorist attacks in other countries may also result in a setback. In the past six years, there was at least one major economic tremor each year that profoundly affected the world economy in a disorderly way and detrimentally hampered trade. They were: the Asian financial crisis in 1997, the U.S.'s collapse of Long Term Capital Management and the Russian debt default in 1998, the Brazilian default on international debt and sharp devaluation of its currency in 1999, the equity market's plunge and widespread bankruptcy filings in the telecommunication and some high-tech sectors in 2000, the September 11th attacks in 2001 and the U.S. corporation accounting scandal in 2002.

On the economic and financial front, runaway spending in the EU and an overheating economy combined with extensive bad loans in China may cause uncertainty. The EU represents a significant trade opportunity for the U.S. However, this giant economic body is very weak. Germany was in recession in 2003 while the economy in France, Italy, Denmark, and Austria barely grew. Governmental operating budgets of the EU area have a deficit of a negative 2.7% of GDP with its major members well above its limitation of negative 3%: Germany at -4.1% and France at -4.0%. The depreciation of the dollar may further slow economic growth there. The U.S. dollar has depreciated approximately 45% against the Euro from its high in early 2002. Research shows that a 10% depreciation of the dollar will lower GDP growth by approximately 0.7% and cut corporate earnings from 6% to 3% in the Euro-area. In addition, EU's unemployment rates held steady at a high of 8.8% in late 2003. Any derailment of its economy and a turn-around to a depreciation of the Euro might be detrimental to the U.S.'s export growth. Elsewhere in Asia, China, the world's most dynamic economy, is expected to continue its vigorous expansion with GDP leaping to 10% of the global economy over the next few years, up from current 4%. However, China's banking system is rife with bad loans, with a flood of new ones adding faster than chargeoff from inefficient state enterprises. Bad loans totaled $864 billion in late 2003, accounting for 23% of total assets or approximately 65% of its GDP. Like a ticking time bomb, the fragile banking system, if it fails, may seriously affect the world and U.S. economies. Due to the fear of an overheating economy, the Chinese government may be forced to take measures to slow its economy. If over-restrained, it might have a profound consequence on the world economy.

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. Significant and abrupt increases in oil prices can create inflationary pressure and erode consumers' purchasing power, contributing to a possible setback in the economy.

A host of factors could move oil prices in an unfavorable 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 U.S. Economy (History)

The Table on the following page compares the original forecast figures to actual for fiscal years 1994-95 to 2003-04 and the current estimates for fiscal year 2004-05. 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.

The December 2001 forecast for fiscal 2002-03 anticipated a continued recovery in economic activity from a recession that started in March 2001 and ended in November of the same year with a real growth rate in line with the long-term economic growth rate of 2.5%, an increase in housing starts and new car sales, and the same rate of CPI inflation with an uptick in the unemployment rate. However, the economy actually performed better than expected with real GDP growing 2.7%. To sustain economic growth, the Federal Reserve Bank, after cutting the federal funds rate 11 times from 6.50% to 1.75% in 2001, slashed an additional 0.5% in November 2002 and another 0.25% in June 2003 to a 4-decade low of 1.00%. The stimulative monetary policy created a substantially favorable financial condition for interest-sensitive markets, pushing annual housing starts to 1.73 million units, the highest since 1986. Mortgage rates in 2003 have been the lowest since Freddie Mac began tracking the rates 30 years ago. Conventional mortgage rates on 30-year instruments fell to 5.23% in June 2003, compared to the same month in 2002 of 6.65% and in 2001 of 7.16%. Rapid increases in home prices propped up consumer spending and generated increased residential investment. In addition, household wealth continued to improve after reaching a low in the third quarter of 2002, enabling a sustained and healthy increase in consumer spending. The U.S. net household wealth in the second quarter of 2003 increased to $41.5 trillion, up 7.8% from a low of $38.5 trillion in the third quarter of 2002. Consumer spending, which accounts for two thirds of GDP, remained the strong supporting pillar of the economy, up 4.9% in fiscal 2003 compared to 4.0% in the previous year. Business equipment and software investment, which had been a driver for the economy in the 1990s, but was flat in fiscal 2001 and declined 8.9% in fiscal 2002, grew 1.2% in fiscal 2003. As productivity rose, businesses produced more products without adding workers. Outsourcing offshore also added pressure on the job market. The unemployment rate rose to 5.9%, up from 5.5% in fiscal 2002.

Total non-farm employment fell 0.5% to 130,200,000 in fiscal 2003 from 130,900,000 in fiscal 2002. The average of the past five recessions shows that U.S. total employment rebounds after 16 months of contraction, falling 1.2% on average from its peak level of employment. The current decline concluded in July of 2003, or 29 months since the recession began. July's employment of 129,846,000 jobs was down 2.7 million jobs from its peak of 132,560,000 jobs in February of 2001.

TABLE 85
HISTORICAL COMPARISON OF U.S. ECONOMIC INDICATORS

Fiscal		GDP	Real GDP	GDP Deflator	Housing Starts	Unempl. Rate	New* Car Sales	CPI
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	2.7%
	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	2.9%
	Difference	1.6%	1.8%	(0.2%)	0.05M	(0.7%)	0.1M	0.4%
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%	15.4M	1.9%
	Difference	1.4%	2.3%	(0.9%)	0.11M	(0.9%)	0.6M	(0.7%)
1998-99	12/97 Forecast	4.6%	2.1%	2.4%	1.42M	4.7%	14.3M	2.6%
	Actual	5.5%	4.1%	1.3%	1.66M	4.4%	16.1M	1.5%
	Difference	0.9%	2.0%	(1.1%)	0.24M	(0.3%)	1.8M	(1.1%)
1999-00	12/98 Forecast	3.9%	2.0%	1.9%	1.44M	4.6%	14.9M	2.0%
	Actual	6.2%	4.4%	1.8%	1.64M	4.1%	17.5M	2.7%
	Difference	2.3%	2.4%	(0.1%)	0.20M	(0.5%)	2.6M	0.7%
2000-01	12/99 Forecast	4.2%	2.5%	1.7%	1.41M	4.5%	15.3M	2.5%
	Actual	4.2%	1.8%	2.3%	1.57M	4.2%	16.9M	3.6%
	Difference	0.0%	(0.7%)	0.6%	0.16M	(0.3%)	1.6M	1.1%
2001-02	12/00 Forecast	5.0%	3.2%	1.7%	1.44M	4.6%	16.0M	2.4%
	Actual	2.6%	0.8%	1.7%	1.64M	5.5%	16.9M	1.8%
	Difference	(2.4%)	(2.4%)	0.0%	0.20M	0.9%	0.9M	(0.6%)
2002-03	12/01 Forecast	4.1%	2.5%	1.5%	1.54M	6.2%	16.1M	2.4%
	Actual	4.0%	2.7%	1.3%	1.73M	5.9%	16.6M	2.2%
	Difference	(-0.1%)	0.2%	(0.2%)	0.19M	(0.3%)	0.5M	(0.2%)
2003-04	12/02 Forecast	6.3%	3.9%	2.2%	1.62M	5.6%	17.4M	2.4%
	12/03 Estimate	6.1%	4.4%	1.7%	1.86M	6.0%	17.0M	1.8%
	Difference	(0.2%)	0.5%	(0.5%)	0.24M	0.4%	(0.4M)	(0.6%)

* New Car Sales in Fiscal Years 1996-97 through 2002-03 represent U.S. vehicle sales for automobiles and light vehicles (trucks).

M denotes Millions of Units.

The U.S. Economy (Forecast)

The real GDP growth rate for fiscal year 2004-05 is anticipated to charge forward 4.3%, far better than the long-term growth trend of 2.5% and only slightly slower than the 4.4% in fiscal 2003-04. The repercussion of aggressively accommodative monetary and fiscal policies continues to stimulate consumer spending and encourage investment. The high rate of growth should continue until Federal monetary policy becomes stringent, likely in the second half of 2004, and the fiscal stimulus begins to wane. When the economy begins to show a risk of inflation resulting from the continued economic recovery, the 45-year low Federal funds rate will start to rise. Monetary tightening has already begun in the United Kingdom and Australia, signaling an end to overall worldwide low interest rates. As the stimulative effects of the federal tax cuts fade, consumer and business spending may slow, thereby lowering real GDP growth. Depreciation of the dollar and continued economic growth abroad should continue to help U.S. exports.

As the economy continues to improve, the unemployment rate for fiscal 2004-05 is anticipated to fall to 5.5% from 6.0% in fiscal 2003-04. Job creation should start picking up in fiscal 2003-04 as workweek hours and temporary employment increase. Confronted by the rising rate of capacity utilization and encouraged by increased profitability and still-favorable interest rates, businesses should increase investment and manpower, while replenishing depleted inventories. Total employment will grow with at best an expected moderate improvement in manufacturing as global competition intensifies and productivity gains continue to suppress any fast increase in employment in this sector.

Consumer spending should expand in fiscal year 2003-04 and further into fiscal year 2004-05, although at a slower pace. Growth in payroll employment is expected to bring fiscal year 2004-05 back to the pre-recession level. Increases in disposable income from wages and salaries, federal income tax cuts on capital gains and dividends, as well as improved equity markets should uphold spending. Households will likely continue to increase savings after aggressive spending over the past several years made possible by hefty borrowings. Economic recovery and a continued buildup in the federal deficit should push interest rates higher, creating short-term pressure on housing starts and suppressing refinancings in fiscal 2005. Most property equity that was likely to have been accessed has already been drawn down, leaving little room for the type of refinancing that has fueled spending in the recent past. New vehicle sales are expected to increase modestly with continued strength in the demand for light trucks. Incentive programs to promote new cars sales will continue as manufacturers try to gain market share as competition heats up. Although average transaction prices continue to edge up as consumers trade up for a higher value vehicles, the auto price deflator has actually declined for six consecutive years through 2003 due to vehicle enhancements. Housing starts are expected to cool down as conventional 30-year mortgage rates edge up. 30-year mortgage rates are anticipated to reach 6.50% by the end of 2004 and increase another 0.5% by mid 2005, up from the current 5.75%. Business investment spending that has declined for 3 years should be on the recovery track; companies need to upgrade their antiquated equipment and software to boost productivity for competition and profitability. The index of manufacturing activity, published by the Institute of Supply Management, registered at 66.2 for December 2003, the highest since December 1983, signaling stronger economic growth ahead.

Inflation for consumer goods and services in fiscal year 2004-05 is anticipated to increase 1.4%, down from 1.7% in fiscal year 2003-04. Energy prices should return to normal price ranges. The improvement in economic conditions and the depreciation the U.S. dollar should not translate into a price spike. Inflation pressures in the service sector, which accounts for 70% of the core CPI-U index, should increase moderately. Labor costs that include wages and salaries and benefits compensation will edge higher as the economy expands. However, a small increase in commodity prices brought about by fierce global and domestic competition along with continued productivity gains will help keep inflation in check. Thanks to technological advancements, aided by innovations in computer and information technology, efficiency and productivity have risen profoundly. The new era technology has elevated real GDP growth with only modest inflation over the past decade.

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.

12/03 Forecast	Fiscal Year 2004-05
Gross Domestic Product	6.1%
Real Gross Domestic Product	4.3%
G.D.P. Deflator	1.7%
Consumer Price Index	1.4%
Unemployment Rate	5.5%
Housing Starts	1.75 Million
New Vehicle Sales	17.38 Million

Forecast Caveats

The projection of 4.3% real output growth, with modest inflation, assumes there is a tighter but still favorable monetary policy, improved employment, continued recovery in the deflated equity markets, an increase in business investment and consumer spending, and a weaker U.S. dollar along with conducive global financial and economic conditions. This would boost personal income growth that in turn would support consumer spending, trigger investment, and stimulate the economy. However, there are a slew of uncertainties that may affect growth projections, including a weaker than expected job market, continued instability in the stock market, a slow recovery in business investment, tighter-than-expected monetary policy, an unexpected economic or financial turmoil in a major country, the unfavorable outcome of any regional conflict, unstable foreign geopolitical conditions, and even an unexpectedly widespread disease. Any major disturbance could steer the forecast in either direction.

The economic recovery is expected to support consumer and investment consumption. However, the consumer and business sectors continue to face significant uncertainty. Consumers, who took advantage of low mortgage rates to refinance in past years, may find themselves saddled with unsupportable monthly payments in a slow growth economy. Growth in consumption could be curbed as consumers become more conscientious about their inadequate level of savings. Personal savings as a percentage of disposable personal income remained at 2.3% in 2003 and 2002, up from 1.7% in 2001, but down significantly from 7.7% in

1992 and over 10% in the early 1980s. Growth in spending has been outpacing the growth in income over the past two decades. The lower personal saving rate accompanied by a high budget deficit may lead to a higher interest rates domestically and globally. The U.S. deficit for 2003, according to *The Economist*, reached 4.9% of GDP. This deficit was only second to Japan's 7.4% among all major industrial countries. As the U.S. government seeks more and more financing from the global market to fill the gap, it will place upward pressure on world interest rates and detrimentally affect the global economy.

After three difficult years, state and local governments' revenues have started to show signs of improvement in fiscal 2003-04. Nonetheless, they are still confronting short-term cyclical and long-term structural problems. While state revenue increases may be limited by slow employment growth, welfare expenditures such as medical costs are still growing at a rapid pace. After rounds of tax or fee increases, spending cuts, amnesty programs, borrowing against the tobacco settlement payments and pension funds, there is less flexibility to raise revenues. There are 49 states that mandate a balanced budget. If the poor fiscal condition persists and spending is constrained, this may reduce aggregate demand and be a drag on the economy.

The Connecticut Economy (History)

A comparison of the original forecasts for Connecticut's personal income, nonagricultural employment and unemployment with actual figures for fiscal 1994-95 through 2002-03 and the current forecast for fiscal 2003-04 are presented in the following Table.

TABLE 86
HISTORICAL COMPARISON OF CONNECTICUT ECONOMIC INDICATORS

Fiscal Year		Personal Income	Nonagricultural Employment	Unemployment Rate
1994-95	12/93 Forecast	$102.5 Billion		5.6%
	Actual	$102.3 Billion	1,555.9 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	1,599.6 Thousand	5.6%
	Difference	$6.2 Billion		0.2%
1997-98	12/96 Forecast	$116.6 Billion		5.2%
	Actual	$120.5 Billion	1,627.6 Thousand	4.1%
	Difference	$3.9 Billion		(1.1%)
1998-99	12/97 Forecast	$127.0 Billion	1,652.4 Thousand	4.5%
	Actual	$127.7 Billion	1,657.4 Thousand	3.3%
	Difference	$0.7 Billion	5.0 Thousand	(1.2%)
1999-00	12/98 Forecast	$130.1 Billion	1,664.5 Thousand	4.1%
	Actual	$135.8 Billion	1,682.2 Thousand	2.6%
	Difference	$5.7 Billion	17.7 Thousand	(1.5%)
2000-01	12/99 Forecast	$140.0 Billion	1,695.0 Thousand	3.3%
	Actual	$144.9 Billion	1,690.4 Thousand	2.5%
	Difference	$4.9 Billion	(4.6) Thousand	(0.8%)
2001-02	12/00 Forecast	$146.9 Billion	1,722.3 Thousand	3.3%
	Actual	$146.3 Billion	1,675.6 Thousand	3.9%
	Difference	($0.6) Billion	(46.7) Thousand	0.6%
2002-03	12/01 Forecast	$155.5 Billion	1,686.5 Thousand	4.4%
	Actual	$149.8 Billion	1,659.5 Thousand	4.8%
	Difference	($5.7) Billion	(27.0) Thousand	0.4%
2003-04	12/02 Forecast	$157.1 Billion	1,669.7 Thousand	4.4%
	Latest Forecast	$155.3 Billion	1,646.1 Thousand	5.0%
	Difference	($1.8) Billion	(23.6) Thousand	0.6%

The national economic recovery is underway but still geographically uneven. As the U.S. picks up, Connecticut's progress towards economic recovery should become more noticeable over the next several months. While there have been encouraging signs of improvement in the labor market, the path to job growth remains fragile and depends greatly on the willingness of businesses to begin rehiring. Providing some evidence that much of the weakness may now be in the past, the state experienced job growth during the 4th quarter of calendar 2003 relative to the 3rd quarter. While the state claws its way back to positive employment growth, total nonagricultural employment decreased by 16,100 in fiscal 2003. Moreover, if past-experience provides some parallels, Connecticut's recovery will be forthcoming because the state tends to lead the nation going into recession and lags behind the subsequent recovery by almost two quarters. This current business cycle is no different. Nonagricultural employment in Connecticut started to decline nearly three quarters before the start of the national recession in March 2001. As a result, nonagricultural employment that had been growing by an average of about 1.6% in the five years through fiscal 2001 has declined 3.2% since reaching a peak in the third quarter of 2000, as many businesses shed workers because of the deteriorating economic environment. More recently, Connecticut lost an additional 12,500 jobs during the first quarter of fiscal 2004; pushing employment levels to a new low since the start of the state's recession in July of 2000, some 36 months prior. Furthermore, the health of employment in Connecticut is a bit weaker compared with that of the nation. U.S. nonmanufacturing employment increased 0.8% since the start of the economic slowdown, whereas Connecticut's retreated 1.2%. However, the nation's manufacturing sector fell 18.9%, much worse than the 15.6% loss at the state level; although the state's manufacturing sector has been in recession since early 2000, it has weathered the unsteady nature of the economy better than the nation as a whole. Connecticut lost manufacturing jobs for decades to lower-cost states; now it seems those states are seeing steeper losses as work moves overseas. Nonetheless, the percentage decline in U.S. nonagricultural employment is not nearly as severe as Connecticut's. The following Table compares nonagricultural employment and its two major components for the U.S. and Connecticut since each entered the recession through December of 2003.

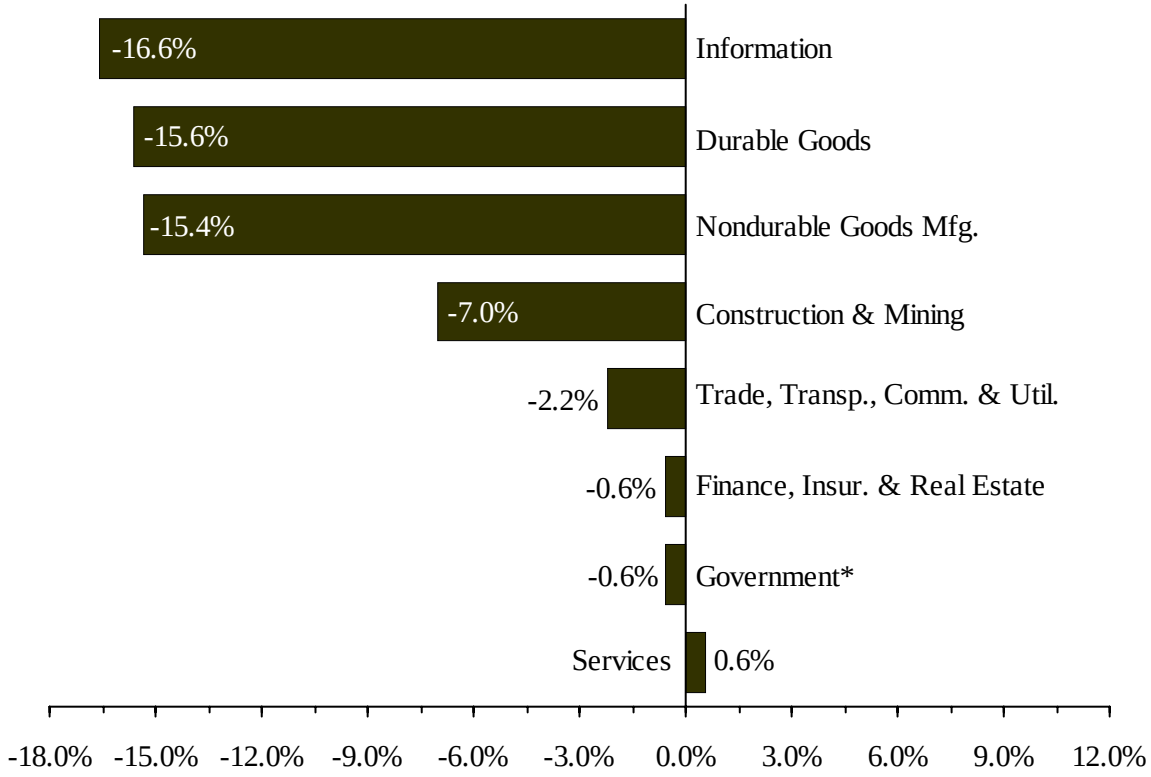
United States & Connecticut Change In Employment
(In Thousands)

	United States				Connecticut			
	2/01	12/03	Change	% Chg.	7/00	12/03	Change	% Chg.
Mfg. Empl.	17,887	14,504	(3,383)	(18.9%)	237	200	(37)	(15.6%)
NonMfg. Empl.	114,673	115,620	947	0.8%	1,462	1,444	(18)	(1.2%)
NonAgr. Empl.	132,560	130,124	(2,436)	(1.8%)	1,699	1,644	(55)	(3.2%)

Specifically, the state's manufacturing sector bore the brunt of the slowdown, as industrial activity, both regionally and nationally deteriorated through the final quarter of calendar 2003. As a result, manufacturing employment in Connecticut has declined by roughly 37,000 workers. The majority of the job cuts occurred in durable goods industries, predominantly in computer & electronic products and industrial machinery. At one time, a good number of the idle workforce in the manufacturing sector was absorbed by the state's tight labor markets. Unfortunately, employment growth abated; the nonmanufacturing sector, after posting nine uninterrupted

years of growth finally fell victim to the slowing economy and has declined by 1.2% since July of 2000. Most of the state's nonmanufacturing industries declined as economic activity faltered. Moreover, the information sector, comprising establishments engaged in telecommunications, broadcasting and data processing continued to weigh on the economy because of lingering overcapacity and fierce competition. The state's economy would have performed much worse but for the steady growth in the education and health service sectors, which helped the overall service sector post a respectable gain. The following Chart shows the state sectors that have been hardest hit by the spreading impact of the recession from July of 2000 through December of 2003.

CONNECTICUT EMPLOYMENT
Percent Change In Employment By Sector
(From July 2000 To December 2003)



* Includes workers at the Foxwoods & Mohegan Sun Casinos

Adding to the state's economic woes, growth in the construction sector, despite being helped by a relatively healthy residential housing market, was hindered by a weak commercial real estate market. As a result, employment in the sector has declined by 7.0%. In response to the lackluster economy, a number of state companies announced layoffs or closed up business altogether. One example, Kendro Laboratories in Newtown announced it was eliminating 320 medical-manufacturing jobs by shifting production out of Connecticut. On the other hand, not all of the announcements were unpromising. Lowe's the home improvement retailer, announced in December that it would build a distribution facility in Plainfield creating 525 jobs. Nonetheless, the state's job losses far outweigh its gains. The Tables on the following page provide a

breakdown of the employment totals lost by each sector and the corresponding impact on the unemployment rate in each of state's ten labor market areas (LMA).

Connecticut Employment
(Seasonally Adjusted)

Sectors	Jul. '00	Dec. '03	Chg.
Durable Goods Mfg.	175.9	148.4	(27.5)
Nondurable Goods Mfg.	61.2	51.8	(9.4)
Information	47.0	39.2	(7.8)
Construction & Mining	64.3	59.8	(4.5)
Trade, Transp. & Utilities	317.6	310.6	(7.0)
Fin., Ins. & Real Estate	143.6	142.8	(0.8)
Government	242.6	241.2	(1.4)
Services	646.6	650.2	3.6
Total	1,698.8	1,644.0	(54.8)

LMA Unemployment Rates
(Not Seasonally Adjusted)

LMA	Jul. '00	Dec. '03	Chg.
Waterbury	3.1%	6.1%	3.0%
Bridgeport	3.0%	5.5%	2.5%
Hartford	2.5%	4.9%	2.4%
Danielson	2.9%	4.8%	1.9%
Torrington	1.9%	4.2%	2.3%
Lower River	1.5%	3.1%	1.6%
New London	2.3%	4.1%	1.8%
Stamford	1.4%	3.0%	1.6%
New Haven	2.5%	4.4%	1.9%
Danbury	1.7%	3.0%	1.3%

Consequently, shrinking payrolls pushed Connecticut's unemployment rate to a near high of 5.0% in December of 2003, up as much as 0.9% from a year earlier. On average, there were nearly 90,300 persons out of work in calendar 2003, an increase of approximately 13,500 compared to the previous year. An encouraging signal for the Connecticut economy was the 8.5% drop in initial (first-time) claims for unemployment insurance over last year. Nonetheless, the state's economy has yet to fully shake off the remnants of the recession, underscoring the fact that the state has yet to reach a clear turning point, continuing unemployment claims rose 3.9% on a year-over-year basis. Nonetheless, these economic conditions pale in comparison to the 8.2% unemployment rate that beset the state back in 1992. During that recession of a decade ago, the state lost approximately 160,500 jobs.

Lastly, Connecticut experienced an abrupt collapse in personal income growth following the onset of the recession. With the implosion of the stock market along with a struggling manufacturing sector, personal income growth slowed markedly. In fiscal 2003, personal income increased only 2.4% compared with a year earlier. The reason behind the slow rise was the weak employment situation. In addition, personal income growth was hindered by declines in capital gain realizations and bonuses. Real disposable income (after tax income) grew by 4.0%, but that resulted almost entirely from lower taxes and homeowners' ability to refinance mortgages and tap into their home equity. Moreover, the annual growth rate in wage and salary income rose a mere 1.0%, and confirming that employment growth, which eventually shows up in rising wage and salary payments, was still stagnant. As proof of the slowdown in personal income gains, after adjusting for the effects of inflation, Connecticut's real per capita personal income decreased yet again. This means, state residents have not seen their incomes rise as fast as prices have risen since fiscal 2001. Nonetheless, despite slower income growth, Connecticut's per capita personal income remained well above the U.S. average by more than 38%.

Throughout the past few years, a combination of factors including low interest rates, easy lending standards and a tight housing supply combined to stimulate the state's housing sector, even as much of the economy sputtered. Cheap borrowing costs, coupled with the perception that homes were a stable investment compared to stocks, helped sustain the state's housing market during calendar 2003. Furthermore, the lack of any substantial overbuilding anywhere in

the state has placed a solid floor under the market. As a result, the severe real estate downturn of the early 1990s is unlikely to repeat itself. Underpinning this view, year-to-date new housing permits through November 2003 are up 1.7% compared to last year, which demonstrates there is still plenty of demand out there. In addition, the redevelopment of Hartford's downtown as part of the Governor's Six Pillars of Progress was seemingly more evident in 2003 as the city center's transformation has begun to take shape. Signs of progress are apparent at the riverfront, on the construction site of the convention center and in and around the fringes of downtown Hartford. Just how well the state's housing sector holds up will be an important determinant of whether the state's economy will be able to sustain its march onto more solid footing.

Finally, Connecticut's personal income tax revenues after declining 8.5% the previous year fell 5.7% in fiscal 2003, as estimated payments, which include capital gains, sank 14.7% compared to last year. On the other side of the ledger, the state's budget problems were compounded by rising expenditures. In a bid to close the fiscal 2003 budget gap, Governor Rowland signed two tax packages into law. The packages included numerous tax and expenditure changes aimed at mitigating the budget deficit. Despite the deficit reduction plan approved by the Legislature and Governor, the state ended the fiscal year with a deficit. In spite of 2003's weakness, the state's economy has shown remarkable resiliency given all it has been through over the last two years.

The Connecticut Economy (Forecast)

The past fiscal year has been both a difficult and a noteworthy one for the state's economy. A year ago, it was unclear how Connecticut households and businesses would react to the forces restraining economic growth. Today, the uncertainties heading into the 2nd year of the biennium do not seem as full of twists and turns. Connecticut is expected to see the long anticipated recovery finally take hold. Nonetheless, the recovery will be far from broad based. Risks still exist, and unfortunately, some of them hamper economic growth rather than provide a much-needed boost. However, this risk will be tempered to some extent as Connecticut's economy is diversified and stands to benefit from increasing economic activity throughout the nation, and unemployment is relatively low at 5.0%. Moreover, some economic indicators are signaling Connecticut has finally embarked on the climb to recovery. As fiscal 2004 unfolds, the state's economy will unveil further signs that the economy is recovering in earnest.

The state's economy is expected to gain momentum this winter, bringing to an end its 3½-year bout of below-capacity growth. Furthermore, even though nonagricultural employment growth in fiscal 2004 is expected to remain marginally negative, all of the weakness is concentrated in the first quarter. The state's nonmanufacturing sector is expected to post a modest decline of 0.3% during the fiscal year, as economic conditions improve. However, manufacturing employment will be weighed down by the continued contraction in the state's manufacturing sector; employment in the sector is expected to decline by 4.5% in fiscal 2004. With the recession having run its course, Connecticut lost more than 57,000 jobs relative to its peak. Nonetheless, recent Connecticut labor employment reports indicate that the job market recovery is underway, ever since July 2003 when the trough was reached with regard to employment losses.

Overall job growth in Connecticut is projected to increase over the coming quarters as the expected recovery strengthens. However, the strength of the recovery will be limited by the ongoing weakness in the state's manufacturing sector as companies continue to move production to locations with more favorable cost inputs, placing a drag on overall employment growth in the

near term. Nonetheless, the state's economic engine will get a boost as the combination of extremely accommodative monetary policy, stimulative fiscal policy, outstanding productivity growth, higher household net worth, improving corporate profits, and rising stock prices provide a better foundation for the economy to take hold in fiscal 2004. The recipe of lower federal taxes and more disposable income will provide Connecticut consumers and businesses with more money to spend on other goods and services, helping to revitalize the state's economy. Therefore, for the duration of fiscal 2004, expect the state's economy to pick up in economic activity as the improved outlook spurs consumer spending, business investment, and in particular, an upswing in hiring. In fiscal 2005, the pace of employment growth is expected to accelerate though not at the level of a few years ago, with nonagricultural employment expanding by 1.0%. The state will add these new jobs in high skill, high-income fields such as business services, information technology and health services along with lower paying jobs in retail trade. Although the economy is visibly showing signs of rebounding, the unemployment rate in Connecticut will remain unchanged at 5.0% throughout the remainder of fiscal 2004 and well into fiscal 2005. This will take place because as the economy strengthens during coming months discouraged workers, not counted in the current unemployment statistics will reenter the state's labor force.

Connecticut's population growth during the forecast period is estimated to be moderate. The demand for skilled workers will have to be met by 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 18,400 jobs or 1.3%. Ongoing demand for health care should under pin employment growth in the health services sector. Furthermore, improvement in business confidence and spending should also help to spur growth in the professional and business services sector. In addition, improving prospects for financial firms will give the economy much needed support. The rebound in the stock market is critical to the state's economic engine because it generates both jobs and substantial income. Finally, the information sector is projected to emerge from its funk and get a much-needed boost from rising spending on high tech equipment. The upswing in spending will help fuel modest job gains in high tech related industries. In contrast, the manufacturing sector will continue to shed jobs, however, the decline will not be nearly as large as in the past few years, roughly 2,000 manufacturing jobs will be eliminated as the pace of these losses slows to 1.0% in fiscal 2005. The forecast for the most widely used economic indicators for the state's economy is shown below.

12/03 Forecast	**Fiscal Year 2004-05**
Personal Income	$162.9 Billion
Nonagricultural	1,662.5 Thousand
Unemployment	5.0%

Finally, the state's highly skilled workforce, strong presence of high-tech industries, and high per capita income provide a solid economic base. In addition, these fundamental drivers buffer the state in times of economic uncertainty. Therefore, it is estimated that personal income will increase 3.7% by fiscal year-end. In fiscal 2005, growth in personal income will accelerate to 4.9%. This rate is relatively high indicating that the recovery is underway. This growth in personal income will provide consumers with the means to support increases in spending. Steady gains in spending will supply ongoing support for the expansion. Mix in low inflation

and you have the wherewithal to generate economic activity that allows a recovery to take hold and rekindle steady economic growth in Connecticut. Furthermore, the housing market, another prop for consumer spending shows no sign of unraveling in the state as attractive mortgage rates evidently continue to counterbalance the current upward pressure on energy prices, higher levels of consumer indebtedness and higher unemployment. Year-ending data suggest that the underlying demand for housing has turned down, but only to levels matching the average of the past fiscal year. This is a mere return of normality, not a sign of weakness. Given the continued availability of low mortgage rates, moderate price gains, and a belief that housing is a good long-term investment, housing activity in Connecticut is expected to hold up well.

The biggest risks that may impede the state's economic recovery are: (1) The persistent weakness in job growth, debt-ridden consumers, rising energy costs, state budget deficits and the lack of corporate investment, increases the uncertainty about the future course of the state's economy. Should consumer confidence erode and the pace of consumer spending deteriorate the probability of a solid recovery will diminish. (2) The prospect of another terrorist attack against the United States. What it means for the economy depends on whether or not it occurs on U.S. soil. An attack on a U.S. installation overseas will still cause a spike in oil prices and hurt business and consumer confidence, however, an act of aggression aimed at the U.S. directly will have a much larger impact on oil prices, the stock market and the economy. It could severely limit the extent of the recovery. (3) The lengthy correction in the equity market has limited the incentive to invest. Scores of investors have held off moving back into the market, hampering both consumer and business sentiment. If businesses turn pessimistic about their expectations for profits, stock prices could weaken after a healthy run-up in calendar 2003, encouraging investor disenchantment with equities. 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. (4) Finally, by the time each of the last five recessions had run its course, the number of Connecticut jobs fell from 1.4% to as much as 9.4%, relative to its peak. Regrettably, Connecticut's recent downturn will not be its mildest; data suggests the bottom was reached in July of 2003, not before claiming 3.4% of the state's workforce. In view of that, based on all the cited risks, there are reasons to worry that Connecticut's job market could remain weak for months, much as it did in the early 1990's. Fortunately, these trends seem to be ameliorating. The following Table shows that the current downturn still has a long way to go to rival the recession of 1989-92 as the most severe since the Great Depression.

RECESSIONS IMPACT ON CONNECTICUT'S LABOR MARKET

Recession Peak To Trough	Jobs Lost As A Percent Of Total Jobs	Months From Peak To Trough	Months From Peak To Regaining Peak
Feb. '70 - Jun. '71	4.0%	16	34
Aug. '74 - Sept. '75	4.4%	13	32
Mar. '80- Aug. '80	1.4%	5	11
Oct. '81 - Feb. '83	1.5%	16	21
Feb. '89 - Dec. '92	9.4%	46	131
Average	**4.1%**	**19**	**46**

Jul. '00 - Jul. '03	3.4%	36*	Na

* Assumes that the trough of the labor market was reached in July of 2003.

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

Fiscal Year	Quarters	United States	Connecticut	
2001-02	1	4.8%	3.6%	
	2	5.6%	3.9%	
	3	5.6%	4.1%	
	4	5.8%	4.2%	
2002-03	1	5.8%	4.4%	
	2	5.9%	4.6%	
	3	5.8%	5.0%	
	4	6.2%	5.0%	
2003-04	1	6.1%	5.1%	
	2	6.1%	5.0%	**Start of Forecast**
	3	6.1%	5.0%	
	4	6.0%	5.0%	
2004-05	1	5.9%	5.0%	
	2	5.8%	5.0%	
	3	5.7%	5.0%	
	4	5.7%	5.0%	

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

TABLE 88
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
1994-95	102.264	3.8	6,062.7	5.7	7,238.5	5.8
1995-96	106.652	4.3	6,361.3	4.9	7,593.6	4.9
1996-97	112.829	5.8	6,736.6	5.9	8,061.1	6.2
1997-98	120.463	6.8	7,178.5	6.6	8,548.7	6.0
1998-99	127.671	6.0	7,611.1	6.0	9,016.4	5.5
1999-00	135.829	6.4	8,082.4	6.2	9,575.8	6.2
2000-01	144.942	6.7	8,599.7	6.4	9,976.6	4.2
2001-02	146.347	1.0	8,781.1	2.1	10,235.2	2.6
2002-03	149.830	2.4	9,051.9	3.1	10,646.5	4.0
2003-04 (E)	155.304	3.7	9,426.2	4.1	11,299.9	6.1

2004-05 (P)	162.882	4.9	9,954.9	5.6	11,991.8	6.1

(E) = Estimated / (P) = Projected

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

TABLE 89
STATE OF CONNECTICUT
Annualized Personal Income & Nonagricultural Employment
(In Millions)

Fiscal Year		Personal Income	% Change Year Ago	Nonagricultural Employment	% Change Year Ago	
2001-02	1	145,327	1.8	1,678.8	(1.1)	
	2	144,542	(0.1)	1,676.0	(1.1)	
	3	147,269	0.6	1,674.1	(0.8)	
	4	148,249	1.6	1,673.5	(0.6)	
	Average	**146,347**	**1.0**	**1,675.6**	**(0.9)**	
2002-03	1	148,840	2.4	1,663.4	(0.9)	
	2	148,486	2.7	1,661.8	(0.9)	
	3	150,562	2.3	1,657.6	(1.0)	
	4	151,432	2.1	1,655.1	(1.1)	
	Average	**149,830**	**2.4**	**1,659.5**	**(1.0)**	
2003-04	1	152,792	2.7	1,642.6	(1.3)	
	2	154,403	4.0	1,644.1	(1.1)	**Start of Forecast**
	3	156,116	3.7	1,646.7	(0.6)	
	4	157,904	4.3	1,650.8	(0.2)	
	Average	**155,304**	**3.7**	**1,646.1**	**(0.8)**	
2004-05	1	159,767	4.6	1,655.2	0.7	
	2	161,945	4.9	1,660.0	1.0	
	3	163,992	5.0	1,664.9	1.1	
	4	165,823	5.0	1,670.0	1.2	
	Average	**162,882**	**4.9**	**1,662.5**	**1.0**	

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

Fiscal Year		Consumer Price Index	% Change Year Ago	
2001-02	1	177.7	2.7	
	2	177.4	1.8	
	3	178.0	1.2	
	4	179.5	1.3	
	Average	**178.2**	**1.8**	
2002-03	1	180.5	1.6	
	2	181.4	2.2	
	3	183.1	2.9	
	4	183.4	2.2	
	Average	**182.1**	**2.2**	
2003-04	1	184.5	2.2	
	2	185.2	2.1	**Start of Forecast**
	3	185.6	1.4	
	4	186.0	1.4	
	Average	**185.3**	**1.8**	
2004-05	1	186.8	1.3	

2	187.6	1.3
3	188.3	1.5
4	189.0	1.5
Average	**187.9**	**1.4**

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

REVENUE FORECAST

The following Table shows the actual General Fund Revenue collections for fiscal 2002-03, and estimated revenue collections for fiscal 2003-04 and projected revenue collections for fiscal 2004-05 by major sources.

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

	Actual Revenue 2002-03	Estimated Revenue At Current Rates 2003-04	Proposed Revenue Changes 2003-04	Net Projected Revenue 2003-04
Taxes				
Personal Income Tax	$ 4,263.1	$ 4,600.0	$ -	$ 4,600.0
Sales & Use Tax	3,025.7	3,092.1	21.9	3,114.0
Corporation Tax	508.0	524.5	-	524.5
Public Service Tax	198.0	184.8	-	184.8
Inheritance & Estate Tax	184.3	142.1	-	142.1
Insurance Companies Tax	239.4	247.9	-	247.9
Cigarette Tax	256.1	300.8	31.5	332.3
Real Estate Conveyance Tax	149.3	134.0	-	134.0
Oil Companies Tax	117.4	90.0	-	90.0
Alcoholic Beverages	42.5	44.1	2.0	46.1
Admissions and Dues	31.7	30.6	-	30.6
Miscellaneous	33.7	32.3	-	32.3
Total Taxes	$ 9,049.2	$ 9,423.2	$ 55.4	9,478.6
Less Refunds of Taxes	(808.2)	(744.0)	-	(744.0)
Less R&D Credit Exchange	(11.2)	(17.0)	-	(17.0)
TOTAL - Taxes Less Refunds	$ 8,229.8	$ 8,662.2	$ 55.4	$ 8,717.6
Other Revenues				
Transfers Special Revenue	$ 262.8	$ 269.6	$ -	$ 269.6
Indian Gaming Payments	387.2	405.0	-	405.0
License, Permits, Fees	125.2	149.5	-	149.5
Sales of Commodities & Services	32.9	31.0	-	31.0
Rents, Fines & Escheats	81.5	77.3	4.5	81.8
Investment Income	7.1	12.5	-	12.5
Miscellaneous	182.3	118.0	-	118.0
Less Refunds of Payments	(0.4)	(0.5)	-	(0.5)
TOTAL - Other Revenues	$ 1,078.6	$ 1,062.4	$ 4.5	$ 1,066.9
Other Sources				
Federal Grants	$ 2,318.4	$ 2,527.6	$ 11.7	$ 2,539.3
Transfer From Tobacco Settlement	138.0	114.0	2.0	116.0
Transfers to the Resources the G.F.	351.5	207.7	-	207.7
Transfers From (To) Other Funds	(93.0)	(85.0)	-	(85.0)
TOTAL - Other Sources	$ 2,714.9	$ 2,764.3	$ 13.7	$ 2,778.0
TOTAL - General Fund	$ 12,023.3	$ 12,488.9	$ 73.6	$ 12,562.5

	Projected Revenue At Current Rates 2004-05	Proposed Revenue Changes 2004-05	Net Projected Revenue 2004-05
$	4,863.3	$ 8.0	$ 4,871.3
	3,266.4	40.7	3,307.1
	504.3	-	504.3
	185.2	-	185.2
	161.6	-	161.6
	255.3	-	255.3
	296.3	90.7	387.0
	126.0	-	126.0
	87.5	13.0	100.5
	44.1	4.4	48.5
	32.2	-	32.2
	33.9	-	33.9
$	9,856.1	$ 156.8	$ 10,012.9
	(759.0)	-	(759.0)
	(17.0)	-	(17.0)
$	9,080.1	$ 156.8	$ 9,236.9
$	274.1	$ -	$ 274.1
	425.0	-	425.0
	138.1	(0.9)	137.2
	34.0	-	34.0
	77.3	20.0	97.3
	15.0	-	15.0
	119.0	-	119.0
	(0.5)	-	(0.5)
$	1,082.0	$ 19.1	$ 1,101.1
$	2,393.8	$ 34.0	$ 2,427.8
	113.0	2.0	115.0
	354.5	3.9	358.4
	(85.0)	-	(85.0)
$	2,776.3	$ 39.9	$ 2,816.2
$	12,938.4	$ 215.8	$ 13,154.2

Explanation of Changes

Personal Income Tax
Department of Revenue Services non-resident initiative.

Sales & Use Tax
Delay the repeal of the tax on newspapers & magazines. Eliminate the CATCH-F intercept. Assumes additional collections due to the increase in both the Cigarette and Alcoholic Beverages Tax.

Cigarette Tax
Increase Cigarette Tax from $1.51 per pack to $2.05 per pack. Increase the excise tax on the wholesale price of non-cigarette tobacco products from 20% to 30%. Increase the tax on tobacco products sold by the ounce from 40¢ to 60¢ per ounce. Effective April 1, 2004.

Oil Companies Tax
Reduce transfer to the Special Transportation Fund by $13 Million in fiscal 2004-05 and thereafter.

Alcoholic Beverages Tax
Increase all tax rates by 10%, effective April 1, 2004.

Licenses, Permits & Fees
Reflects changes to an assessment on the insurance industry.

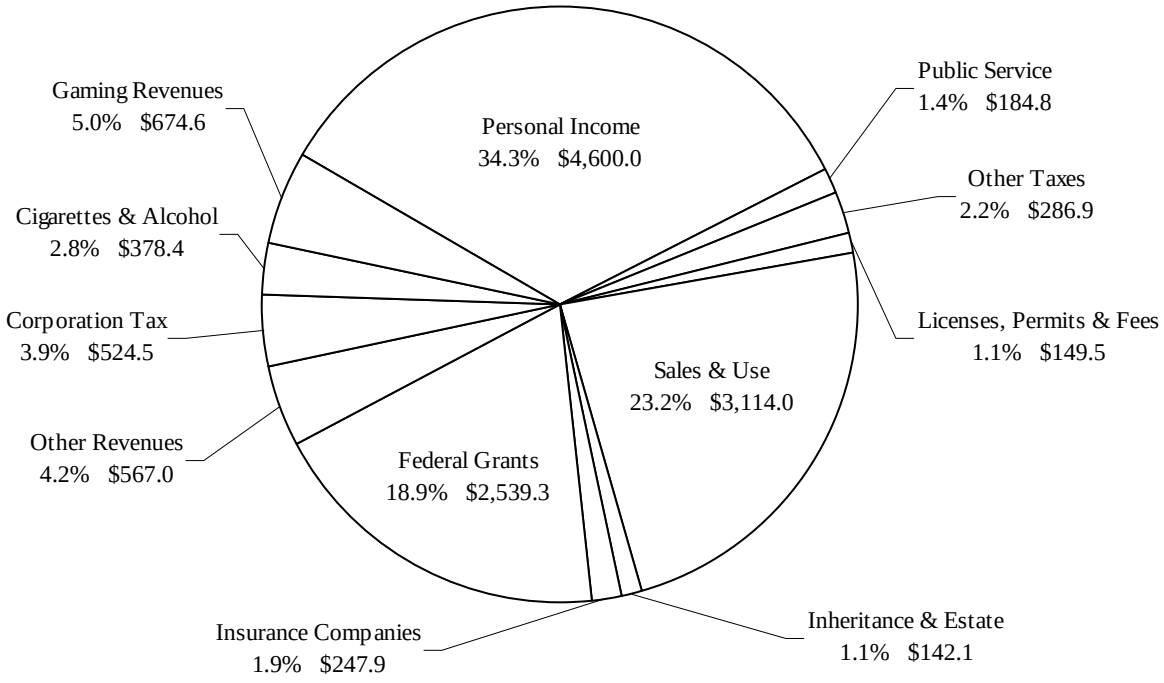
Rent, Fines and Escheats
Escheat unclaimed bottle deposits to the General Fund, effective April 1, 2004.

Federal Grants
Reflects impact of recommended expenditure changes.

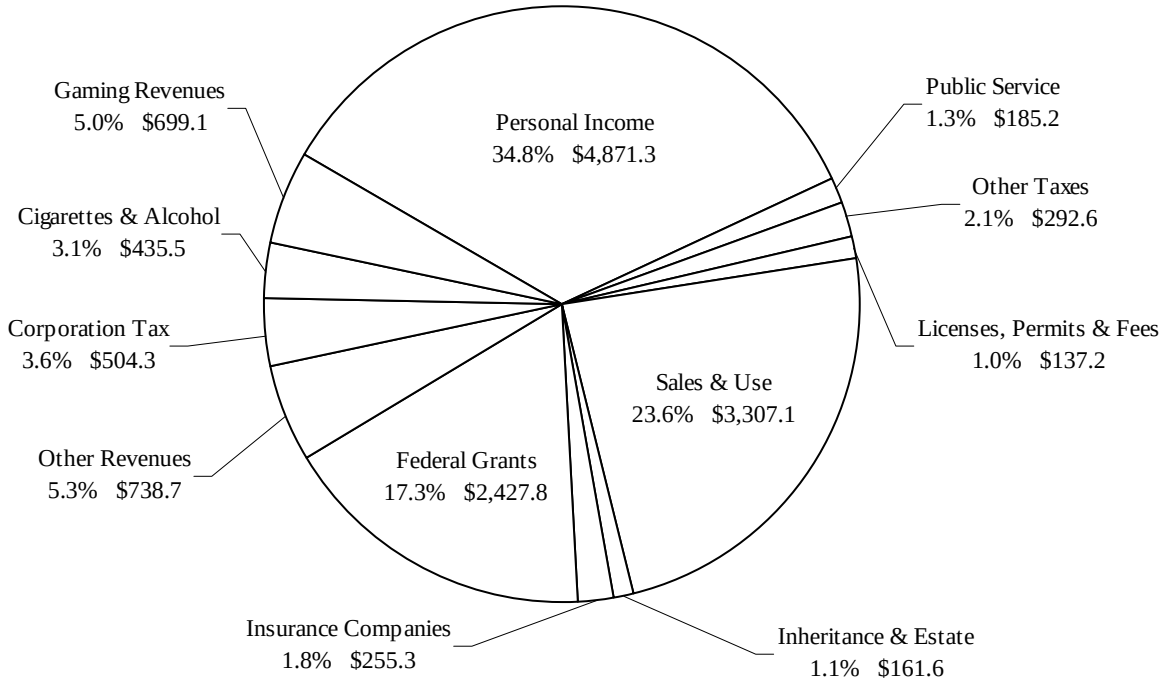
Transfers from the Tobacco Settlement Fund
Eliminate the transfer to the Biomedical Research Trust Fund.

Transfers to the Resources of the General Fund
Transfers from the Pretrial Alcohol & Drug Account, the State Marshals Account, the Boating Fund, and the Tobacco Trust Fund.

FISCAL YEAR 2003-04 – TOTAL $12,562.5 MILLION*



FISCAL YEAR 2004-05 – TOTAL $13,154.2 MILLION*



* Refunds of Taxes are estimated at $744.0M for FY 2003-04 and $759.0M for FY 2004-05, R&D Credit Exchange is estimated at $17.0M for both FY 2003-04 and FY 2004-05, Refunds of

Payments are estimated at $0.5M for both FY 2003-04 and FY 2004-05, and Transfers To Other Funds are estimated at $85M for both FY 2003-04 and FY 2004-05.

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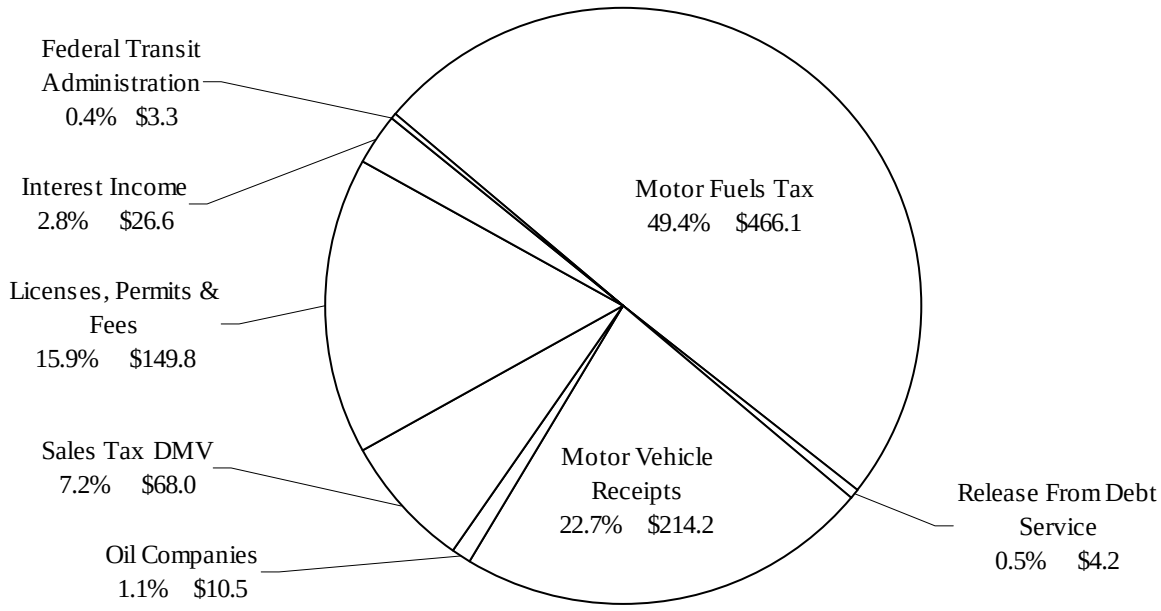
TABLE 92
STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND REVENUES
(In Millions of Dollars)

	Actual Revenue 2002-03	Estimated Revenue Current Rates 2003-04	Proposed Revenue Changes 2003-04	Net Projected Revenue 2003-04
Taxes				
Motor Fuels Tax	$ 458.0	$ 466.1	$ -	$ 466.1
Oil Companies Tax	-	10.5	-	10.5
Sales Tax - DMV	65.5	68.0	-	68.0
Less Refunds of Taxes	(8.5)	(8.2)	-	(8.2)
TOTAL - Taxes Less Refunds	$ 515.0	$ 536.4	$ -	$ 536.4
Other Sources				
Motor Vehicle Receipts	$ 204.8	$ 214.2	$ -	$ 214.2
Licenses, Permits & Fees	136.6	149.8	-	149.8
Interest Income	27.4	26.6	-	26.6
Federal Transit Admin. (FTA)	3.3	3.3	-	3.3
Transfers From (To) Other Funds	(60.5)	(8.5)	-	(8.5)
Release from Debt Service Reserve	2.6	4.2	-	4.2
Less Refunds of Payments	(2.1)	(2.8)	-	(2.8)
TOTAL - Other Sources	$ 312.1	$ 386.8	$ -	$ 386.8
TOTAL – S.T.F.	$ 827.1	$ 923.2	$ -	$ 923.2

FISCAL YEAR 2003-04 - TOTAL $ 923.2 MILLION*



* Refunds of Taxes are estimated at $8.2 million, Transfers To Other Funds are estimated at $8.5 million and Refunds of Payments are estimated at $2.8 million in fiscal 2003-04.

	Projected Revenue Current Rates 2004-05	Proposed Revenue Changes 2004-05	Net Projected Revenue 2004-05
$	470.8	$ -	$ 470.8
	13.0	(13.0)	-
	70.4	-	70.4
	(8.6)	-	(8.6)
$	545.6	$ (13.0)	$ 532.6
$	226.2	$ 1.2	$ 227.4
	154.5	7.6	162.1
	28.6	-	28.6
	3.3	-	3.3
	(8.5)	-	(8.5)
	-	-	-
	(2.8)	-	(2.8)
$	401.3	$ 8.8	$ 410.1
$	946.9	$ (4.2)	$ 942.7

Explanation of Changes

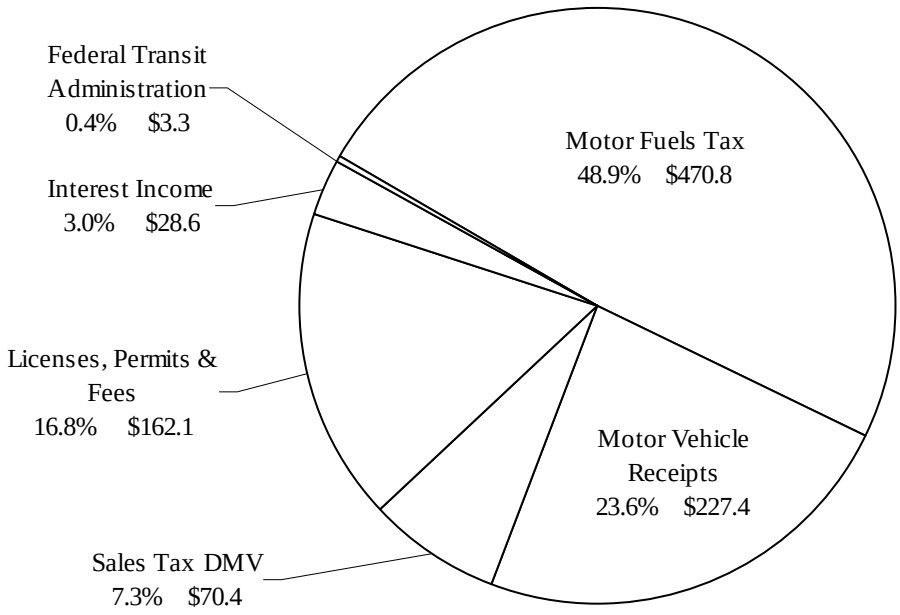
Motor Fuels Tax
Increase the Motor Fuels Tax on Gasohol from 24¢ to 25¢ a gallon, (precludes a revenue loss).

Oil Companies Tax
Reduce the General Fund Transfer.

Motor Vehicle Receipts
Technical correction for scheduled registration fee increases at the Department of Motor Vehicles.

Licenses, Permits & Fees
Standardize various fees at the Department of Motor Vehicles.

FISCAL YEAR 2004-05 - TOTAL $ 942.7 MILLION*



* Refunds of Taxes are estimated at $8.6 million, Transfers to Other Funds are estimated at $8.5 million and Refunds of Payments are estimated at $2.8 million in fiscal 2004-05.

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 18.9% 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 7.0% of the Gross State Product, it is inevitable that state government's expenditure and revenue actions influence the State's economy.

The economy has undergone significant change over the past couple years and along with it, so has the state's budget. As we prepare for FY 2005, the proposed budget represents only modest adjustments to the numerous painful, but necessary, changes enacted last year. The result is a budget recommendation that proposes very limited tax increases while refusing to undo those important structural changes that have been implemented on the expenditure side of the ledger. This budget is part of the vision of the Governor to ultimately bring state finances back into structural balance. Only when this is achieved, will the state's latitude in fiscal matters be restored. Given this reality, Governor Rowland believes this budget will maintain the positive impact previous budgets have had on the economy, while preserving the most important aspects of our quality of life.

Expenditure Actions

Downsizing the State Workforce

In an effort to control costs, there have been continued efforts to downsize the state workforce. This was achieved through a combination of an early retirement incentive program (ERIP) and layoffs made in lieu of union concessions. Of the originally estimated 3,000 layoffs, over 2,400 and other separations went into effect. Concessions reached with some of the higher education bargaining units eliminated the need to follow through with some of the planned layoffs. It is estimated that these layoffs and other separations will result in combined general fund and special transportation fund savings of $120.6 million in FY 2005.

In FY 2003, the state attempted to negotiate state employee concessions with the unions representing state employees. No overall concession agreement with the coalition of state unions was achieved. At that point, the Governor had no alternative but to proceed with the layoff of over 2,400 employees. Individual agreements reached with a number of higher education bargaining units allowed to state to cancel planned layoffs in these areas assuring the maintenance of services in these areas and allowing the state to continue to move forward with its commitment to a top rank public higher education system. Units representing UConn faculty, UConn non-faculty professional employees, CSU faculty, CSU non- faculty professional employees, State Technical College administrators, Community College faculty, DHE

professional employees and Charter Oak professional employees have all agreed to wage freezes for FY 2004. Of the units representing higher education employees, only the units representing State Technical College faculty and the UConn Health Center non-faculty professional employees have not agreed to wage concessions.

In addition to these higher education settlements, the state has pending agreements with the Administrative Clerical, Judicial Professional and Judicial Non Professional units, which all provide for wage freezes in FY 2004 as well as delay in the payment of annual increments in subsequent years. A pending arbitration award for the Social and Human Services unit would provide no general wage increase in FY 2004, but would provide annual increments. In FY 2005 the Social and Human Services award would give a general wage increase of only 2.5%, which is less than the 3% given to units which took a total freeze in FY 2004.

The state is currently in negotiations for agreements with four other non higher education units whose contracts have expired and is seeking similar wage concessions from those units.

An early retirement plan with a window of from March 1, 2003 through June 1, 2003 was implemented in an effort to affect savings. Payments for accrued leave will occur over a three-year period starting in FY 2006. Over 10,500 employees were eligible for the incentive and 4,725 took advantage of it including 96 employees who received an extension until no later than June 2004. This ERIP allowed workforce reductions without having to resort to significant additional layoffs and created re-employment opportunities for many of the previously laid off workers. In fact, as of January 2004, 1,227 of the employees laid off in fiscal year 2003 have been reemployed by the state. Over 1,700 of the positions vacated by employees taking advantage of the ERIP will not be refilled. Savings are occurring principally due to this reduction in the state workforce. Additional savings are accruing due to the lower average initial compensation of replacement workers and due to the savings from the interim re-certification of the State Employees Retirement System that has been done. The initial target for the combined general fund and special transportation fund savings from the ERIP was $150.5 million in FY 2005. Combined general fund and special transportation fund savings is $26.5 million less in FY 2005 than originally targeted. A portion of this difference is due to efforts to ensure that direct care staffing requirements are fully met.

Education

While the State does not have the financial resources to significantly increase education funding, Governor Rowland is strategically focusing additional funding on the elimination of the achievement gap. Although Connecticut has created a premier educational system, significant achievement gaps continue to separate children by race and affluence.

In President George W. Bush's landmark education initiative *No Child Left Behind (NCLB)*, our country embraced academic excellence in part because our nation's economic progress depends on each child succeeding in school. In his recommended budget for FY 2005, Governor John G. Rowland incorporates the President's education vision with additional resources for quality pre-school slots, a model program for poor performing schools, and other program enhancements that will partner with the President's NCLB initiatives and goals to create an education system that is constantly progressing towards excellence.

The cornerstone of Governor Rowland's plan is to significantly expand the number of full-day, full-year quality preschool programs. While 85% of children in Connecticut's wealthiest communities have a preschool experience, only about 58% from the state's poorest communities attend preschool. The $14 million in additional funding for 2,000 preschool slots will be targeted to those communities who are the poorest in the state.

Studies done in Connecticut show that preschool programs in poor communities can: close the gap at kindergarten entry between white and African-American children, reduce retentions ("staying back"), reduce special education and tutoring needs, increase attendance, and make the children more school ready than those children who do not attend preschool. These 2,000 new slots will also reduce municipal costs for special education, tutoring, and retention costs. Milford estimated that they had a 5-year savings of $3 million (due to lower special education and transportation costs) because of the preschool programs.

For those children already in school in these poorer districts, expanded preschool programs will be supplemented with $1 million more for the expansion of Early Reading Success programs for children in grades K – 3, offering reduced class sizes and full-day kindergarten, intensive reading programs, and after-school and summer school programs. In addition, summer school programs will be expanded to further assist impacted districts in helping their children become proficient students.

Targeted aid of $75,000 per school will be provided for the sixteen schools (from the August, 2003 list) currently designated as "in need of improvement" for failure to make "adequate yearly progress" for at least 2 years. With this designation, the schools are in a five-year (NCLB) program that has increasing levels of sanctions. To help these schools progress academically (and to avoid increasing NCLB sanctions), a needs assessment will be done and immediate prescriptive actions identified. The state funding will finance some or all of these.

According to NCLB, students in schools that are "in need of improvement" are eligible for public school choice-and 39 Hartford students did choose this public school option this year. Governor Rowland is broadening this choice option to include non-public schools and students whose schools have not reached the "in need of improvement" designation. Students in the 42 elementary and middle schools that did not make "adequate yearly progress" and had whole school academic deficiencies in Math and Reading will be eligible to apply for the newly created Equal Opportunity Scholarships. These scholarships can be used for tuition, books, and uniforms at non-public schools. In addition to current public school choice options, this will provide approximately 500 children with an additional opportunity for a diverse, high-quality educational experience. The $4,000 scholarships will include a $3,000 state grant supplemented by a $1,000 local contribution.

In addition to the steps outlined above, Governor Rowland's budget includes significant funding for existing public school choice options: Magnet Schools, Charter Schools, OPEN Choice, and the Regional Vocational-Technical School System. Public School choice is one of the options that will be available to parents when their children are in schools that have been designated as "in need of improvement" (according to NCLB). To address the ongoing funding issue for Magnet Schools, legislation will be proposed to require districts participating in magnet schools to pay a more equitable share of the operating costs.

Magnet School funding will increase from $55.7 million to $61.6 million. This additional funding will increase the number of schools from 36 to 48 and enrollment from about 11,300 to about 15,000, an extraordinary 33% increase. Since 1998, when there were only 13 magnet schools and 3,500 students, the number of students in these specialized, interdistrict, racially integrated educational settings has increased over four fold.

The enrollment for Charter Schools is projected to grow in the budget, from about 2,280 to 2,460 next year. OPEN Choice, another voluntary public school choice option, provides both education and transportation subsidies to encourage (primarily) urban students to attend (usually) suburban schools. Enrollment in OPEN Choice is scheduled to increase over 400 students, from 1,560 to 1,980 in fiscal year 2005.

Magnet Schools and OPEN Choice are key components of the settlement agreement in the "Sheff v. O'Neill" case. To settle that case, the State agreed to significantly increase both Magnet School and OPEN Choice enrollments for students in Hartford to reduce their racial isolation. Governor Rowland's budget includes funding to satisfy the agreement.

Governor Rowland's pledge to improve education did not stop with the K-12 students--he has also reinvested an additional $4 million (after Early Retirement adjustments) in General Funding in higher education. This funding: $2 million for Connecticut State University, $1 million for the University of Connecticut Health Center and $1 million for the Regional Community-Technical Colleges will help restore essential state funding to support the missions of public higher education in Connecticut. Since 1995, Governor Rowland has increased General Fund and Bond funding for the constituent units of higher education by over $400 million, or almost 72%.

Economic Development and Workforce Development

It is not a secret to anyone that Connecticut's economy, as well as the nation's economy as a whole, has transitioned from a manufacturing-based to a service-based economy. This shift has created a growing need for a highly skilled workforce that is proficient in technology. Thus, in order to remain competitive in the coming decade, Connecticut needs to develop a highly skilled workforce in sufficient quantity to meet the demand for it.

The need for action on this matter becomes more urgent if demographics are taken into consideration. Population growth in Connecticut is not high enough to offset the aging population. The paucity of young workers to replace retirees will spell a disaster for our state's economy if no action is taken. Connecticut needs to make the most of its younger population and attract workers from other states or countries to remain an attractive location for businesses. The Governor's Budget, through the following initiatives addresses these problems with proactive solutions.

With a recommendation for $1 million in funding, the Jobs Funnel is a key part of the Governor's economic development initiatives. Managed by the Office of Workforce Competitiveness (OWC), the Jobs Funnel is a joint public-private effort to create career opportunities for residents of Hartford and New Haven in construction trades and other jobs.

Acknowledging the importance of this program to such residents, Governor Rowland will provide necessary funds to sustain the program and potentially expand it to another city.
At the core of the state's IT Workforce Strategy is the K-20 educational initiative called Connecticut Career Choices. This initiative focuses on fostering interest in technology careers by students, adapting existing curriculum to industry-recognized skill standards in specific technology areas (for example, IT standards developed by the National Workforce Center for Emerging Technologies) and creating greater ties between technology businesses and education. Governor Rowland's budget provides $800,000 for this initiative.

An important federally funded source of innovation capital for existing and emerging small businesses is the Small Business Innovation Research (SBIR) program, which offers small firms the opportunity to compete for set-asides from federal R&D budgets to advance product development. Nationally, although SBIR awards have been rising, SBIR awards in Connecticut recorded substantial declines.

This initiative, financed with $250,000, will assist Connecticut companies in pursuing federal SBIR funding through a state SBIR clearinghouse and technical assistance function, which will work with industry associations and cluster organizations. The Center for the Advancement of Science and Technology will conduct outreach and marketing of the SBIR program to Connecticut companies and provide technical assistance, mentoring, and proposal development funding.

Funding this initiative will also make the State of Connecticut eligible to apply for the Federal and State Technology Partnership grant that requires a 75% state match. Thus, the state's investment of $250,000 in the program will stimulate R&D programs in Connecticut's businesses and allow the state to cash in on more than $300,000 of federal funds.

Nanotechnology – the manipulation of individual molecules or atoms to create useful materials or devices -- has been heralded as the Industrial Revolution of the 21st Century. Innovations through this new hybrid science will produce materials and systems that will have superior electrical, chemical, mechanical or optical properties with a broad spectrum of potential uses across many industries. The Governor's Budget will provide $200,000 for a nanotechnology competitiveness study that will frame the necessary strategies and identify the critical resources required to move the state into a stronger and more visible position in the area of nanotechnology and allow Connecticut companies and research institutions to compete on a global scale.

Agency Consolidation and Realignment

In his budget, Governor Rowland is proposing to change the funding of the new Connecticut Commission on Arts, Tourism, Culture, History and Film (CATCH-F) from an intercept to a General Fund appropriation. For the sake of accountability, it is important to monitor the expenditures for this newly formed agency. Under Governor Rowland's leadership, the programs of the former Historical Commission, the Commission on the Arts, the Film Commission and the Tourism bureau were combined into CATCH-F. Economically, it makes sense to position arts, film, and tourism together to showcase the state's attributes for all kinds of economic development activities, including historical preservation, tourism, the arts and filmmaking.

Health and Human Services

The health and human services areas have seen substantial changes. Nationally, double-digit growth rates of health care costs, the demographic aging of the nation, and general economic conditions caused almost every state in the union move to reduce its costs in these areas. In Connecticut, policy decisions enacted over the last two legislative sessions have resulted in important changes to the Medicaid and other human services programs. While many states have adopted far more draconian changes than Connecticut, changes here were nonetheless very controversial and painful, including the introduction of co-pays and premiums and the reduction in benefits, service levels, and eligibility. These changes were and continue to be essential if the state is to continue to provide quality services to the most needy.

The demands of a balanced budget mean that even the programs that serve those in greatest need must bear a share of the burden as expenditures in many areas are reduced. The Governor's Budget proposes a number of reductions, which, while modest in comparison to those made over the last two sessions, are nonetheless difficult.

Among the most significant reductions proposed in the Budget are:

- Restructuring transitional Medicaid from 24 months to 12 months for persons served in the HUSKY managed care program, which will yield savings in FY 2006;
- Elimination of non-critical adult dental services under Medicaid;
- Requiring copayments for non-emergency medical transportation under the Medicaid program;
- Freezing rates and COLAs under the Aid to the Aged, Blind and Disabled program;
- Reducing and restructuring mental health and substance abuse inpatient services supported by grants; and
- Reducing funding for local and district departments of health.

Pharmacy services continue to run among the largest rates of growth in the Budget. The Governor's Budget continues efforts to dampen this growth. Among the initiatives proposed are: Carving out pharmacy services to a single entity for individuals served through the HUSKY managed care program; a reduction in the dispensing fee from $3.30 to $3.00; and a revision in the calculation of the cost of drugs from the average wholesale price (AWP) minus 12% to AWP minus 14%.

But the Governor's Budget contains some bright notes, especially in the areas of abused and neglected children, and in reducing the waiting list and serving those citizens with mental retardation most in need.

Considerable new funding is proposed by the Governor for the Department of Children and Families. Over $51 million is being added to address social work staffing needs, provide family support services, streamline the adoption process, and recruit and retain foster and adoptive parents. These funds are important to the State's effort to improve outcomes for children and

are aimed at ensuring the state can exit from court oversight related to the *Juan F.* consent decree.

The Governor has also proposed $10 million in new funding in the Department of Mental Retardation to address unserved and underserved persons currently on DMR's waiting list, as well as to meet the needs of high school graduates and people aging out of local education agencies and the Department of Children and Families. These efforts will help pay for themselves through the generation of additional federal reimbursement.

With the passage in December 2003 of a federal Medicare prescription drug benefit, the Governor is proposing a noteworthy change to the ConnPACE program. Under this proposal, ConnPACE will become a wrap-around program to the Medicare drug discount card for persons with income up to 135 percent of the federal poverty level who are eligible for a federal subsidy of up to $1,200 in FY 2005, with that subsidy helping to offset ConnPACE costs. By transforming ConnPACE, with its generous state-funded benefits, into a wrap-around drug benefit to the Medicare drug discount card, Connecticut can assure that it is taking advantage of federal funding and not footing the bill alone. In addition, as a wrap-around, the process will be seamless to the client, resulting in no additional cost and no loss of benefits to eligible ConnPACE participants, but with substantial savings to the state. It is anticipated that the state will save $17.5 million in FY 2005 through this initiative.

Additional new initiatives include:

- Providing Medicaid rate increases for managed care organizations, nursing homes, hospitals and various other providers;
- Greatly increasing funding for child care assistance;
- Encouraging alternatives to nursing home care; and
- Expanding the personal care assistance waiver.

Finally, the Governor's Budget anticipates implementation of the Behavioral Health Partnership in FY 2005. The Partnership effort is an outgrowth of and builds upon recommendations made by Governor Rowland's Blue Ribbon Commission on Mental Health. Formed by the Departments of Children and Families, Mental Health and Addiction Services, and Social Services, this initiative is an innovative collaboration of public agencies to reduce service system fragmentation and implement more community-based behavioral health programs. The primary goal of the Partnership is to improve access, quality, and individual outcomes through a more complete, coordinated and effective system of community-based behavioral health services and supports.

Public Safety and Criminal Justice

Fiscal Year 2004 has proven to be a difficult year to project personnel needs in the Department of Public Safety. The Early Retirement Incentive Program of FY 2003 allowed some specific deferrals of personnel for one year. Of the 68 sworn officer retirements, 33 chose the option to defer retirement for one year. It is generally expected that a significant number of these deferrals will rescind retirement by the end of FY 2004. To be certain adequate staffing is maintained within the department, the Governor added $2,580,000 to the department's budget for a training class of troopers. The size of such a class will be adjusted accordingly, as will the

dollars available, when the final number of rescinded retirements is known. The Governor recognizes the need for flexibility in planning to safeguard and protect the public.

The Department of Public Safety Division of Homeland Security is using the Brainard Hanger facility (formerly a Military Department asset) as a multi-functional Emergency Response Facility to house the Emergency Response Bomb Truck, the Connecticut Disaster Medical Assistance Team, bio-chemical response trailers, fixed and rotary wing aircraft and the Urban Search and Rescue Task Force. Because of this funds are provided for the general operating costs and installation of an access control security system to protect aircraft, emergency, communications and other advanced technological equipment.

The Military Department plans to close the New Haven, Manchester and Bristol armories in FY 2005 and relocate to federally maintained armories were contingent upon the relocation of Navy troops and the availability of new federal facilities. These plans have been delayed indefinitely. Funds will be reallocated to provide ongoing operating expenses for the state armories which serve as physical plants for our National Guard Troops.

The Division of Criminal Justice will be funded so that no victim of sexual assault will be charged directly or indirectly for any testing for the purpose of gathering evidence. This is consistent in meeting the requirements of Public Act 03-6, Section 163 of the June Special Session, 2003.

In order to comply with PA 03-242, An Act Concerning the Collection of DNA Samples from Persons Convicted of a Felony, the Governor is making available federal Byrne Grant funds in FY 2004-05 so that all involved agencies (the Departments of Public Safety and Correction and the Judicial Branch) will be able to collect the necessary evidence for analysis. The addition of such a large number of samples to the DNA database now that all felons are included rather than only those individuals convicted of crimes requiring sex offender registration will increase the number of suspect profiles matched and police investigations aided.

In order to sustain critical services at the Stamford Juvenile Field Office of the Public Defender Services Commission, five positions that were federally funded will be paid with general funds. Additionally, in the Judicial Branch General Fund dollars will pay for the Waterbury Community Court which too was formerly federally funded.

In the Judicial Branch, the Governor will include over $600,000 for staff and system costs to continue development and implementation of an integrated Case and Document Management System. In addition, bond funds will be used to purchase computer hardware and necessary network modifications. This first phase of electronic filing will be for certain civil cases allowing attorneys and litigants access to court files and the official court record. Full implementation of these cases is expected July 2004.

The Governor is in full support of Alternative to Incarceration initiatives within the Department of Correction. Each initiative is directed to providing support to offenders so that they will reintegrate into their community and avoid reoffending and returning to the correctional system. Alternatives to Incarceration will be explored through several avenues. Federal Violent Offender Incarceration / Truth in Sentencing (VOI / TIS) funds will provide up to 45 transitional housing beds and start up costs and operating expenses for the women's

Community Justice Center in East Lyme which will house 110 female offenders. The Jail Re-Interview program will be expanded because it is recognized that incarcerated defendants can successfully be released to a supervision program in the community and be diverted from far more expensive jail housing. Individuals leaving the correctional system who are eligible for State Administered General Assistance (SAGA) will be enrolled before leaving so that they will have physical and behavioral health services available to them upon release. This health support along with an enhanced program of mental health residential beds should provide medical care for needy offenders that will assist in preventing them from returning to prison. In order to reduce the probability of reoffending, up to 30 additional slots for community based domestic violence programs will be developed. The Department of Correction will review their Community Support Services and establish performance measures with an eye toward streamlining the process of community supervision services in the department.

The Department of Correction will also provide additional funds to the UConn Health Center's Correctional Managed Health Care unit so that an acceptable level of medical and mental health care remains available to inmates.

Legislation will be offered to make permanent the out of state placement option for 2,500 prisoners so that Connecticut can utilize the funds it devotes to incarceration most efficiently.

General Government

Over the past year, the state information technology (IT) workforce has decreased significantly due to early retirements and layoffs while the IT needs of state are growing. The centralization of IT positions in the Department of Information Technology (DOIT) will increase fiscal accountability by placing all positions in one agency where fiscal oversight for the state's IT functions can be more efficiently accomplished. A consolidated workforce would enable the state's IT needs to be met by a strategically deployed workforce which should ensure all agencies are serviced, priority projects are properly staffed, and could provide employees additional career opportunities.

The state IT environment has been undergoing a gradual centralization for years. The Core-CT project development of unified standards governing 84 categories of technology, Criminal Justice Information Systems (CJIS), centralized e-mail, security techniques, internet access and the state's $15 million data center are all examples.

The Core-CT is designed to replace state government's core financial and administrative computer systems. When human resources, payroll and financial work for all agencies are integrated, the system should streamline operations, allow better decision making, standardize and modernize technology, eliminate redundant systems and avoid replacing core systems piecemeal thus eliminating costly replacement of single systems which would lead to a new generation of nonintegrated systems.

The Department of Administrative Services (DAS) will initiate a spend management analysis project to fully maximize the spending power of the state through a process known as leveraged purchasing. This initiative will assess opportunities to identify where Connecticut can leverage spending to reduce costs while maintaining and improving the quality of supplies. It is estimated that in FY 2005 the state will achieve $3.75 million in savings.

The DAS will outsource fleet maintenance and daily motor pool operations to save an estimated $2.5 million.
The Governor will recommend increasing bus and rail fares on July 1, 2004 to offset the increasing subsidies necessary to operate these services. Bus fares, which were already scheduled to rise on January 1, 2005, will increase from $1.10 to $1.25 for zone-one fares to generate $2,450,000. A 5.5% rail fare increase will be recommended to generate $5.5 million in funds.

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 two terms 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, contributed to the "Connecticut Comeback" in the second half of the 1990s, and positioned the state to be less affected by the recent downturn than it otherwise might have been. However, the Governor also recognizes the harsh reality of our times and is not proposing any sweeping tax reductions as in prior years. Neither does the Governor wish to undo those changes that have led to the revitalization of the state's economy, including approximately $1.0 billion in net tax cuts enacted under his Administration. However, only through the prudent use of expenditure reductions and the judicious use of necessary but limited revenue enhancements can fiscal stability be maintained for state government finances and not impede any positive economic activity.

The changes proposed by Governor Rowland, as outlined below, will increase General Fund revenues in fiscal years 2004 and 2005, respectively, by $73.6 million, and $215.8 million. Some of the changes are not new tax increases, but simply reductions to transfers out of the general fund, transfers from other funds, and an increase in federal revenue.

Governor Rowland is proposing changes to the cigarette, tobacco products, snuff, and alcoholic beverages taxes. Together these tax increases total $100.8 million in fiscal year 2005. These taxes are elective in nature and do not affect the population as a whole. The largest single tax change contained in this year's budget is an increase in the current cigarette tax from $1.51 to $2.05 per pack. This change alone represents 93% of the tax increases and 43% of the all the revenue enhancements scheduled for fiscal 2005. These tax increases, and the "floor tax" on these products that will be collected on inventories when the new rate takes effect on April 1, 2004, will bring in additional revenue in fiscal year 2004 of $35.4 million. The additional fiscal year 2004 revenue eliminates the budget deficit and therefore, the state will not have to issue deficit bonds as in the past two years, thereby reducing future costs.

Other proposals for fiscal year 2004 and fiscal year 2005 include the escheating of unclaimed bottle deposits to the state, the reduction of transfers to the special transportation fund, and the elimination of the Commission on Arts, Tourism, Culture, History and Film intercept.

This budget also includes several one-time transfers to the resources of the General Fund, which will increase revenue by $3.9 million in 2005. These transfers will be from the pretrial alcohol and drug account, boating account, state marshal's account, and the tobacco trust fund.

The July 1, 2004 repeal of the newspapers and magazines tax has been delayed in this budget to July 1, 2005. The delay of the repeal increases revenues by $15 million in fiscal year 2005. The repeal of the tax is not affordable at this time, but the Governor is committed to this repeal for fiscal year 2006.

Additional federal revenue of $11.7 million will be received in fiscal year 2004 due to the TANF bonus. In fiscal year 2005 the state expects to receive an additional $34.0 million due to related expenditure changes in programs for which Connecticut receives federal matching dollars.

The Governor is also proposing that the State of Connecticut require pass-through entities to either file a group return and make group income tax payments on behalf of electing nonresident partners / members or withhold the tax from the distribution to the nonresident partner / member and remit on their behalf. This initiative, administered by the Department of Revenue Services, is estimated to generate an additional $8.0 million in income tax collections beginning in fiscal year 2005.

These proposals, taken all together, demonstrate Governor Rowland's recognition of the reality of a changed fiscal climate for the state. This budget also demonstrates a pragmatic response to this change. The Governor has attempted to maintain the fiscal stability he has already established without impeding the stirrings of a nascent 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.	2002 DPH* Est.
Total	3,287,116		3,405,565		118,449	3.6	3,458,587
Andover	2,540	149	3,036	147	496	19.5	3,115
Ansonia	18,403	52	18,554	57	151	0.8	18,739
Ashford	3,765	138	4,098	135	333	8.8	4,223
Avon	13,937	72	15,832	68	1,895	13.6	16,346
Barkhamsted	3,369	140	3,494	143	125	3.7	3,610
Beacon Falls	5,083	124	5,246	125	163	3.2	5,475
Berlin	16,787	60	18,215	59	1,428	8.5	19,116
Bethany	4,608	128	5,040	126	432	9.4	5,202
Bethel	17,541	56	18,067	61	526	3.0	18,449
Bethlehem	3,071	144	3,422	144	351	11.4	3,540
Bloomfield	19,483	51	19,587	52	104	0.5	19,794
Bolton	4,575	129	5,017	127	442	9.7	5,154
Bozrah	2,297	152	2,357	153	60	2.6	2,407
Branford	27,603	35	28,683	32	1,080	3.9	28,951
Bridgeport	141,686	1	139,529	1	-2,157	-1.5	140,104
Bridgewater	1,654	161	1,824	160	170	10.3	1,867
Bristol	60,640	9	60,062	11	-578	-1.0	60,541
Brookfield	14,113	71	15,664	69	1,551	11.0	15,923
Brooklyn	6,681	110	7,173	113	492	7.4	7,361
Burlington	7,026	107	8,190	108	1,164	16.6	8,640
Canaan	1,057	168	1,081	168	24	2.3	1,095
Canterbury	4,467	131	4,692	130	225	5.0	4,825
Canton	8,268	101	8,840	101	572	6.9	9,061
Chaplin	2,048	155	2,250	156	202	9.9	2,331
Cheshire	25,684	37	28,543	33	2,859	11.1	29,096
Chester	3,417	139	3,743	141	326	9.5	3,811
Clinton	12,767	77	13,094	81	327	2.6	13,406
Colchester	10,980	87	14,551	74	3,571	32.5	14,998
Colebrook	1,365	164	1,471	165	106	7.8	1,511
Columbia	4,510	130	4,971	129	461	10.2	5,150
Cornwall	1,414	163	1,434	166	20	1.4	1,454
Coventry	10,063	91	11,504	87	1,441	14.3	11,938
Cromwell	12,286	79	12,871	83	585	4.8	13,370
Danbury	65,585	8	74,848	7	9,263	14.1	76,917
Darien	18,196	53	19,607	51	1,411	7.8	19,887
Deep River	4,332	132	4,610	133	278	6.4	4,725
Derby	12,199	80	12,391	84	192	1.6	12,520
Durham	5,732	120	6,627	116	895	15.6	6,982
East Granby	4,302	133	4,745	132	443	10.3	4,910
East Haddam	6,676	111	8,333	105	1,657	24.8	8,638
East Hampton	10,428	88	13,352	78	2,924	28.0	11,435
East Hartford	50,452	17	49,575	19	-877	-1.7	49,650
East Haven	26,144	36	28,189	35	2,045	7.8	28,563
East Lyme	15,340	67	18,118	60	2,778	18.1	17,983

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.	2002 DPH*Est.
East Windsor	10,081	90	9,818	94	-263	-2.6	10,095
Eastford	1,314	165	1,618	163	304	23.1	1,642
Easton	6,303	113	7,272	111	969	15.4	7,483
Ellington	11,197	84	12,921	82	1,724	15.4	13,571
Enfield	45,532	20	45,212	20	-320	-0.7	45,379
Essex	5,904	118	6,505	117	601	10.2	6,730
Fairfield	53,418	14	57,340	13	3,922	7.3	57,715
Farmington	20,608	48	23,641	45	3,033	14.7	24,189
Franklin	1,810	160	1,835	159	25	1.4	1,881
Glastonbury	27,901	33	31,876	29	3,975	14.2	32,575
Goshen	2,329	151	2,697	151	368	15.8	2,860
Granby	9,369	93	10,347	93	978	10.4	10,696
Greenwich	58,441	12	61,101	9	2,660	4.6	61,784
Griswold	10,384	89	10,807	89	423	4.1	10,988
Groton	45,144	21	39,907	23	-5,237	-11.6	40,270
Guilford	19,848	50	21,398	49	1,550	7.8	21,868
Haddam	6,769	109	7,157	114	388	5.7	7,360
Hamden	52,434	15	56,913	14	4,479	8.5	57,927
Hampton	1,578	162	1,758	161	180	11.4	1,859
Hartford	139,739	2	124,121	2	-15,618	-11.2	124,558
Hartland	1,866	158	2,012	158	146	7.8	2,053
Harwinton	5,228	123	5,283	124	55	1.1	5,429
Hebron	7,079	106	8,610	104	1,531	21.6	8,907
Kent	2,918	147	2,858	150	-60	-2.1	2,907
Killingly	15,889	64	16,472	67	583	3.7	16,740
Killingworth	4,814	127	6,018	121	1,204	25.0	6,280
Lebanon	6,041	115	6,907	115	866	14.3	7,076
Ledyard	14,913	68	14,687	72	-226	-1.5	14,882
Lisbon	3,790	137	4,069	136	279	7.4	4,159
Litchfield	8,365	100	8,316	106	-49	-0.6	8,480
Lyme	1,949	157	2,016	157	67	3.4	2,059
Madison	15,485	66	17,858	64	2,373	15.3	18,546
Manchester	51,618	16	54,740	15	3,122	6.0	55,084
Mansfield	21,103	45	20,720	50	-383	-1.8	21,554
Marlborough	5,535	121	5,709	123	174	3.1	5,979
Meriden	59,479	11	58,244	12	-1,235	-2.1	58,675
Middlebury	6,145	114	6,451	118	306	5.0	6,648
Middlefield	3,925	135	4,203	134	278	7.1	4,273
Middletown	42,762	22	43,167	21	405	0.9	46,552
Milford	49,938	18	52,305	17	2,367	4.7	53,472
Monroe	16,896	59	19,247	54	2,351	13.9	19,551
Montville	16,673	61	18,546	58	1,873	11.2	19,606
Morris	2,039	156	2,301	155	262	12.8	2,371
Naugatuck	30,625	29	30,989	30	364	1.2	31,429
New Britain	75,491	7	71,538	8	-3,953	-5.2	71,589
New Canaan	17,864	55	19,395	53	1,531	8.6	19,734

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.	2002 DPH* Est.
New Fairfield	12,911	75	13,953	75	1,042	8.1	14,149
New Hartford	5,769	119	6,088	120	319	5.5	6,413
New Haven	130,474	3	123,626	3	-6,848	-5.2	124,176
New London	28,540	32	25,671	41	-2,869	-10.1	26,582
New Milford	23,629	40	27,121	37	3,492	14.8	27,959
Newington	29,208	31	29,306	31	98	0.3	29,623
Newtown	20,779	47	25,031	42	4,252	20.5	25,866
Norfolk	2,060	154	1,660	162	-400	-19.4	1,673
North Branford	12,996	74	13,906	76	910	7.0	14,095
North Canaan	3,284	142	3,350	145	66	2.0	3,376
North Haven	22,247	41	23,035	39	788	3.5	23,460
North Stonington	4,884	126	4,991	128	107	2.2	5,096
Norwalk	78,331	6	82,951	6	4,620	5.9	84,127
Norwich	37,391	25	36,117	26	-1,274	-3.4	36,003
Old Lyme	6,535	112	7,406	110	871	13.3	7,442
Old Saybrook	9,552	92	10,367	92	815	8.5	10,485
Orange	12,830	76	13,233	79	403	3.1	13,383
Oxford	8,685	96	9,821	96	1,136	13.1	10,430
Plainfield	14,363	69	14,619	73	256	1.8	15,017
Plainville	17,392	57	17,328	66	-64	-0.4	17,407
Plymouth	11,822	81	11,634	86	-188	-1.6	11,976
Pomfret	3,102	143	3,798	140	696	22.4	3,923
Portland	8,418	99	8,732	102	314	3.7	9,125
Preston	5,006	125	4,688	131	-318	-6.4	4,760
Prospect	7,775	105	8,707	103	932	12.0	9,052
Putnam	9,031	95	9,002	98	-29	-0.3	9,060
Redding	7,927	103	8,270	107	343	4.3	8,504
Ridgefield	20,919	46	23,643	44	2,724	13.0	24,054
Rocky Hill	16,554	62	17,966	62	1,412	8.5	18,305
Roxbury	1,825	159	2,136	154	311	17.0	2,250
Salem	3,310	141	3,858	138	548	16.6	3,938
Salisbury	4,090	134	3,977	137	-113	-2.8	4,022
Scotland	1,215	167	1,556	164	341	28.1	1,597
Seymour	14,288	70	15,454	70	1,166	8.2	15,727
Sharon	2,928	146	2,968	149	40	1.4	3,008
Shelton	35,418	26	38,101	25	2,683	7.6	38,845
Sherman	2,809	148	3,827	139	1,018	36.2	3,972
Simsbury	22,023	44	23,234	47	1,211	5.5	23,421
Somers	9,108	94	10,417	91	1,309	14.4	10,608
South Windsor	22,090	42	24,412	43	2,322	10.5	24,846
Southbury	15,818	65	18,567	56	2,749	17.4	18,953
Southington	38,518	24	39,728	24	1,210	3.1	40,943
Sprague	3,008	145	2,971	148	-37	-1.2	2,971
Stafford	11,091	85	11,307	88	216	1.9	11,592
Stamford	108,056	5	117,083	4	9,027	8.4	119,850
Sterling	2,357	150	3,099	146	742	31.5	3,204

Connecticut Resident Population Census Counts

	Population 1990	Rank	Population 2000	Rank	1990-2000 Change	% Chg.	2002 DPH* Est.
Stonington	16,919	58	17,906	63	987	5.8	18,084
Stratford	49,389	19	49,976	18	587	1.2	50,171
Suffield	11,427	83	13,552	77	2,125	18.6	14,021
Thomaston	6,947	108	7,503	109	556	8.0	7,766
Thompson	8,668	97	8,878	100	210	2.4	9,064
Tolland	11,001	86	13,146	80	2,145	19.5	13,945
Torrington	33,687	27	35,202	27	1,515	4.5	35,655
Trumbull	32,016	28	34,243	28	2,227	7.0	34,857
Union	612	169	693	169	81	13.2	721
Vernon	29,841	30	28,063	36	-1,778	-6.0	28,718
Voluntown	2,113	153	2,528	152	415	19.6	2,579
Wallingford	40,822	23	43,026	22	2,204	5.4	43,826
Warren	1,226	166	1,254	167	28	2.3	1,302
Washington	3,905	136	3,596	142	-309	-7.9	3,670
Waterbury	108,961	4	107,271	5	-1,690	-1.6	107,883
Waterford	17,930	54	19,152	55	1,222	6.8	18,925
Watertown	20,456	49	21,661	48	1,205	5.9	22,100
West Hartford	60,110	10	61,046	10	936	1.6	61,365
West Haven	54,021	13	52,360	16	-1,661	-3.1	52,733
Westbrook	5,414	122	6,292	119	878	16.2	6,507
Weston	8,648	98	10,037	95	1,389	16.1	10,229
Westport	24,410	39	25,749	40	1,339	5.5	26,171
Wethersfield	25,651	38	26,271	38	620	2.4	26,390
Willington	5,979	117	5,959	122	-20	-0.3	6,116
Wilton	15,989	63	17,633	65	1,644	10.3	17,860
Winchester	11,524	82	10,664	90	-860	-7.5	10,755
Windham	22,039	43	22,857	46	818	3.7	22,976
Windsor	27,817	34	28,237	34	420	1.5	28,519
Windsor Locks	12,358	78	12,043	85	-315	-2.5	12,237
Wolcott	13,700	73	15,215	71	1,515	11.1	15,682
Woodbridge	7,924	104	8,983	99	1,059	13.4	9,146
Woodbury	8,131	102	9,198	97	1,067	13.1	9,466
Woodstock	6,008	116	7,221	112	1,213	20.2	7,518

* DPH stands for the Connecticut Department of Public Health

Source: U.S. Bureau of the Census, April 1, 1990 & 2000
Department of Public Health, "Est. Population in Connecticut as of July 1, 2002"

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. As shown in the Table on the following page, the median sales price in 2001 was $168,200, up 8.5% from the prior median high of $155,000 set in 1989. The remarkable rise in housing prices is partially attributed to historically low interest rates. Tax incentives have also helped. Since 1997, capital gains of up to $250,000 ($500,000 for married couples) resulting from the sale of a primary residence have been tax

exempt. Furthermore, steady population growth has kept homes in short supply, driving up demand. As a result, home price appreciation in Connecticut accelerated 16.0% in 2001.
As national residential sales prices continued to increase, Connecticut's has bucked the trend until most recently. In 2001, Connecticut's median sales price as a percentage of the U.S. came in at 114, rising for the first time in over a decade. By way of comparison, the ratio is reasonably low versus the high set in 1989. The convergence of housing prices towards the national norm demonstrates an increasing trend of affordability for the housing market in the state. It also creates a more competitive economic environment for the state to attract more businesses to locate or expand here.

Sales Price of Homes in Connecticut

Calendar Year	1989	1997	1998	1999	2000	2001*	1989-01 (Change)
CT Median Price	$155,000	$140,000	$145,000	$149,900	$145,000	$168,200	$13,200
% Change	*2.0%*	*1.4%*	*3.6%*	*3.0%*	*(3.3%)*	*16.0%*	*8.5%*
U.S. Median Price	$89,500	$121,800	$128,400	$133,300	$139,000	147,800	$58,300
% Change	*0.2%*	*5.2%*	*5.4%*	*3.8%*	*4.3%*	*6.3%*	*65.1%*
CT as a % of U.S.	173	115	113	112	104	114	
Mean Sales Price	$200,623	$204,229	$215,173	$220,858	$229,772	$269,056	$68,433
% Change	*3.4%*	*5.0%*	*5.4%*	*2.6%*	*4.0%*	*17.1%*	*34.1%*
Number of Sales	39,879	42,688	50,271	54,106	39,881	44,008	4,129
% Change	*(21.5%)*	*8.5%*	*17.8%*	*7.6%*	*(26.3%)*	*10.3%*	*10.4%*

* Data is based on assessment year provided by Office of Policy & Management and calculated by the Connecticut Policy & Economic Council (CPEC). Median Sale Price, Mean Sales Price, and Number of Sales for 2001 is based on data from 130 towns. Data is unavailable for 39 municipalities. They are the following:

Bloomfield, Bridgeport, Brooklyn, Canterbury, Clinton, Derby, Durham, East Haddam, East Hampton, East Lyme, Ellington, Hampton, Manchester, Mansfield, Milford, Morris, Naugatuck, New Fairfield, Newington, North Haven, North Stonington, Old Lyme, Orange, Oxford, Plainville, Pomfret, Prospect, Salisbury, Southbury, Southington, Sprague, Stafford, Thompson, Tolland, Trumbull, Vernon, Westbrook, Woodbridge, and Woodstock.

Source: Office of Policy & Management, "Connecticut Residential Sales Price Data"
Department of Economic & 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 turned positive in fiscal 2002, after slumping in fiscal 2001. The overall surplus reached $90.0 million in fiscal 2002 after a deficit of $46.5 million in fiscal 2001. 110 towns experienced an operating surplus in fiscal 2002, down from 135 in fiscal 2001 after excluding other financing sources and other financing uses.

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

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-02 Change
Property Tax Revenues	$4,904.7	$5,075.3	$5,253.9	$5,532.7	$5,868.4	$963.7
% Change	*2.0%*	*3.5%*	*3.5%*	*5.3%*	*6.1%*	*19.6%*
Intergovernmental Revenues	$2,083.7	$2,217.1	$2,290.3	$2,389.6	$2,432.8	$349.1
% Change	*6.4%*	*6.4%*	*3.3%*	*4.3%*	*1.8%*	*16.8%*
Total GF Revenues*	**$7,647.8**	**$7,877.0**	**$8,148.6**	**$8,941.1**	**$9,169.5**	**$1,521.7**
% Change	***4.7%***	***3.0%***	***3.5%***	***9.7%***	***2.6%***	***19.9%***
Education Expenditures	$4,079.6	$4,287.8	$4,514.4	$4,759.8	$5,011.7	$932.1
% Change	*4.3%*	*5.1%*	*5.3%*	*5.4%*	*5.3%*	*22.8%*
Operating Expenditures	$3,113.0	$3,196.5	$3,315.1	$3,799.1	$3,570.4	$457.4
% Change	*1.8%*	*2.7%*	*3.7%*	*14.6%*	*(6.0%)*	*14.7%*
Total GF Expenditures*	**$7,577.7**	**$7,820.6**	**$8,147.6**	**$8,987.6**	**$9,079.5**	**$1,501.8**
% Change	***4.6%***	***3.2%***	***4.2%***	***10.3%***	***1.0%***	***19.8%***
Surplus/(Deficit)	**$70.1**	**$56.4**	**$1.0**	**($46.5)**	**$90.0**	

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

Source: Office of Policy and Management, "2002 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. Because 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 2002 totaled $360.3 billion, up 12.7% from FY 2001, the seventh 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 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total ENGL (M$)	255,515	257,970	263,459	275,874	296,460	319,807	360,307
% Change	*1.7%*	*1.0%*	*2.1%*	*4.7%*	*7.5%*	*7.9%*	*12.7%*
Per Capita ENGL ($)	78,038	78,893	80,468	84,056	87,051	93,372	104,120
% Change	*1.7%*	*1.1%*	*2.0%*	*4.5%*	*3.6%*	*7.3%*	*11.5%*
Equalized Mill Rate (Per $1,000 Assessed Value)	18.1	18.5	18.5	18.2	17.6	17.2	16.2

Source: Office of Policy & 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	2001* Median Sales Price	FY 2002 GF Revenue (1000's)	FY 2002 GF Outlay (1000's)	2002 ENGL (1000's)	2002 Equal. Mill Rate	2002 Unemp. Rate (%)
TOTAL-CONN.	**$20,189**		**$168,200**	**$8,826 M**	**$8,582 M**	**$360.3 B**	**16.2**	**4.3%**
Andover	18,786	96	155,000	6,590	6,448	242,904	18.02	3.5
Ansonia	14,833	152	137,950	42,276	42,485	1,003,575	19.63	6.8
Ashford	17,376	122	133,750	10,006	9,451	266,363	21.26	3.5
Avon	34,204	9	285,000	46,565	45,048	2,634,348	15.64	2.6
Barkhamsted	20,244	72	171,000	7,898	7,894	351,567	16.59	4.0
Beacon Falls	18,020	109	167,500	11,991	12,562	444,815	17.49	5.0
Berlin	19,974	75	188,500	50,547	49,246	2,155,529	17.92	3.8
Bethany	22,722	47	275,000	14,200	13,184	628,572	17.33	2.8
Bethel	20,528	68	217,000	46,140	43,579	2,097,133	16.03	3.3
Bethlehem	20,709	67	210,000	7,461	7,281	382,020	14.74	3.2
Bloomfield	22,478	51	N / A	50,206	48,252	1,708,088	24.06	4.7
Bolton	21,017	62	161,375	13,141	12,826	439,228	19.96	2.7
Bozrah	15,814	141	126,500	5,468	5,631	246,381	11.97	3.6
Branford	22,642	49	142,000	68,370	65,514	3,236,084	17.61	3.3
Bridgeport	13,156	165	N / A	393,501	410,632	5,355,503	32.46	7.6
Bridgewater	29,991	16	312,750	5,421	4,903	344,687	13.92	2.2
Bristol	16,909	127	120,000	125,797	111,396	4,066,273	17.78	5.1
Brookfield	24,277	37	252,500	39,760	38,185	2,199,513	15.58	3.4
Brooklyn	15,697	145	N / A	15,712	15,386	434,824	16.09	3.0
Burlington	21,797	57	221,500	19,524	18,888	824,870	17.99	3.2
Canaan	20,998	63	210,000	3,521	3,353	182,430	15.08	2.7
Canterbury	14,531	156	N / A	11,477	10,761	288,892	18.16	4.0
Canton	23,489	40	184,000	22,374	22,056	935,639	18.78	3.0
Chaplin	17,014	126	106,000	5,477	5,739	145,532	18.00	3.6
Cheshire	23,204	41	199,950	75,267	74,308	3,027,995	18.36	2.6
Chester	19,908	78	215,000	9,357	8,284	461,686	15.21	3.1
Clinton	17,698	117	N / A	34,645	31,811	1,294,404	18.17	3.0
Colchester	17,143	125	159,900	35,801	35,210	1,084,732	18.46	4.2
Colebrook	18,568	102	165,400	4,359	3,947	147,977	23.82	1.5
Columbia	20,762	65	260,000	11,386	11,119	470,251	15.93	2.3
Cornwall	30,270	15	124,250	4,614	4,183	333,230	11.52	1.8
Coventry	17,725	116	190,000	26,291	25,848	805,160	19.69	3.8
Cromwell	20,518	69	124,250	28,133	27,062	1,258,874	17.02	3.5
Danbury	19,300	89	190,000	150,059	146,200	7,357,097	14.86	3.9
Darien	51,795	2	700,000	67,485	66,911	7,504,779	7.83	2.3
Deep River	18,995	93	178,250	11,253	10,651	501,486	16.24	3.4
Derby	16,819	128	N / A	27,657	26,347	739,051	21.55	5.5
Durham	19,647	83	N / A	18,832	19,592	620,932	20.89	3.2

Town	1989 Per Capita Money Income	Rank	2001* Median Sales Price	FY 2002 GF Revenue (1000's)	FY 2002 GF Outlay (1000's)	2002 ENGL (1000's)	2002 Equal. Mill Rate	2002 Unemp. Rate (%)
East Granby	23,171	42	175,000	13,076	11,588	571,545	17.04	3.8
East Haddam	18,709	97	N / A	19,826	19,476	840,768	16.35	4.2
East Hampton	19,123	91	N / A	26,775	26,730	891,224	18.60	3.8
East Hartford	16,575	137	112,500	121,063	123,214	3,143,284	25.64	6.1
East Haven	16,389	140	130,000	65,959	63,398	1,693,586	23.77	4.4
East Lyme	20,004	74	N / A	41,985	43,247	1,741,991	16.10	2.9
East Windsor	17,388	121	130,000	22,856	21,690	889,971	17.49	5.0
Eastford	16,433	138	162,600	4,201	3,993	128,139	18.76	3.1
Easton	33,725	11	545,000	24,643	23,302	1,675,377	12.88	3.2
Ellington	19,710	81	N / A	31,670	30,493	933,486	20.50	3.8
Enfield	16,723	133	125,000	96,980	88,397	3,094,483	19.30	4.1
Essex	26,590	28	239,900	12,609	12,590	1,126,644	9.68	2.9
Fairfield	26,895	26	335,000	157,748	155,345	10,403,152	12.61	3.4
Farmington	28,286	21	185,000	63,909	61,665	3,550,577	14.26	3.2
Franklin	16,756	129	158,900	4,980	4,967	195,145	16.56	3.3
Glastonbury	26,073	29	220,000	87,750	86,281	3,947,320	18.49	2.9
Goshen	22,241	53	225,000	6,433	6,534	444,323	12.81	3.8
Granby	23,869	38	204,375	26,957	26,024	988,431	20.57	3.2
Greenwich	46,070	4	745,000	251,212	231,978	26,591,602	7.39	2.4
Griswold	13,703	160	119,450	25,976	34,729	636,345	15.11	4.9
Groton	15,454	148	132,900	93,563	93,349	3,932,247	11.31	3.6
Guilford	24,583	34	255,000	56,461	55,419	2,898,183	15.91	2.4
Haddam	22,649	48	219,000	18,651	19,752	747,588	22.07	3.0
Hamden	19,383	88	157,500	126,548	125,117	3,658,428	24.10	3.6
Hampton	17,369	123	N / A	4,719	4,831	120,021	23.04	3.4
Hartford	11,081	169	102,750	433,685	423,442	5,794,370	29.33	8.2
Hartland	17,787	114	152,500	5,242	5,006	182,022	17.17	3.1
Harwinton	23,636	39	172,500	12,577	11,645	512,446	18.36	3.2
Hebron	20,087	73	212,500	21,327	20,451	748,188	18.59	3.3
Kent	22,112	55	200,000	7,696	6,446	522,248	11.75	2.2
Killingly	13,438	162	107,000	35,634	31,856	1,099,886	11.72	6.5
Killingworth	19,967	76	290,000	14,097	14,178	698,078	15.67	3.2
Lebanon	16,756	130	152,500	16,867	16,296	516,388	16.09	4.3
Ledyard	18,557	103	147,448	38,351	36,183	1,103,583	19.41	2.5
Lisbon	14,917	150	130,000	9,082	13,777	301,582	10.86	3.1
Litchfield	21,698	59	194,500	18,346	18,579	1,012,216	15.33	3.3
Lyme	28,786	19	419,750	5,281	5,108	512,792	8.96	2.1
Madison	29,334	17	312,000	45,608	44,998	2,736,945	14.23	2.7
Manchester	18,654	98	N / A	116,860	112,573	4,046,242	20.47	4.5
Mansfield	13,502	161	N / A	30,404	30,230	769,829	18.62	2.1

Town	1989 Per Capita Money Income	Rank	2001* Median Sales Price	FY 2002 GF Revenue (1000's)	FY 2002 GF Outlay (1000's)	2002 ENGL (1000's)	2002 Equal. Mill Rate	2002 Unemp. Rate (%)
Marlborough	21,792	58	195,500	14,004	13,208	548,836	18.18	2.8
Meriden	15,618	146	107,000	143,767	141,400	3,159,151	24.81	5.2
Middlebury	25,715	30	208,000	18,027	18,091	913,923	18.65	3.6
Middlefield	18,193	106	165,000	10,005	9,828	441,804	17.04	3.6
Middletown	17,814	113	124,250	94,932	80,281	3,582,466	18.47	4.1
Milford	19,099	92	N / A	128,178	126,769	5,574,282	18.46	4.6
Monroe	21,441	60	306,450	50,886	50,673	2,463,325	15.92	3.6
Montville	15,743	144	128,000	41,471	41,651	1,304,831	17.22	3.8
Morris	18,550	104	N / A	6,066	6,037	306,630	16.47	4.1
Naugatuck	16,691	134	N / A	72,868	73,248	1,684,096	22.29	5.4
New Britain	14,715	154	96,000	177,655	149,583	2,531,208	30.60	6.7
New Canaan	52,692	1	858,000	74,710	73,847	7,459,898	8.98	2.1
New Fairfield	23,031	44	N / A	36,160	34,738	1,580,232	17.78	3.0
New Hartford	19,267	90	179,000	15,520	15,319	623,877	18.37	3.2
New Haven	12,968	167	105,200	352,151	352,125	5,059,691	25.54	5.5
New London	12,971	166	118,000	72,386	69,590	1,406,657	21.12	5.2
New Milford	20,482	70	194,000	71,227	72,485	2,876,733	16.35	3.1
Newington	19,668	82	N / A	65,609	62,983	2,467,004	19.73	3.7
Newtown	22,747	46	312,500	73,115	71,213	3,599,420	15.84	3.1
Norfolk	22,215	54	186,250	5,302	5,352	271,587	14.80	3.2
North Branford	19,408	87	172,000	33,128	32,376	1,220,529	16.87	3.4
North Canaan	15,049	149	124,750	7,897	7,927	312,374	15.26	2.3
North Haven	21,335	61	N / A	64,477	62,162	2,885,496	17.28	3.2
North Stonington	18,019	110	N / A	14,255	14,202	464,810	18.90	3.2
Norwalk	23,075	43	269,900	201,888	208,053	12,290,047	13.85	3.8
Norwich	14,844	151	98,850	85,856	84,345	1,945,909	19.94	4.7
Old Lyme	25,258	31	N / A	20,730	20,169	1,253,090	15.11	3.1
Old Saybrook	24,409	35	218,000	26,103	24,611	1,897,096	11.37	3.0
Orange	26,860	27	N / A	39,506	39,482	1,901,745	18.71	2.8
Oxford	18,961	94	N / A	23,994	23,191	943,883	17.41	4.5
Plainfield	12,935	168	110,000	34,230	34,346	807,642	16.53	5.1
Plainville	17,207	124	N / A	40,953	38,950	1,290,668	20.93	4.6
Plymouth	16,610	136	128,500	29,716	27,621	744,464	22.33	5.2
Pomfret	19,777	80	N / A	8,595	8,026	296,749	15.41	2.7
Portland	19,641	84	161,000	21,572	20,025	763,099	20.69	3.5
Preston	17,643	118	160,950	11,023	10,421	346,286	13.32	3.3
Prospect	17,482	120	N / A	18,972	19,586	698,650	19.43	4.3
Putnam	14,550	155	105,000	18,088	17,474	555,685	10.28	4.7
Redding	37,193	8	510,000	28,659	28,395	1,848,134	13.95	2.3
Ridgefield	34,103	10	485,500	79,363	75,074	5,408,500	12.42	2.5

Town	1989 Per Capita Money Income	Rank	2001* Median Sales Price	FY 2002 GF Revenue (1000's)	FY 2002 GF Outlay (1000's)	2002 ENGL (1000's)	2002 Equal. Mill Rate	2002 Unemp. Rate (%)
Rocky Hill	21,918	56	140,000	39,456	39,895	1,915,513	16.52	3.5
Roxbury	28,024	23	425,000	6,671	6,337	585,832	9.86	2.1
Salem	17,990	111	182,000	10,386	10,404	339,789	18.80	3.3
Salisbury	32,706	12	N / A	9,832	9,204	815,826	10.13	1.7
Scotland	15,765	143	143,000	4,337	4,208	111,233	21.05	2.2
Seymour	18,031	107	148,000	38,725	34,074	1,197,950	18.56	5.1
Sharon	31,115	14	212,000	6,975	6,660	515,274	11.40	1.2
Shelton	20,256	71	228,000	81,533	77,742	4,721,381	13.61	4.4
Sherman	31,721	13	341,250	8,699	8,403	610,452	12.32	2.5
Simsbury	28,347	20	219,450	61,574	60,616	2,780,635	19.65	2.4
Somers	18,592	100	207,500	22,290	21,621	807,084	14.35	3.7
South Windsor	22,823	45	169,900	66,622	64,004	2,451,911	20.74	3.1
Southbury	22,569	50	N / A	41,418	39,046	2,768,026	13.15	3.6
Southington	19,954	77	N / A	88,917	84,359	3,660,673	16.81	3.8
Sprague	14,531	157	N / A	6,317	6,311	192,921	16.40	5.1
Stafford	15,550	147	N / A	27,922	27,328	686,102	19.50	4.3
Stamford	27,092	24	295,000	316,619	300,892	21,595,487	12.18	3.7
Sterling	13,174	164	120,450	6,692	6,313	199,296	15.20	5.1
Stonington	20,808	64	164,498	40,541	40,206	2,371,703	13.73	2.5
Stratford	18,574	101	N / A	129,594	129,218	4,578,326	21.76	4.9
Suffield	24,281	36	180,000	31,799	30,559	1,227,702	16.57	3.8
Thomaston	17,833	112	144,000	19,114	18,228	617,956	19.06	5.5
Thompson	14,367	158	N / A	17,792	15,685	530,020	14.91	5.1
Tolland	19,794	79	N / A	34,361	32,519	1,073,753	20.99	2.7
Torrington	16,407	139	114,000	84,190	82,233	2,270,965	22.01	5.9
Trumbull	25,048	33	N / A	92,166	91,974	4,754,944	16.72	3.6
Union	16,667	135	131,000	1,689	1,600	69,377	15.79	2.3
Vernon	18,888	95	N / A	61,959	60,588	1,739,070	21.54	3.9
Voluntown	14,766	153	135,000	6,165	6,267	178,209	14.67	5.2
Wallingford	18,231	105	150,000	105,190	100,006	4,011,140	16.60	3.6
Warren	28,226	22	558,000	3,081	2,870	276,219	9.91	2.5
Washington	29,274	18	350,000	10,329	9,398	1,015,320	9.20	2.4
Waterbury	14,209	159	89,900	298,579	279,020	4,759,380	35.22	7.7
Waterford	19,537	86	144,250	61,703	53,069	5,229,629	6.20	3.2
Watertown	17,778	115	159,000	46,233	46,137	1,903,969	14.95	4.6
West Hartford	26,943	25	227,500	149,564	149,255	6,096,879	21.04	3.0
West Haven	15,810	142	180,000	114,183	120,007	2,624,903	23.60	4.7
Westbrook	20,758	66	N / A	15,880	15,710	1,100,464	11.30	3.8
Weston	48,498	3	699,500	41,898	40,301	2,854,160	13.44	2.1
Westport	45,640	5	705,000	111,196	113,682	10,025,028	9.49	2.6

Town	1989 Per Capita Money Income	Rank	2001* Median Sales Price	FY 2002 GF Revenue (1000's)	FY 2002 GF Outlay (1000's)	2002 ENGL (1000's)	2002 Equal. Mill Rate	2002 Unemp. Rate (%)
Wethersfield	22,246	52	161,710	54,657	51,998	2,420,108	19.32	3.4
Willington	16,738	132	143,250	12,163	11,497	446,858	17.21	2.9
Wilton	41,249	6	599,000	68,764	69,017	4,775,947	12.62	2.5
Winchester	16,741	131	110,000	26,900	26,332	692,684	23.05	6.0
Windham	13,200	163	92,400	54,738	51,031	888,712	21.55	5.2
Windsor	19,592	85	155,000	72,000	63,116	2,797,871	19.26	4.3
Windsor Locks	17,593	119	129,450	31,647	28,613	1,512,805	13.37	4.6
Wolcott	18,029	108	145,000	38,090	38,638	1,200,409	18.47	4.4
Woodbridge	38,008	7	N / A	30,669	29,399	1,205,924	23.05	2.0
Woodbury	25,096	32	188,000	19,576	19,037	1,172,774	14.45	3.5
Woodstock	18,649	99	N / A	15,622	15,630	574,581	15.76	3.2

* 2001 Median Residential Sales Prices are calculated by the Connecticut Economic Policy Council based on data from October 1, 2000 through September 30, 2001 provided by Office of Policy & Management.

Source: Connecticut Economic Policy Council (CEPC)
Office of Policy and Management, Intergovernmental Policy Division, "Municipal Fiscal Indicators, Fiscal Year Ended, 1998-2002", October 2003

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 1
U.S. ECONOMIC VARIABLES

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product ($B)	6,838.6	7,238.5	7,593.6	8,061.1	8,548.7	9,016.4	9,575.8	9,976.6	10,235.2	10,646.5
Percent Change	5.5%	5.8%	4.9%	6.2%	6.0%	5.5%	6.2%	4.2%	2.6%	4.0%
Real GDP	7,197.6	7,455.8	7,665.7	7,980.4	8,332.2	8,676.3	9,057.5	9,221.4	9,297.7	9,546.3
Percent Change	3.2%	3.6%	2.8%	4.1%	4.4%	4.1%	4.4%	1.8%	0.8%	2.7%
GDP Deflator ('96=100)	95.0	97.1	99.1	101.0	102.6	103.9	105.7	108.2	110.1	111.5
Percent Change	2.2%	2.2%	2.0%	2.0%	1.6%	1.3%	1.7%	2.3%	1.7%	1.3%
Housing Starts (K)	1,397.6	1,384.4	1,447.3	1,456.8	1,530.2	1,659.3	1,637.8	1,570.7	1,642.2	1,730.0
Percent Change	15.4%	-0.9%	4.5%	0.7%	5.0%	8.4%	-1.3%	-4.1%	4.6%	5.3%
Unemployment Rate	6.6%	5.7%	5.6%	5.2%	4.6%	4.4%	4.1%	4.2%	5.5%	5.9%
New Vehicle Sales (M)	14.60	14.90	15.08	15.01	15.35	16.05	17.52	16.89	16.90	16.63
Percent Change	9.8%	2.0%	1.2%	-0.4%	2.3%	4.5%	9.2%	-3.6%	0.0%	-1.6%
Consumer Price Index ('82-'84=100)	146.2	150.4	154.5	158.9	161.8	164.5	169.3	175.1	178.2	182.1
Percent Change	2.6%	2.8%	2.7%	2.8%	1.8%	1.7%	2.9%	3.4%	1.8%	2.2%
Industrial Production Index ('97=100)	80.1	85.9	89.3	95.9	103.9	109.4	115.6	116.2	111.9	112.3
Percent Change	4.2%	7.3%	4.0%	7.4%	8.3%	5.3%	5.7%	0.5%	-3.8%	0.4%
Personal Income ($B)	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,051.9
Percent Change	4.4%	5.7%	4.9%	5.9%	6.6%	6.0%	6.2%	6.4%	2.1%	3.1%
Real Personal Income ($B)	3,923.9	4,030.8	4,117.1	4,239.5	4,438.0	4,625.7	4,774.3	4,911.5	4,928.6	4,970.6
Percent Change	1.7%	2.7%	2.1%	3.0%	4.7%	4.2%	3.2%	2.9%	0.3%	0.9%
Disposable Personal Income ($B)	5,035.6	5,314.0	5,540.2	5,820.3	6,159.9	6,496.2	6,857.9	7,276.4	7,593.6	7,965.6
Percent Change	3.9%	5.5%	4.3%	5.1%	5.8%	5.5%	5.6%	6.1%	4.4%	4.9%
Disposable Personal Income ($B in 1996$)	5,319.9	5,484.7	5,600.8	5,758.2	6,010.7	6,261.5	6,465.6	6,695.5	6,895.3	7,101.1
Percent Change	1.9%	3.1%	2.1%	2.8%	4.4%	4.2%	3.3%	3.6%	3.0%	3.0%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Personal Income	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,051.9
Percent Change	4.4%	5.7%	4.9%	5.9%	6.6%	6.0%	6.2%	6.4%	2.1%	3.1%
Wages & Salaries	3,163.8	3,337.1	3,517.3	3,752.1	4,040.1	4,336.4	4,653.3	4,928.6	4,960.1	5,040.9
Percent Change	4.5%	5.5%	5.4%	6.7%	7.7%	7.3%	7.3%	5.9%	0.6%	1.6%
Manufacturing Income	607.3	637.2	657.9	695.1	741.3	767.5	810.4	815.1	769.5	752.0
Percent Change	3.8%	4.9%	3.2%	5.7%	6.6%	3.5%	5.6%	0.6%	-5.6%	-2.3%
Nonmanufacturing Inc.	2,556.6	2,699.9	2,859.5	3,057.0	3,298.9	3,568.9	3,842.9	4,113.5	4,190.6	4,288.9
Percent Change	4.7%	5.6%	5.9%	6.9%	7.9%	8.2%	7.7%	7.0%	1.9%	2.3%
Other Labor Income	498.4	504.7	491.5	484.7	478.8	500.2	525.4	559.8	585.9	633.0
Percent Change	6.8%	1.3%	-2.6%	-1.4%	-1.2%	4.5%	5.0%	6.5%	4.7%	8.0%
Proprietor's Income	468.7	484.6	520.8	563.1	600.8	651.0	700.3	721.4	739.9	779.8
Percent Change	3.9%	3.4%	7.5%	8.1%	6.7%	8.4%	7.6%	3.0%	2.6%	5.4%
Farm Income	32.8	23.6	28.8	32.5	26.9	28.3	24.6	20.2	16.9	13.0
Percent Change	1.2%	-28.1%	22.3%	12.8%	-17.1%	5.1%	-13.0%	-18.1%	-16.0%	-23.2%
Nonfarm Income	436.0	461.0	492.0	530.7	573.9	622.8	675.7	701.3	723.0	766.8
Percent Change	4.1%	5.7%	6.7%	7.9%	8.1%	8.5%	8.5%	3.8%	3.1%	6.1%
Rental Income	99.6	115.8	124.3	130.2	129.4	147.4	149.0	139.9	143.7	129.2
Percent Change	30.6%	16.3%	7.3%	4.7%	-0.6%	13.8%	1.1%	-6.1%	2.7%	-10.1%
Personal Dividend Inc.	217.7	247.2	273.2	316.5	346.5	337.3	344.3	397.9	420.6	447.8
Percent Change	12.6%	13.5%	10.5%	15.8%	9.5%	-2.7%	2.1%	15.6%	5.7%	6.5%
Personal Interest Income	719.1	776.2	799.1	832.0	917.0	966.6	1,017.6	1,102.6	1,077.9	1,079.7
Percent Change	-2.5%	7.9%	3.0%	4.1%	10.2%	5.4%	5.3%	8.4%	-2.2%	0.2%
Transfer Payments	816.7	776.2	909.1	946.8	973.0	999.2	1,040.5	1,116.3	1,230.5	1,331.0
Percent Change	5.1%	5.2%	5.9%	4.1%	2.8%	2.7%	4.1%	7.3%	10.2%	8.2%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Less:										
Contributions to										
Social Insurance	245.7	261.6	274.1	288.9	307.2	327.0	348.0	366.7	377.5	389.5
Percent Change	6.1%	6.5%	4.8%	5.4%	6.3%	6.5%	6.4%	5.4%	2.9%	3.2%
Equals:										
Personal Income	5,738.3	6,062.7	6,361.3	6,736.6	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,051.9
Percent Change	4.4%	5.7%	4.9%	5.9%	6.6%	6.0%	6.2%	6.4%	2.1%	3.1%
Less:										
Personal Taxes	702.8	748.8	821.1	916.4	1,018.7	1,114.9	1,224.6	1,323.3	1,187.6	1,086.3
Percent Change	7.5%	6.5%	9.7%	11.6%	11.2%	9.5%	9.8%	8.1%	-10.3%	-8.5%
Equals:										
Disposable Personal Inc.	5,035.6	5,314.0	5,540.2	5,820.3	6,159.9	6,496.2	6,857.9	7,276.4	7,593.6	7,965.6
Percent Change	3.9%	5.5%	4.3%	5.1%	5.8%	5.5%	5.6%	6.1%	4.4%	4.9%
Less:										
Personal Outlays	4,584.5	4,846.7	5,103.0	5,375.6	5,689.1	6,039.1	6,476.2	6,852.1	7,128.1	7,474.3
Percent Change	5.9%	5.7%	5.3%	5.3%	5.8%	6.2%	7.2%	5.8%	4.0%	4.9%
Equals:										
Personal Savings	320.9	326.4	276.9	267.9	277.6	255.7	162.3	183.6	237.1	274.3
Percent Change	-16.6%	1.7%	-15.2%	-3.3%	3.6%	-7.9%	-36.5%	13.1%	29.1%	15.7%
Personal Savings Rate	6.4%	6.2%	5.0%	4.6%	4.5%	4.0%	2.4%	2.5%	3.1%	3.5%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Establishment Employ.	11,241.0	11,604.5	11,838.3	12,119.8	12,438.0	12,742.8	13,060.5	13,225.8	13,088.8	13,019.8
Percent Change	2.6%	3.2%	2.0%	2.4%	2.6%	2.5%	2.5%	1.3%	-1.0%	-0.5%
Manufacturing	1,684.8	1,719.3	1,722.3	1,730.3	1,755.8	1,742.8	1,728.8	1,704.3	1,574.0	1,500.0
Percent Change	0.4%	2.0%	0.2%	0.5%	1.5%	-0.7%	-0.8%	-1.4%	-7.6%	-4.7%
Nonmanufacturing	9,556.0	9,885.8	10,116.3	10,389.5	10,682.5	10,999.5	11,331.3	11,522.3	11,514.8	11,520.3
Percent Change	3.0%	3.5%	2.3%	2.7%	2.8%	3.0%	3.0%	1.7%	-0.1%	0.0%
Construction & Mining	559.3	585.3	602.5	633.0	661.5	697.5	729.8	743.0	737.3	730.8
Percent Change	5.0%	4.6%	2.9%	5.1%	4.5%	5.4%	4.6%	1.8%	-0.8%	-0.9%
Information	269.8	279.3	288.5	301.3	315.0	330.0	353.8	367.8	351.0	334.5
Percent Change	1.8%	3.5%	3.3%	4.4%	4.6%	4.8%	7.2%	4.0%	-4.6%	-4.7%
Public Utility, Trade & Transportation	2,268.3	2,356.3	2,401.0	2,448.3	2,494.0	2,546.3	2,605.5	2,621.0	2,568.3	2,537.8
Percent Change	2.3%	3.9%	1.9%	2.0%	1.9%	2.1%	2.3%	0.6%	-2.0%	-1.2%
Finance, Insurance & Real Estate	682.3	683.8	688.5	706.5	731.8	757.5	767.0	775.0	782.8	790.3
Percent Change	3.3%	0.2%	0.7%	2.6%	3.6%	3.5%	1.3%	1.0%	1.0%	1.0%
Services	3,863.5	4,043.3	4,188.3	4,342.5	4,503.8	4,658.8	4,813.8	4,927.3	4,939.8	4,974.5
Percent Change	3.9%	4.7%	3.6%	3.7%	3.7%	3.4%	3.3%	2.4%	0.3%	0.7%
Professional & Business	1,179.3	1,255.0	1,313.3	1,387.5	1,476.0	1,553.3	1,635.5	1,674.5	1,614.5	1,600.5
Percent Change	5.1%	6.4%	4.6%	5.7%	6.4%	5.2%	5.3%	2.4%	-3.6%	-0.9%
Education & Health	1,254.5	1,307.0	1,348.3	1,388.8	1,426.8	1,463.5	1,494.0	1,535.0	1,593.5	1,638.0
Percent Change	3.8%	4.2%	3.2%	3.0%	2.7%	2.6%	2.1%	2.7%	3.8%	2.8%
Leisure & Hospitality	992.5	1,030.0	1,063.8	1,091.3	1,110.5	1,138.8	1,170.8	1,197.8	1,199.3	1,202.8
Percent Change	3.7%	3.8%	3.3%	2.6%	1.8%	2.5%	2.8%	2.3%	0.1%	0.3%
Other Services	437.3	451.3	463.0	475.0	490.5	503.3	513.5	520.0	532.5	533.3
Percent Change	1.7%	3.2%	2.6%	2.6%	3.3%	2.6%	2.0%	1.3%	2.4%	0.1%
Government	1,913.0	1,938.0	1,947.5	1,958.0	1,976.5	2,009.5	2,061.5	2,088.3	2,135.8	2,152.5
Percent Change	1.3%	1.3%	0.5%	0.5%	0.9%	1.7%	2.6%	1.3%	2.3%	0.8%
Civilian Labor Force	13,055.3	13,222.8	13,382.8	13,575.0	13,769.2	13,966.0	14,168.4	14,359.2	14,545.1	14,708.7
Percent Change	1.4%	1.3%	1.2%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	1.1%
Unemployment Rate	6.6%	5.7%	5.6%	5.2%	4.6%	4.4%	4.1%	4.2%	5.5%	5.9%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
All Items – Urban Consumers	146.2	150.4	154.5	158.9	161.8	164.5	169.3	175.1	178.2	182.1
Percent Change	2.6%	2.8%	2.7%	2.8%	1.8%	1.7%	2.9%	3.4%	1.8%	2.2%
Food & Beverages	143.1	147.0	150.8	156.1	159.4	162.9	166.2	170.9	175.7	178.1
Percent Change	2.2%	2.7%	2.6%	3.5%	2.1%	2.2%	2.0%	2.8%	2.8%	1.4%
Housing	143.1	146.5	150.6	154.9	158.5	162.1	166.3	173.4	178.3	182.7
Percent Change	2.7%	2.4%	2.8%	2.9%	2.4%	2.2%	2.6%	4.2%	2.8%	2.5%
Energy	103.7	105.8	107.0	111.6	107.6	101.9	115.9	131.7	121.3	130.5
Percent Change	-0.7%	2.1%	1.1%	4.3%	-3.6%	-5.3%	13.7%	13.6%	-7.9%	7.6%
Commodities	136.0	138.3	140.5	141.9	142.6	143.7	144.5	145.2	149.7	150.7
Percent Change	1.5%	1.6%	1.6%	1.0%	0.5%	0.8%	0.6%	0.5%	3.0%	0.7%
Apparel	133.8	132.5	132.1	132.1	132.9	132.2	130.6	128.9	125.3	122.2
Percent Change	0.6%	-1.0%	-0.3%	0.0%	0.6%	-0.5%	-1.2%	-1.3%	-2.8%	-2.5%
Transportation	131.9	137.5	140.7	144.2	143.0	141.6	149.4	155.3	151.9	156.2
Percent Change	2.5%	4.3%	2.4%	2.5%	-0.9%	-0.9%	5.5%	3.9%	-2.2%	2.8%
Services	160.6	165.8	171.3	176.9	181.9	186.5	191.7	199.6	206.6	213.3
Percent Change	3.7%	3.2%	3.3%	3.3%	2.8%	2.5%	2.8%	4.1%	3.5%	3.2%
Medical Care	206.2	216.0	224.6	231.6	238.0	246.3	255.4	266.7	278.9	291.7
Percent Change	5.3%	4.7%	4.0%	3.1%	2.8%	3.5%	3.7%	4.4%	4.6%	4.6%
Other Goods & Services	194.9	202.6	211.3	219.7	230.8	248.3	264.9	276.3	288.6	296.7
Percent Change	2.9%	4.0%	4.3%	4.0%	5.0%	7.6%	6.7%	4.3%	4.5%	2.8%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 6
PERSONAL INCOME
(BILLIONS $-SAAR)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Personal Income	98.49	102.26	106.65	112.83	120.46	127.67	135.83	144.94	146.35	149.83
Percent Change	3.5%	3.8%	4.3%	5.8%	6.8%	6.0%	6.4%	6.7%	1.0%	2.4%
Disposable Personal Income	84.26	87.12	89.85	93.59	98.57	103.62	109.23	116.40	120.06	126.49
Percent Change	3.2%	3.4%	3.1%	4.2%	5.3%	5.1%	5.4%	6.6%	3.1%	5.4%
Total Wages	56.66	58.75	62.29	66.85	72.15	77.06	82.26	87.35	87.10	88.00
Percent Change	3.6%	3.7%	6.0%	7.3%	7.9%	6.8%	6.7%	6.2%	-0.3%	1.0%
Manufacturing Wages	10.97	11.17	11.60	12.40	13.13	13.81	13.93	14.28	13.24	12.70
Percent Change	-0.1%	1.8%	3.8%	6.9%	5.9%	5.2%	0.9%	2.5%	-7.3%	-4.1%
Nonmanufacturing Wages	45.69	47.58	50.69	54.45	59.02	63.25	68.33	73.07	73.86	75.30
Percent Change	4.6%	4.1%	6.5%	7.4%	8.4%	7.2%	8.0%	6.9%	1.1%	2.0%
Other Labor Income	8.22	8.13	8.12	8.03	7.76	8.05	8.45	9.13	9.54	10.23
Percent Change	4.6%	-1.1%	-0.1%	-1.2%	-3.3%	3.8%	4.9%	8.1%	4.4%	7.3%
Proprietor's Income	7.56	7.97	7.97	8.47	9.40	10.40	11.42	11.78	12.14	12.82
Percent Change	7.7%	5.3%	0.0%	6.2%	11.1%	10.6%	9.8%	3.1%	3.1%	5.6%
Property Income	18.37	19.27	19.73	20.82	22.46	23.67	25.10	27.62	27.51	27.76
Percent Change	1.9%	4.9%	2.4%	5.6%	7.9%	5.4%	6.0%	10.0%	-0.4%	0.9%
Transfer Payments Less Social Insurance	7.68	8.15	8.55	8.67	8.69	8.48	8.60	9.07	10.06	11.02
Percent Change	1.1%	6.1%	4.9%	1.4%	0.3%	-2.4%	1.4%	5.5%	10.9%	9.6%
Transfer Payments	11.87	12.56	13.22	13.64	14.01	14.13	14.59	15.38	16.49	17.64
Percent Change	2.5%	5.8%	5.3%	3.2%	2.7%	0.9%	3.2%	5.4%	7.2%	7.0%
Social Insurance	4.19	4.41	4.68	4.98	5.32	5.65	5.99	6.31	6.43	6.62
Percent Change	5.2%	5.2%	6.0%	6.4%	6.9%	6.2%	6.0%	5.4%	1.9%	2.9%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Personal Income	103.66	105.33	107.66	111.70	117.41	122.86	128.48	133.96	132.95	134.35
Percent Change	1.2%	1.6%	2.2%	3.7%	5.1%	4.6%	4.6%	4.3%	-0.8%	1.1%
Disposable Personal Income	88.69	89.73	90.70	92.66	96.07	99.72	103.32	107.58	109.07	113.42
Percent Change	1.0%	1.2%	1.1%	2.2%	3.7%	3.8%	3.6%	4.1%	1.4%	4.0%
Total Wages	59.64	60.51	62.88	66.18	70.32	74.16	77.81	80.73	79.13	78.91
Percent Change	1.3%	1.5%	3.9%	5.3%	6.3%	5.5%	4.9%	3.8%	-2.0%	-0.3%
Manufacturing Wages	11.55	11.50	11.71	12.27	12.80	13.29	13.18	13.20	12.03	11.39
Percent Change	-2.3%	-0.4%	1.8%	4.8%	4.3%	3.9%	-0.8%	0.1%	-8.9%	-5.3%
Nonmanufacturing Wages	48.09	49.01	51.17	53.91	57.52	60.87	64.63	67.53	67.10	67.52
Percent Change	2.3%	1.9%	4.4%	5.4%	6.7%	5.8%	6.2%	4.5%	-0.6%	0.6%
Other Labor Income	8.65	8.37	8.20	7.94	7.56	7.75	7.99	8.44	8.66	9.17
Percent Change	2.3%	-3.2%	-2.1%	-3.1%	-4.8%	2.4%	3.1%	5.6%	2.6%	5.9%
Proprietor's Income	7.96	8.21	8.05	8.38	9.16	10.01	10.80	10.88	11.03	11.49
Percent Change	5.3%	3.1%	-2.0%	4.2%	9.4%	9.2%	7.9%	0.7%	1.3%	4.2%
Property Income	19.33	19.85	19.91	20.61	21.89	22.78	23.74	25.53	25.00	24.89
Percent Change	-0.4%	2.7%	0.3%	3.5%	6.2%	4.1%	4.2%	7.5%	-2.1%	-0.4%
Transfer Payments Less Social Insurance	8.08	8.39	8.63	8.58	8.47	8.16	8.13	8.38	9.14	9.88
Percent Change	-1.1%	3.9%	2.8%	-0.6%	-1.3%	-3.7%	-0.4%	3.1%	9.0%	8.2%
Transfer Payments	12.49	12.94	13.35	13.51	13.66	13.60	13.80	14.21	14.98	15.82
Percent Change	0.3%	3.6%	3.2%	1.2%	1.1%	-0.4%	1.5%	3.0%	5.4%	5.6%
Social Insurance	4.41	4.54	4.72	4.93	5.18	5.44	5.66	5.83	5.84	5.94
Percent Change	2.9%	3.0%	3.9%	4.3%	5.3%	4.9%	4.2%	3.0%	0.2%	1.6%

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

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 8
MANUFACTURING EMPLOYMENT
(THOUSANDS -SA)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Manufacturing	256.39	251.78	245.90	245.35	247.13	244.65	236.72	233.65	218.41	208.52
Percent Change	-4.0%	-1.8%	-2.3%	-0.2%	0.7%	-1.0%	-3.2%	-1.3%	-6.5%	-4.5%
Durable Manufacturing	193.45	188.58	184.20	184.13	186.01	183.71	176.03	173.65	162.01	154.24
Percent Change	-5.0%	-2.5%	-2.3%	0.0%	1.0%	-1.2%	-4.2%	-1.4%	-6.7%	-4.8%
Computer & Electronics	23.29	22.93	22.95	22.78	24.06	23.07	22.43	22.26	19.26	16.86
Percent Change	-5.2%	-1.6%	0.1%	-0.8%	5.6%	-4.1%	-2.7%	-0.8%	-13.5%	-12.4%
Electrical Equipment	13.36	13.37	12.90	13.41	13.90	13.32	12.63	13.14	12.05	11.28
Percent Change	-0.5%	0.1%	-3.5%	4.0%	3.6%	-4.2%	-5.2%	4.0%	-8.3%	-6.3%
Fabricated Metal	39.68	40.91	40.88	41.93	42.01	41.87	40.49	39.77	36.20	34.39
Percent Change	-0.7%	3.1%	-0.1%	2.6%	0.2%	-0.3%	-3.3%	-1.8%	-9.0%	-5.0%
Machinery	25.02	24.92	24.80	24.84	25.83	24.69	23.70	23.32	21.25	19.34
Percent Change	0.7%	-0.4%	-0.5%	0.2%	4.0%	-4.4%	-4.0%	-1.6%	-8.9%	-9.0%
Transportation	62.10	57.74	54.34	52.38	51.65	51.74	47.94	46.96	46.35	44.48
Percent Change	-10.7%	-7.0%	-5.9%	-3.6%	-1.4%	0.2%	-7.3%	-2.0%	-1.3%	-4.0%
Nondurable Manufacturing	62.95	63.21	61.70	61.22	61.12	60.95	60.70	60.00	56.40	54.28
Percent Change	-0.9%	0.4%	-2.4%	-0.8%	-0.2%	-0.3%	-0.4%	-1.1%	-6.0%	-3.8%
Chemicals	17.37	17.01	17.02	17.46	17.91	18.95	19.58	20.45	19.27	18.33
Percent Change	-2.8%	-2.1%	0.0%	2.6%	2.6%	5.8%	3.4%	4.4%	-5.8%	-4.9%
Printing	11.96	12.12	12.22	12.12	11.99	11.57	11.14	10.57	9.48	8.44
Percent Change	1.1%	1.4%	0.8%	-0.8%	-1.0%	-3.5%	-3.7%	-5.1%	-10.3%	-10.9%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 9
NONMANUFACTURING EMPLOYMENT
(THOUSANDS -SA)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Nonmanufacturing	1,276.7	1,304.1	1,322.6	1,354.3	1,380.4	1,412.7	1,445.4	1,456.8	1,457.2	1,451.0
Percent Change	1.3%	2.1%	1.4%	2.4%	1.9%	2.3%	2.3%	0.8%	0.0%	-0.4%
Construction & Mining	48.63	51.32	51.27	55.26	57.92	60.45	63.61	65.87	65.78	62.12
Percent Change	-0.6%	5.5%	-0.1%	7.8%	4.8%	4.4%	5.2%	3.6%	-0.1%	-5.6%
Information	39.92	41.02	42.10	44.35	44.41	44.21	45.38	46.43	42.69	40.28
Percent Change	0.9%	2.8%	2.6%	5.3%	0.1%	-0.5%	2.6%	2.3%	-8.0%	-5.7%
Utilities	10.68	10.08	9.87	9.64	9.72	9.80	9.72	9.49	9.08	8.93
Percent Change	-3.8%	-5.6%	-2.1%	-2.3%	0.9%	0.8%	-0.8%	-2.4%	-4.3%	-1.6%
Transportation	38.22	39.40	39.76	39.69	39.95	41.28	41.74	41.99	40.34	39.55
Percent Change	3.7%	3.1%	0.9%	-0.2%	0.7%	3.3%	1.1%	0.6%	-3.9%	-2.0%
Wholesale Trade	62.82	63.26	64.19	64.21	65.47	66.37	67.05	68.12	66.59	65.41
Percent Change	-2.3%	0.7%	1.5%	0.0%	2.0%	1.4%	1.0%	1.6%	-2.2%	-1.8%
Retail Trade	176.67	180.56	183.01	186.57	191.18	192.88	196.61	195.65	195.32	196.55
Percent Change	0.1%	2.2%	1.4%	1.9%	2.5%	0.9%	1.9%	-0.5%	-0.2%	0.6%
Finance & Insurance	119.17	114.03	111.60	108.75	112.94	119.17	120.49	121.69	122.28	122.14
Percent Change	-2.6%	-4.3%	-2.1%	-2.6%	3.8%	5.5%	1.1%	1.0%	0.5%	-0.1%
Real Estate	19.09	18.84	19.53	19.85	20.11	20.68	21.34	21.57	20.70	20.43
Percent Change	-0.7%	-1.3%	3.7%	1.6%	1.3%	2.8%	3.2%	1.1%	-4.0%	-1.3%
Professional & Business	167.97	174.52	181.39	191.42	199.23	207.55	214.34	214.12	205.84	200.23
Percent Change	2.0%	3.9%	3.9%	5.5%	4.1%	4.2%	3.3%	-0.1%	-3.9%	-2.7%
Education & Health	218.31	223.71	226.85	233.32	235.60	240.11	244.48	247.76	256.59	261.63
Percent Change	2.9%	2.5%	1.4%	2.9%	1.0%	1.9%	1.8%	1.3%	3.6%	2.0%
Leisure & Hospitality	104.47	108.61	111.72	116.92	117.65	118.05	120.50	120.50	121.07	124.08
Percent Change	2.8%	4.0%	2.9%	4.7%	0.6%	0.3%	2.1%	0.0%	0.5%	2.5%
Other Services	57.66	58.79	59.63	59.71	60.39	60.45	60.67	61.53	62.74	62.55
Percent Change	4.7%	2.0%	1.4%	0.1%	1.1%	0.1%	0.4%	1.4%	2.0%	-0.3%
Federal Government	24.50	24.04	23.78	23.03	22.34	22.46	23.36	22.07	21.38	20.91
Percent Change	-1.3%	-1.9%	-1.1%	-3.1%	-3.0%	0.5%	4.0%	-5.5%	-3.1%	-2.2%
State & Local Gov't.	188.62	195.93	197.87	201.57	203.55	209.29	216.16	220.01	226.83	226.19
Percent Change	2.3%	3.2%	0.8%	1.3%	0.6%	2.6%	3.4%	1.1%	2.5%	-0.4%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Labor Force	1,756.4	1,716.8	1,712.2	1,727.2	1,714.5	1,701.6	1,750.0	1,770.9	1,760.1	1,780.5
Percent Change	-2.4%	-2.3%	-0.3%	0.9%	-0.7%	-0.8%	2.8%	1.2%	-0.6%	1.2%
Nonagricultural Employment	1,533.1	1,555.9	1,568.5	1,599.6	1,627.6	1,657.4	1,682.2	1,690.4	1,675.6	1,659.5
Percent Change	0.4%	1.5%	0.8%	2.0%	1.7%	1.8%	1.5%	0.5%	-0.9%	-1.0%
Residential Employment	1,653.7	1,623.4	1,614.8	1,629.9	1,645.0	1,645.6	1,703.9	1,726.5	1,691.0	1,695.5
Percent Change	-1.3%	-1.8%	-0.5%	0.9%	0.9%	0.0%	3.5%	1.3%	-2.1%	0.3%
Unemployed	102.7	93.4	97.4	97.3	69.6	56.0	46.1	44.3	69.1	85.0
Percent Change	-17.1%	-9.0%	4.3%	-0.1%	-28.5%	-19.6%	-17.6%	-3.8%	55.8%	23.1%
Unemployment Rate	5.8%	5.4%	5.7%	5.6%	4.1%	3.3%	2.6%	2.5%	3.9%	4.8%
Households	1,241.0	1,245.7	1,257.1	1,268.4	1,278.0	1,289.2	1,300.4	1,308.7	1,313.6	1,315.6
Percent Change	-0.1%	0.4%	0.9%	0.9%	0.8%	0.9%	0.9%	0.6%	0.4%	0.2%
Housing Starts	8.97	10.07	8.63	9.38	10.84	11.45	10.26	9.40	9.22	9.49
Percent Change	6.3%	12.2%	-14.3%	8.7%	15.6%	5.6%	-10.5%	-8.3%	-1.9%	2.9%
Single Family	8.19	8.44	8.10	8.24	9.03	10.04	9.00	8.02	8.24	7.92
Percent Change	4.2%	3.0%	-4.0%	1.6%	9.6%	11.2%	-10.3%	-10.9%	2.8%	-3.9%
Multi Family	0.78	1.62	0.53	1.15	1.82	1.42	1.26	1.39	0.98	1.57
Percent Change	34.6%	108.7%	-67.5%	117.5%	58.2%	-21.9%	-11.3%	10.1%	-29.4%	60.9%
New Car Registrations	182.42	210.47	180.28	193.32	187.23	224.61	233.76	245.03	231.84	227.41
Percent Change	6.9%	15.4%	-14.3%	7.2%	-3.1%	20.0%	4.1%	4.8%	-5.4%	-1.9%
Industrial Performance Indicator (1997=100)	86.61	89.38	90.63	96.60	103.62	108.59	112.13	113.13	109.55	109.99
Percent Change	-0.5%	3.2%	1.4%	6.6%	7.3%	4.8%	3.3%	0.9%	-3.2%	0.4%
Shipments of Mfg. Goods (Billions of $82)	33.81	34.58	34.45	35.35	37.84	37.91	35.26	33.80	35.82	36.48
Percent Change	0.8%	2.3%	-0.4%	2.6%	7.0%	0.2%	-7.0%	-4.2%	6.0%	1.8%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 11
ANALYTICS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Wages/Total Income	57.53%	57.45%	58.40%	59.25%	59.89%	60.36%	60.56%	60.26%	59.52%	58.74%
Other Labor Income /Total Income	8.34%	7.95%	7.62%	7.11%	6.44%	6.31%	6.22%	6.30%	6.52%	6.83%
Social Insurance /Total Income	4.26%	4.31%	4.38%	4.41%	4.42%	4.42%	4.41%	4.35%	4.40%	4.42%
Transfer Payments /Total Income	12.05%	12.28%	12.40%	12.09%	11.63%	11.07%	10.74%	10.61%	11.27%	11.77%
Proprietor's Income /Total Income	7.68%	7.79%	7.47%	7.50%	7.81%	8.15%	8.41%	8.12%	8.29%	8.56%
Property Income /Total Income	18.65%	18.84%	18.50%	18.45%	18.64%	18.54%	18.48%	19.05%	18.80%	18.53%
Average Wages (Thousands in 1996 $)	38.90	38.89	40.09	41.37	43.21	44.74	46.26	47.76	47.22	47.55
Average Mfg. Wages (Thousands in 1996 $)	45.03	45.69	47.61	50.02	51.78	54.33	55.68	56.49	55.07	54.61
Average Nonmfg. Wages (Thousands in 1996 $)	37.67	37.58	38.69	39.81	41.67	43.08	44.71	46.36	46.05	46.54
Manufacturing Share of Employment	16.72%	16.18%	15.68%	15.34%	15.18%	14.76%	14.07%	13.82%	13.03%	12.57%
Residential Employment /Total Nonagricultural	1.079	1.043	1.030	1.019	1.011	0.993	1.013	1.021	1.009	1.022

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - CALENDAR YEAR BASIS

TABLE 12
PERSONAL & DISPOSABLE INCOME (MILLIONS-SAAR)

NEW HAVEN-BRIDGEPORT-STAMFORD-WATERBURY-DANBURY

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	51,450.6	53,387.2	54,973.7	58,240.3	61,490.0	65,654.9	71,036.9	74,560.0	80,841.3	83,358.1
Percent Change	7.7%	3.8%	3.0%	5.9%	5.6%	6.8%	8.2%	5.0%	8.4%	3.1%
Disposable Income	44,207.0	45,659.1	47,065.3	49,372.4	51,471.1	53,983.4	57,850.2	60,324.1	64,643.5	67,263.1
Percent Change	6.3%	3.3%	3.1%	4.9%	4.3%	4.9%	7.2%	4.3%	7.2%	4.1%

HARTFORD-NEW BRITAIN-MIDDLETOWN-BRISTOL

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	29,829.4	30,564.6	31,312.6	32,077.1	33,332.9	35,371.5	37,635.8	39,199.1	42,490.4	43,835.6
Percent Change	4.1%	2.5%	2.4%	2.4%	3.9%	6.1%	6.4%	4.2%	8.4%	3.2%
Disposable Income	25,629.8	26,140.2	26,808.0	27,192.9	27,901.8	29,083.5	30,649.4	31,714.7	33,976.8	35,371.7
Percent Change	2.8%	2.0%	2.6%	1.4%	2.6%	4.2%	5.4%	3.5%	7.1%	4.1%

NEW LONDON-NORWICH, CT-RI

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Personal Income	5,859.1	6,066.6	6,397.1	6,651.5	6,890.5	7,290.9	7,690.1	7,968.4	8,491.1	8,634.9
Percent Change	4.3%	3.5%	5.4%	4.0%	3.6%	5.8%	5.5%	3.6%	6.6%	1.7%
Disposable Income	5,034.2	5,188.4	5,476.8	5,638.7	5,767.8	5,994.8	6,262.6	6,447.0	6,789.8	6,967.6
Percent Change	3.0%	3.1%	5.6%	3.0%	2.3%	3.9%	4.5%	2.9%	5.3%	2.6%

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MAJOR REGIONAL ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Chicago	143.4	146.9	151.2	155.0	159.8	163.4	166.5	171.0	176.8	179.1
Percent Change	3.2%	2.5%	3.0%	2.5%	3.1%	2.2%	1.9%	2.7%	3.4%	1.3%
New York	152.6	156.3	160.1	164.6	169.0	172.2	175.1	179.6	185.2	189.3
Percent Change	3.6%	2.4%	2.4%	2.8%	2.6%	1.9%	1.7%	2.6%	3.1%	2.2%
Los Angeles	148.7	151.3	153.7	155.7	158.8	161.0	164.1	168.5	174.7	179.6
Percent Change	3.3%	1.8%	1.6%	1.3%	2.0%	1.4%	1.9%	2.6%	3.7%	2.8%
N.E. Region	141.7	145.4	149.6	153.6	158.3	163.0	165.4	169.3	174.0	177.5
Percent Change	2.9%	2.6%	2.9%	2.6%	3.1%	3.0%	1.5%	2.4%	2.7%	2.0%
N.C. Region	141.6	145.2	149.5	153.6	158.1	162.7	164.9	168.7	173.2	176.6
Percent Change	3.2%	2.6%	3.0%	2.7%	3.0%	2.9%	1.4%	2.3%	2.7%	1.9%
South Region	142.4	146.2	150.5	154.6	159.3	163.9	166.3	170.2	174.9	178.3
Percent Change	3.2%	2.6%	3.0%	2.7%	3.0%	2.9%	1.5%	2.4%	2.8%	1.9%
West Region	143.1	146.6	150.9	155.1	160.0	164.7	167.1	171.1	175.9	179.2
Percent Change	3.2%	2.5%	3.0%	2.8%	3.1%	3.0%	1.5%	2.4%	2.8%	1.9%