

OFFICIAL STATEMENT DATED APRIL 11, 2003

The State of Connecticut

U.S.\$77,700,000 Floating Rate General Obligation Amortising Notes (2003 Series A) due 2013

The issue price of the U.S.\$77,700,000 Floating Rate General Obligation Amortising Notes (2003 Series A) due 2013 (the “Notes”) of the State of Connecticut (the “Issuer” or the “State”) is 100 per cent. of their principal amount. The Notes are general obligations of the State and the full faith and credit of the State will be pledged for the payment of the principal and interest on the Notes as the same become due. See “Nature of Obligation of the State of Connecticut”.

Interest will be payable quarterly in arrears on January 30, April 30, July 30 and October 30 in each year (subject to adjustment as specified herein for non-Business Days) (each an “Interest Payment Date”) commencing on the Interest Payment Date falling in July 2003. The first Interest Period will commence on and include April 15, 2003 and end on but exclude the Interest Payment Date falling in July 2003. Interest on the Notes will accrue at an annual rate equal to the sum of the London interbank offered rate for three month (or, in the case of the first Interest Period only, the linear interpolation of three and four month) U.S. dollar deposits, plus 0.21 per cent. per annum. The Rate of Interest (as defined herein) for the first Interest Period (as defined herein) shall be 1.49331 per cent. The Notes will be repayable in nine annual instalments on the dates and in the amounts specified in “Terms and Conditions of the Notes—Redemption and Purchase”. The final maturity is due on the Interest Payment Date (as defined herein) in April 2013. The Notes will not otherwise be subject to redemption or repayment.

Payments on the Notes will be made without deduction for, or on account of, taxes imposed by the United States of America or the State or any political subdivision thereof, unless such withholding is required by law. No additional amounts will, however, be payable in the event of any such required withholding.

The Notes, as with the State’s other general obligations, do not contain events of default or a negative pledge and are not capable of acceleration.

THE NOTES ARE NOT OBLIGATIONS OF OR GUARANTEED BY THE UNITED STATES OF AMERICA OR ANY STATE OTHER THAN THE STATE OF CONNECTICUT. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Notes will be represented by one or more permanent global notes in registered form (the “Permanent Global Note”) which will be deposited on the issue date thereof with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) for credit on or about April 15, 2003 (the “Closing Date”) to the accounts with such common depository of such clearance systems. Interests in the Permanent Global Note will be shown on, and will be effected only through, records maintained by the common depository for Euroclear and Clearstream, Luxembourg. Individual note certificates (“Individual Note Certificates”) evidencing holdings of Notes will only be available in certain limited circumstances. See “Terms and Conditions of the Notes – Form, Denomination and Title”.

Merrill Lynch International

April 11, 2003

Upon delivery of the Notes, the State shall furnish a certificate of the Treasurer, dated the date of delivery of the Notes, stating that the Official Statement, as of its date, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In providing such certificate, the Treasurer will state that she has not undertaken independently to verify information obtained or derived from various publications of agencies of the Federal government and presented in **Appendix III-B of Part III** to this Official Statement under the caption **STATE ECONOMY**.

The Lead Manager has not separately verified any of the information contained in the Official Statement. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Lead Manager as to the truth, accuracy or completeness of the Official Statement or any further information supplied in connection with the Notes. The Lead Manager accepts no liability in relation to the Official Statement or the distribution hereof or with regard to any other information supplied by or on behalf of the State.

The distribution of the Official Statement and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Official Statement comes are required to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of the Official Statement and other offering material, see "Subscription and Sale". The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or delivered, directly or indirectly, within the United States or its possessions or to U.S. persons (as defined in Regulation S under such Securities Act), absent an available exemption from registration. In the opinion of the State's Bond Counsel, the Notes will be exempt securities for purposes of Section 3(a)(2) of the Securities Act.

No dealer, broker, salesperson or other person has been authorized by the State or the Lead Manager to give any information or to make any representations in connection with the Notes or the matters described herein, other than those contained in the Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the State or the Lead Manager. The Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of the Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. The Official Statement has been prepared in connection with the sale of the Notes and may not be reproduced or used, in whole or in part, for any other purpose.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PURCHASERS OF NOTES WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND WARRANTIES. SEE "INTRODUCTION" AND "DISCLOSURE OBLIGATION".

The Official Statement is not a contract with the original purchasers or any holders of Notes.

TABLE OF CONTENTS

Page No.

PART I

INTRODUCTION..... 1

NATURE OF OBLIGATION OF STATE OF CONNECTICUT 2

TERMS AND CONDITIONS OF THE NOTES..... 3

USE OF PROCEEDS 7

TAXATION 8

RATINGS..... 11

DISCLOSURE OBLIGATION..... 12

LEGAL OPINIONS 13

CLEARING AND SETTLEMENT 14

SUBSCRIPTION AND SALE..... 15

GENERAL INFORMATION 16

PART II

INFORMATION SUPPLEMENT OF THE STATE OF CONNECTICUT DATED
APRIL 11, 2003II

PART III

STATE OF CONNECTICUT ANNUAL INFORMATION STATEMENT DATED
DECEMBER 1, 2002, MODIFIED FEBRUARY 28, 2003 III

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INTRODUCTION

The Official Statement, including Part I, Part II and Part III and the Appendices thereto, of the State of Connecticut (the “**State**”) is provided for the purpose of presenting certain information relating to the State in connection with the sale of U.S.\$77,700,000 aggregate principal amount of its Floating Rate General Obligation Amortising Notes (2003 Series A) due 2013 (the “**Notes**”).

Part I of this Official Statement, contains information relating to the Notes. Part II of this Official Statement contains information which supplements as of its date certain information contained in the most recent Annual Information Statement of the State. Part III of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date. Parts I, II and III and the Appendices thereto should be read collectively and in their entirety.

The Lead Manager has been provided with a copy of Parts II and III of the Official Statement, but has not independently checked or verified the contents thereof. By purchasing Notes, prospective investors will be deemed to have notice of, and to have agreed to, purchase such Notes on that basis. Prospective investors are hereby offered the opportunity to ask questions of, and receive answers from, the State Treasurer concerning any matter relevant to the issue of the Notes. See “General Information”.

NATURE OF OBLIGATION OF STATE OF CONNECTICUT

Each Note when duly issued and paid for will constitute a contract between the State and the owner thereof.

The State General Obligation Bond Procedure Act pursuant to which the Notes are issued provides that the Notes shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on said Notes as the same become due. Such act further provides that, as part of the contract of the State with the owners of said Notes, appropriation of all amounts necessary for the punctual payment of such principal and interest is made, and the Treasurer shall pay such principal and interest as the same become due.

The doctrine of governmental immunity (the right of a state not to be sued without its consent) applies to the State but legislation gives jurisdiction to Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including the Notes, reserving to the State all legal defenses except governmental immunity.

In the opinion of Bond Counsel, the above provisions impose a clear legal duty on the Treasurer to pay principal of and interest on the Notes when due and, in the event of failure by the State to make such payment when due, a bondowner may sue the Treasurer to compel such payment from any monies available.

For the payment of principal of or interest on the Notes, the State, acting through the General Assembly, has the power to levy ad valorem taxes on all taxable property in the State without limitation as to rate or amount. The State does not presently levy such a tax.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, subject to completion, will be included in or attached to the Permanent Global Note representing the Notes and endorsed on the Individual Note Certificates, if any.

The U.S.\$77,700,000 Floating Rate General Obligation Amortising Notes (2003 Series A) due 2013 (the “**Notes**”) of the State of Connecticut (the “**State**”) will be issued in registered form on April 15, 2003 (the “**Issue Date**”). U.S. Bank National Association has been appointed paying agent (the “**Paying Agent**”), registrar (the “**Registrar**”) and interest calculation agent (the “**Agent Bank**”) for the Notes.

1. **Form, Denomination and Title**

The Notes are in registered form in denominations of U.S.\$100,000 or integral multiples thereof. The registered holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. The Notes will be represented by one or more permanent global notes in registered form (the “**Permanent Global Note**”) which will be deposited on the issue date thereof with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) for credit on or about April 15, 2003 (the “**Closing Date**”) to the accounts with such common depository of such clearance systems. Interests in the Permanent Global Note will be shown on, and will be effected only through, records maintained by the common depository for Euroclear and Clearstream, Luxembourg. Individual note certificates (“**Individual Note Certificates**”) will only be available if Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce an intention permanently to cease business.

2. **Status**

The Notes constitute general obligations of the State which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured general obligations of the State. The faith and credit of the State are irrevocably pledged for all amounts payable on the Notes.

3. **Certain Definitions**

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in London and New York City.

“**London Banking Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

4. **Interest**

(a) **Accrual of interest:** The Notes bear interest from the Issue Date, payable quarterly in arrears on January 30, April 30, July 30 and October 30 (subject to adjustment in accordance with Condition 6(b), each an “**Interest Payment Date**”) of each year, commencing July 30, 2003. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition until paid.

(b) Rate of interest: The rate of interest applicable to the Notes (the “**Rate of Interest**”) for each Interest Period will be determined by the Agent Bank on the following basis:

- (i) the Agent Bank will determine the London Interbank offered rate for three month deposits in U.S. dollars (or, in the case of the first Interest Period only, the rate obtained by linear interpolation of the rate for three month and four month deposits in U.S. dollars) which appears on the display page designated Moneyline Telerate Screen Page 3750 (or such other page as may replace that page on that service for the purpose of displaying comparable rates) as of 11:00 a.m. (New York City time) on the second London Banking Day before the first day of the relevant Interest Period (the “**Interest Determination Date**”);
- (ii) if such rate does not appear on that page, the Agent Bank will:
 - (A) request the principal London office of each of four major banks in the London interbank market to provide a quotation of the rate at which three month deposits in U.S. dollars (or, in the case of the first Interest Period only, the rate obtained by linear interpolation of the rate for three month and four month deposits in U.S. dollars) are offered by it in the London interbank market at approximately 11.00 am. (New York City time) on the Interest Determination Date to prime banks in the London interbank market and in an amount that is representative for a single transaction in that market at that time, and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in New York City, selected by the Agent Bank, at approximately 11.00 a.m. (New York City time) on the first day of the relevant Interest Period for loans in U.S. dollars to leading European banks for a period of three months (or, in the case of the first Interest Period only, the rate obtained by linear interpolation of the rate for three month and four month deposits in U.S. dollars) and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of 0.21 per cent. per annum and the rate or as the case may be, the arithmetic mean so determined; provided, however, that if the Agent Bank is unable to determine the rate or as the case may be, an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of 0.21 per cent. per annum and the rate or as the case may be, the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(c) Calculation of Interest Amount: The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the outstanding principal amount of such Note, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) Notification: The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Paying Agent and the State as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. The Agent Bank will be entitled to recalculate any Interest Amount

(on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(e) Binding Determinations: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the State, the Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

5. Redemption and Purchase

(a) Scheduled redemption: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed (as provided in Condition 6) in 9 installments (each an “**Installment**”) on the Interest Payment Date falling in April of each of the years specified below (each a “Scheduled Redemption Date”):

Year of Redemption	Redemption Amount U.S.\$
2004	7,500,000
2005	7,500,000
2006	9,000,000
2007	8,900,000
2008	9,000,000
2009	0
2010	9,000,000
2011	8,900,000
2012	9,000,000
2013	8,900,000

(b) Other redemption: The State shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) above.

(c) Purchase: The State may at any time purchase Notes in the open market, subject to compliance with applicable law.

(d) Cancellation: All Notes so redeemed or purchased shall be cancelled and may not be reissued or resold.

(e) Notice of Redemption: Notice of redemption shall be mailed not less than fifteen (15) nor more than sixty (60) days prior to the redemption date to the registered holder of such Note at such Notcholder’s address as it appears in the Register.

6. Payments

Principal and interest in respect of the Notes are payable in any coin or currency of the United States which on the date of payment is legal tender for the payment of public and private debts.

(a) Payments in Hartford, Connecticut: Payments of principal or interest may be made at the specified office of the Paying Agent in Hartford, Connecticut, through the facilities of Euroclear and Clearstream, Luxembourg, or by transfer to a U.S. dollar account maintained by the payee elsewhere to the extent permitted by law.

(b) Payments on business days: If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.

7. Taxation

All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for any Taxes, unless such withholding or deduction is required by law. In such an event, the State shall not be required to pay additional amounts in respect of the Notes on account of such Taxes.

In these Conditions, "Taxes" means any and all present and future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United States, the State, or any political subdivision or any authority thereof or therein having power to tax.

8. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the State may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

9. Agents

The Paying Agent is acting solely as agent of the State and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The State reserves the right at any time to vary or terminate the appointment of the Paying Agent, Registrar and Agent Bank and to appoint successor or additional agents for such purposes. Notice of any such change shall promptly be given to the Noteholders.

10. Notices

The Registrar shall maintain a register (the "**Register**") in which it shall record the name, address and amount of Notes registered in the name of each Noteholder. All notices shall be mailed by first class mail, postage prepaid to each Noteholder at such address.

Until such time as any Individual Note Certificates are issued, notices may be given to the Noteholders by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to such Noteholders. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

11. Amendments

No amendment or modification of the Notes, including their Terms and Conditions, may be made without the consent of each holder affected thereby; except for changes or modifications to cure a manifest error which may be made by the State without the consent of the Noteholders.

12. Governing Law and Jurisdiction

(a) Governing law: The Notes are governed by, and shall be construed in accordance with, the laws of the State of Connecticut.

(b) Waiver of immunity: The doctrine of governmental immunity (the right of a state not to be sued without its consent) applies to the State but legislation gives jurisdiction to Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including the Notes, reserving to the State all legal defenses except governmental immunity.

USE OF PROCEEDS

The Notes are being issued for various projects and purposes. The State has agreed to pay the Lead Manager a combined management and underwriting commission and selling concession in respect of the Notes. See "Subscription and Sale".

TAXATION

The following discussion does not discuss all of the tax consequences that may be relevant to particular holders of the Notes. Prospective purchasers of Notes are advised to consult their tax advisors as to the consequences under the tax laws of the country of which they are residents, of a purchase of Notes, including, but not limited to, the consequences of receipt of interest and sale or redemption of Notes.

United States Tax Considerations

Interest on the Notes will be includable in the gross income of any United States Person who is an owner thereof for the purposes of federal income taxation. Under present United States federal income and estate tax law, and subject to the discussion below concerning information reporting and backup withholding, payments of principal of, and interest on, a Note outside the United States by the State or any of its paying agents to any United States Alien (as defined below) who is an individual or corporation (or entity treated as a corporation for federal income tax purposes) holding the Note on its own behalf will not be subject to United States federal income tax or withholding tax unless the beneficial owner is a bank receiving interest described in section 881(c)(3)(A) of the United States Internal Revenue Code of 1986, as amended (the "Code").

Certification Requirement

To qualify for the exemption from withholding tax, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- * is signed under penalties of perjury by the beneficial owner of the Note.
- * certifies that such owner is not a United States Person, and
- * provides the beneficial owner's name, address and, if any, U.S. taxpayer identification number.

A "Withholding Agent" is the last United States payor (or a non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person, or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("**W-8BEN**"), which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of such change and furnish a new W-8BEN. A Noteholder who is not an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding the Notes on its own behalf may have substantially increased reporting requirements. In particular, in the case of Notes held by a foreign partnership (or foreign trust), the partners (or beneficiaries) rather than the partnership (or trust) will be required to provide the certification discussed above, and the partnership (or trust) will be required to provide certain additional information.

Certain securities clearing organizations, and other entities who are not beneficial owners, may be able to provide a signed statement to the Withholding Agent. However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or the substitute form).

A Noteholder whose income with respect to its investment in a Note is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a United States Person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Generally, any gain or income realized by a United States Alien upon the sale, exchange or redemption of a Note will not be subject to United States federal income tax, unless (i) such holder is an individual who is present in the United States for 183 days or more in the taxable year of

disposition and certain other conditions are satisfied, or (ii) such gain is effectively connected with, or treated as connected with, a U.S. trade or business conducted by the Noteholder.

A Note held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such individual's death, if at the time of death the individual did not hold the Note in connection with a United States trade or business.

Backup Withholding and Information Reporting

Backup withholding of United States federal income tax may apply to payments made in respect of the Notes to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Compliance with the certification requirement described in the preceding section would establish an exemption from backup withholding for those United States Aliens who are not exempt from backup withholding requirements.

Under current United States federal income tax law and regulations, payments on the sale, exchange or other disposition of a Note made to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a (i) United States Person, (ii) a foreign branch of a United States Person, (iii) a controlled foreign corporation for United States tax purposes, (iv) a foreign person 50% or more of whose gross income is from a United States trade or business for a specified three-year period, or (v) a foreign partnership, if at any time during its tax year, one or more of its partners are United States Persons who in the aggregate hold more than 50% of the income or capital interests in the partnership or if the partnership is engaged in a trade or business in the United States, then information reporting may apply unless such broker has sufficient documentary evidence in its records that the beneficial owner is not a United States Person or the beneficial owner otherwise establishes an exemption.

As used in this section, "**United States Person**" means a beneficial owner of a Note that is for United States federal income tax purposes (i) any citizen or resident of the United States, (ii) a corporation, partnership (including an entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations are adopted that provide otherwise), (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business. Notwithstanding the previous sentence, to the extent provided in Treasury regulations, certain trusts in existence before August 20, 1996, and treated as United States Persons before such date that elect to be so treated shall also be considered United States Persons. "**United States Alien**" means a person that is not a United States Person.

The foregoing discussion is based upon certain of the facts set forth in this Official Statement and other documents related to the issuance of the Notes and upon compliance with the provisions thereof and the representations and agreements therein.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A NOTEHOLDER'S PARTICULAR SITUATION. NOTEHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO THEM OF HOLDING AND DISPOSING OF NOTES, RECEIPTS OR COUPONS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING THE TAX CONSEQUENCES UNDER LOCAL, STATE, FOREIGN AND OTHER TAX LAWS AND POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL INCOME OR OTHER TAX LAWS.

Proposed European Union Savings Directive

On March 19, 2003, the European Union Council of Economic and Finance Ministers discussed the adoption of a new directive regarding the taxation of savings income. It is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. The proposed directive, which is proposed to come into force on January 1, 2005 is not yet final, and may be subject to further amendment.

RATINGS

The Notes are expected to be rated Aa2 with a negative outlook by Moody's Investor Service, Inc. ("**Moody's**"). Moody's current rating of the State's general obligation bonds is Aa2 with a negative outlook. Such rating reflects only the view of Moody's from which an explanation of the significance of such rating may be obtained. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if in the judgement of the rating agency circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market prices of the Notes.

DISCLOSURE OBLIGATION

The Notes are being offered and sold on the basis of an exemption from the requirements of Rule 15c2-12 under the U.S. Securities Exchange Act 1934, as amended. Accordingly, the State is not under any of the continuing or other disclosure obligations set forth in that rule.

By purchasing Notes, prospective investors will be deemed to have represented and warranted to the State and the Lead Manager that: (i) they have such knowledge and experience in financial and business matters, that they are capable of evaluating the merits and risks of an investment in the Notes; and (ii) they are not purchasing for more than one account or with a view to distributing the Notes.

LEGAL OPINIONS

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed the following firms to serve as Bond Counsel with respect to the Notes, and delivery of the Notes will be subject to the approving opinions of Bond Counsel as follows:

- (a) Day, Berry & Howard LLP with respect to the U.S.\$40,600,000 Floating Rate General Obligation Amortising Notes (2003 Series A-1);
- (b) Levy & Droney, P.C. with respect to the U.S.\$15,700,000 Floating Rate General Obligation Amortising Notes (2003 Series A-2);
- (c) Pullman & Comley, LLC with respect to the U.S.\$21,400,000 Floating Rate General Obligation Amortising Notes (2003 Series A-3);

Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day, Berry & Howard LLP of Hartford, Connecticut.

Certain matters will be passed upon by Sidley Austin Brown & Wood, London, Counsel for the Lead Manager.

CLEARING AND SETTLEMENT

The Notes have been accepted for book-entry clearing and settlement by Euroclear and Clearstream, Luxembourg. See “General Information”.

So long as Euroclear or Clearstream, Luxembourg, or their nominee or their common depositary is the registered holder of the Permanent Global Note, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Permanent Global Note for all purposes under the Notes. Payments of principal and interest in respect of the Permanent Global Note will be made to Euroclear or Clearstream, Luxembourg or such nominee, as the registered holder thereof. Neither the State, the Lead Manager, the Paying Agent, the Registrar, the Agent Bank or any affiliate or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the Permanent Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The holding of book-entry interests in the Permanent Global Note through Euroclear or Clearstream, Luxembourg will be reflected in the book-entry accounts for each such institution.

SUBSCRIPTION AND SALE

The Lead Manager has in a subscription agreement dated April 11, 2003 (the “**Subscription Agreement**”) between the State and the Lead Manager agreed, upon the terms and subject to the conditions contained therein, to subscribe and pay for the Notes at their issue price of 100% of their principal amount. A total combined management and underwriting commission and a selling commission of 0.50% of their principal amount shall be payable by the State to the Lead Manager into an account designated by the Lead Manager. The State has agreed to reimburse the Lead Manager for certain expenses incurred in connection with the management of the issue of the Notes. The Lead Manager are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act. In the opinion of Bond Counsel, the Notes will be exempt securities for purposes of Section 3(a)(2) of the Securities Act.

United Kingdom

The Lead Manager represents and agrees that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

The Lead Manager represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in Ireland any Notes other than to persons whose ordinary business is to buy or sell shares or debentures whether as principal or agent.

General

No action has been or will be taken in any country or jurisdiction by the State or the Lead Manager that would permit a public offering of Notes, or possession or distribution of any offering materials in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Official Statement comes are required by the State and the Lead Manager to comply with all applicable laws and regulations applicable to the issuance and sale of securities in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Lead Manager has agreed that it will not, directly or indirectly, offer, sell, resell or deliver Notes or distribute or publish any prospectus, circular, advertisement or other offering material in relation to any Notes in or from any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Notes by it will be made on the foregoing terms.

GENERAL INFORMATION

Authorisation

The Notes are issued pursuant to the State General Obligation Bond Procedure Act, resolutions adopted by the State Bond Commission, and other proceedings related thereto, including a Certificate of Determination executed by the Treasurer.

Accounts and Auditors

The financial statements of the State are prepared for the financial years ended June 30 by the Treasurer and the Comptroller. The State's Auditors of Public Accounts audit the books and accounts of the Treasurer and the Comptroller annually.

Documents Available

For so long as any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the paying agent specified below, namely:

- (a) the Certificate of Determination;
- (b) the Official Statement; and
- (c) the Subscription Agreement.

It is the present policy of the State to make available, upon request from the Office of the State Treasurer, copies of this Official Statement or parts hereof and subsequent official statements or parts thereof relating to the issuance of its general obligation bonds.

Additional information may be obtained upon request from the Office of the State Treasurer, Denise L. Nappier, Attn: Catherine S. Boone, Assistant Treasurer, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3127.

Significant or Material Change

There has been no material adverse change (other than in the ordinary course of the operations of the State) in the financial condition of the State from that set forth in or contemplated by the Official Statement.

Litigation

There is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of monies to the payment of the Notes. Except as disclosed in this Official Statement, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds.

Clearing and Settlement Systems

The Notes have been accepted for clearance in book-entry form by Euroclear and Clearstream, Luxembourg. The ISIN for the Notes is XS0166184209 and the Common Code is 016618420.

PART II
INFORMATION SUPPLEMENT
OF THE STATE OF CONNECTICUT
April 11, 2003

The Annual Information Statement of the State of Connecticut (the "State"), dated December 1, 2002, modified February 28, 2003, appears in this Official Statement as **Part III** and contains information through December 1, 2002. The State expects to provide an updating Information Supplement from time to time in the future, which will appear in this location as Part II of future Official Statements of the State.

This Information Supplement updates certain information in the December 1, 2002 Annual Information Statement through April 11, 2003. The information in this **Part II** and **Part III** is subject to change without notice, and investors should not assume that there has been no change in the affairs of the State since the date of this **Part II**.

FORMER TREASURER

On September 23, 1999 former State Treasurer Paul J. Silvester pleaded guilty in Federal District Court of Connecticut to charges of racketeering, bribery and money laundering. The guilty pleas related to solicitations, for himself and others, of bribes and rewards in return for directing investments of State pension funds. The office of the United States Attorney for Connecticut has stated that the investigation by his office is continuing. Representatives of the Internal Revenue Service and the Securities and Exchange Commission are also investigating. The Office of the Treasurer is cooperating with all investigations. In April 2000 former Assistant Treasurer George M. Gomes pleaded guilty to a mail fraud charge related to the matters under investigation. In response to concerns about the activities of the former Treasurer, Treasurer Denise L. Nappier proposed, and the General Assembly passed, legislation under Public Act No. 00-43 which requires additional oversight by the Investment Advisory Council over pension fund investments and increases public disclosure by firms providing investment services to the Treasurer's office.

STATE GENERAL FUND

Page III-24. The following information is added following the caption *Fiscal Year 2002-2003 Operations*:

On December 6, 2002, the Governor called for a special session to be convened on December 18, 2002, to enact legislation necessary to adjust the state budget for fiscal year 2002-2003. On the same date, the Governor issued a plan to address the budget shortfall. In general, the Governor's plan called for \$200 million in expenditure reductions and \$200 million in revenue enhancements for the General Fund. In addition, the Governor specified that \$100 million in additional expenditure reductions would be necessary should employee concessions regarding wages and benefits not materialize. Based upon the lack of progress in terms of the State Employees Bargaining Agent Coalition (SEBAC) the Governor initiated the process of laying off almost 3,000 state employees on December 6th. The special session did not enact legislation to address the budget shortfall. The budget gap continued to widen as the regular session of the General Assembly was convened in January 2003.

The adopted Midterm Budget Adjustments for the 2002-03 fiscal year anticipated General Fund expenditures of \$12,091.8 million. Per Section 3-115 of the Connecticut General Statutes, the State's fiscal position is reported monthly to the Comptroller. This report compares the revenues already received and the expenditures already made to the estimated revenues to be collected and estimated expenditures to be made during the balance of the fiscal year. Per the Comptroller's monthly report for the period ending January 31,

2003, based on the estimate of the Office of Policy and Management, there was an estimated \$628.3 million budget deficit for the 2002-2003 fiscal year. The deficit was comprised of a \$387.6 million revenue shortfall and \$240.7 million in higher than anticipated expenditures. The shortfall in revenue is primarily due to lower personal income tax collections, down \$421.0 million and the sales and use tax, down \$81.9 million. These shortfalls were partially offset by higher than anticipated collections under the corporation tax and from federal grants. The expenditure increases are due primarily to deficiencies in the Department of Social Services and the fact that the Administration is no longer anticipating savings of \$94 million in union concessions.

On February 28, 2003, Governor Rowland signed into law House Bill No. 6495. This bill included numerous tax and expenditure changes aimed at mitigating this year's projected budget deficit. Included in the bill, according to estimates of the Office of Policy and Management, are approximately \$485 million in revenue enhancements for the 2002-2003 fiscal year and approximately \$108 million in attainable expenditure reductions. The most significant revenue changes include an increase in the personal income tax by increasing the top tax rate from 4.5% to 5.0%, reducing or eliminating various exemptions under the sales and use tax, imposing a one year 20% surtax on corporate earnings, increasing the cigarette tax from \$1.11 per pack to \$1.51 per pack, and a one-time transfer of \$72 million from the resources of the Special Transportation Fund.

The most significant contributions to expenditure reductions include: various spending cuts totaling \$63.4 million; layoff and anticipated early retirement savings of \$44.2 million; lapsing unsettled collective bargaining funds of \$18.7 million; and lapsing a reserve of \$29.5 million for salary adjustments. In late February 2003, the Office of Policy and Management estimated that with the changes contained in House Bill No. 6495 the State's projected deficit would be erased and the result would be a surplus of \$39.7 million. If certain proposals contained in the Governor's recommended budget for fiscal years 2003-2004 and 2004-2005 are made, the Office of Policy and Management estimated that the surplus would increase by an additional \$8.1 million. According to the State Comptroller's monthly report dated March 3, 2003, the deficit reduction plan approved by the legislature and Governor would still result in an anticipated deficit of \$32.6 million for fiscal year 2002-2003.

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates of revenues and expenditures for the current fiscal year by the twentieth day of each month to the Comptroller for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management on March 20, 2003, as of February 28, 2003 General Fund revenues are estimated at \$12,174.3 million, General Fund expenditures and miscellaneous adjustments are estimated at \$12,161.2 million, and the General Fund surplus for the 2002-2003 fiscal year is estimated at \$15.1 million. On April 1, 2003, the Comptroller estimated a General Fund deficit of \$47.4 million for the 2002-2003 fiscal year.

See **Appendix III-E** to this **Part II** for more information concerning fiscal year 2002-2003.

The above projections are only estimates and the information in **Appendix III-E** to this **Part II**, in the monthly letter and estimates of the Office of Policy and Management to the Comptroller, and in the Comptroller's monthly reports contains only estimates and no assurances can be given that subsequent estimates or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2002-03 operations of the General Fund.

Governor's Recommended Budget for Fiscal Years 2003-2004 and 2004-2005

Due to the deliberations of the General Assembly on a fiscal 2002-2003 deficit mitigation plan, the Governor's budget proposal for fiscal year 2003-2004 and 2004-2005 was delayed to March 4, 2003. The deficit mitigation plan contained in House Bill No. 6495 contains many elements that will strengthen the state's fiscal position over the biennium and the Governor's budget proposal for the biennium required incorporation of those changes contained in House Bill 6495.

The Governor's General Fund budget proposal for fiscal year 2003-2004 assumes revenues of \$12,477.0 million and appropriations of \$12,476.5 million, resulting in a projected surplus of \$0.5 million. For fiscal year 2004-2005, the Governor's budget proposal assumes revenues of \$13,026.7 million and appropriations of \$13,026.4 million, resulting in a projected surplus of \$0.3 million.

The Governor's budget proposal assumes the following more significant revenue changes and the revenue changes estimated for, respectively, fiscal year 2003-2004 and fiscal year 2004-2005: reduction of the \$500 property tax credit to \$400, estimated to bring in \$68.0 million and \$69.4 million; phase-out of the \$100 minimum property tax credit for \$12.0 million and \$12.2 million; elimination of the hospital sales tax at a cost of \$115.7 million and \$116.4 million; imposing a 10% corporation tax surcharge for income year 2004, estimated at \$22.8 million and \$12.3 million; increasing the real estate conveyance tax rates for \$25 million each year; deferring the inheritance tax phase-down for two years at \$11.0 million and \$26.0 million; and a number of fund transfers totaling \$156.5 million and \$226.5 million.

The Governor's budget proposal assumes the following significant expenditure changes for fiscal year 2003-2004: a debt service increase of \$203.4 million, due partly to the fiscal year 2001-2002 deficit financing; an estimated \$132.1 million in savings from an early retirement incentive program; a savings of \$83.2 million from elimination of the state administered general assistance program; and an increase of \$63.9 million in Medicaid spending. For fiscal year 2004-2005, more significant expenditure changes include: an increase in debt service of \$158.8 million, again due in large part to deficit financing for fiscal year 2001-2002; an increase of \$154.3 million due to various programmatic and expenditure changes in Medicaid; and savings of \$58.9 million from elimination of funding for unsettled collective bargaining contracts.

Pursuant to Article XXVIII of the Amendments to the Constitution of the State of Connecticut and Section 2-33a of the Connecticut General Statutes, the Governor's biennial budget proposal for fiscal 2003-2004 remains \$333.0 million below the expenditure cap and for fiscal 2004-2005, \$65.6 million below the expenditure cap.

The Governor's proposed budget also includes a net increase in general obligation bond authorizations of \$799.8 million to take effect in fiscal 2003-2004 and \$950.7 million to take effect in fiscal 2004-2005. These increases are in addition to \$100 million in fiscal 2003-2004 and \$100 million in fiscal 2004-2005 that are existing UCONN authorizations which take effect in such fiscal years. Recommended revenue bond authorizations would not increase in fiscal 2003-2004 nor in fiscal 2004-2005. In addition, special transportation bond authorizations would increase in fiscal 2003-2004 by \$242.7 million and in fiscal 2004-2005 by \$195 million.

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with an expected adjournment date of June 4, 2003.

See **Appendix III-E** of this **Part II** for more information regarding the Governor's Proposed Budget for fiscal years 2003-2004 and 2004-2005.

STATE DEBT

Pages III-30 TABLE 7, III-34 TABLE 8 and III-36 TABLE 10.

On December 13, 2002 the State issued \$219,235,000 General Obligation Economic Recovery Notes to fund the deficit for the 2001-2002 fiscal year. The Notes comprised \$149,095,900 Series A Notes and \$70,140,000 Series B Auction Notes. The Series A Notes were dated December 1, 2002 and mature on December 1, in varying amounts, from 2003 to 2006 and at interest rates ranging from 2.00% to 4.00% per annum. The Series B Auction Notes were dated the day of delivery and mature on December 1, 2007 with a partial sinking fund redemption on December 1, 2006.

Page III-38. The following information is added to the section entitled *Future Issuance of Direct General Obligation Debt*.

The State is planning to issue in the near future approximately \$565,000,000 of its tax-exempt general obligation bonds.

LITIGATION

Pages III-57 to 59. The following information is added with respect to the following litigation matters:

In *Sheff v. O'Neill* the parties have reached a settlement that the legislature and the court have approved. Under the settlement agreement, the State will be obligated, over the next four years to, among other things, open two new magnet schools in the Hartford area each year, substantially increase the voluntary interdistrict busing program in the Hartford area, and work collaboratively with the plaintiffs in planning for the period after the four year duration of the proposed order. The anticipated additional costs of the proposed order over current expenditures, exclusive of school renovation/construction costs, are approximately \$4.5 million in the first year, \$9.0 million in the second year, \$13.5 million in the third year, and \$18.0 million in the fourth year, for a total additional cost of \$45.0 million.

The Connecticut Traumatic Brain Injury Association, Inc. v. Hogan. Following the entry of judgment for the defendants on all pending claims in November 2002, the plaintiffs did not appeal the decision.

Johnson v. Rowland. The trial has now been scheduled for April 2004.

Hospital Tax Cases. The appeal to the Supreme Court was heard in January 2003 and is awaiting a decision.

Association for Retarded Citizens of Connecticut, Inc. v. O'Meara. The District Court recently granted plaintiff's motion for class certification and discovery is proceeding.

Seymour v. Region One Board of Education is a case in which the plaintiff property owners in Canaan claim that Section 10-51(b) of the Connecticut General Statutes, which sets out the cost allocation formula for towns comprising regional school districts, denies Canaan taxpayers equal protection because Canaan is one of the poorest towns in the district. Since all towns in the district pay the same per pupil charge, the plaintiffs allege that they must bear an inequitable tax burden. They seek to enjoin the present statutorily-mandated system and to have the Court order the regional board to devise a formula more favorable to them. The Superior Court dismissed the case as nonjusticiable, but the Connecticut Supreme Court reversed and remanded. The case remains pending.

Town of Andover v. Ryan is a case in which twelve municipalities have sought a mandamus to compel the Secretary of the Office of Policy and Management to certify to the Comptroller of the State the amount due each municipality under the provisions of Section 12-94b of the Connecticut General Statutes so that the grant amounts can be distributed. If applied to all municipalities, at issue is approximately \$68 million in PILOT grants. This case was withdrawn April 8, 2003.

Town of Andover v. Wyman is a case in which fourteen municipalities have sought a mandamus to compel the Comptroller to pay them grants under the provisions of Section 13a-175 et seq. of the Connecticut General Statutes. If applied to all municipalities, at issue is approximately \$12.5 million in town road aid. This case was withdrawn April 8, 2003.

State Employees Bargaining Agent Coalition v. Rowland is a Federal District Court case in which a purported class of laid off State employees have sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The plaintiffs claim back wages, damages, attorneys fees and costs.

Rabin v. Wilson-Coker is a purported class action filed in the United States District Court pursuant to 42 U.S.C. section 1983 in which the plaintiffs assert that the defendant Commissioner of the Department of Social Services has violated federal law by implementing Public Act No. 03-02, which limits eligibility for Medicaid benefits under Connecticut's Husky A for Families coverage program to individuals with income of up to 100% of the federal poverty level. State law previously provided such benefits to individuals with income of up to 150% of the federal poverty level. The plaintiffs specifically claim that the Commissioner provided defective notices, that the plaintiffs were deprived of due process, and they are entitled to a continuation of benefits for a longer period of time than the state Act provides. The number of individuals alleged to be affected is approximately 30,000. On March 31, 2003, the Court issued a temporary restraining order enjoining the Commissioner from terminating the plaintiffs' continued receipt of Medicaid benefits under the Husky A for Families program unless and until they are given notice that complies with applicable law.

APPENDIX III-E

Appendix III-E to this **Part II** reflects the Governor's Proposed Biennial Budget for fiscal years 2003-2004 and 2004-2005. It also reflects the Midterm Budget Adjustments for fiscal year 2002-2003, using revenue estimates provided by the Office of Policy and Management, the estimated General Fund revenues and expenditures for the fiscal year 2002-2003, as estimated by the Office of Policy and Management before and shortly after adoption of legislation to address the budget gap. It does *not* include the estimates of the Office of Policy and Management in a letter dated March 20, 2003, described above on **Page II-2** of this **Part II**, which estimates a General Fund surplus of \$15.1 million for the 2002-2003 fiscal year; and it does *not* include the estimate of the Comptroller in a letter dated April 1, 2003, described above on **Page II-2** of this **Part II**, which estimates a General Fund deficit of \$47.4 million for the 2002-2003 fiscal year.

APPENDIX III-E

**GENERAL FUND REVENUES AND EXPENDITURES
MIDTERM BUDGET ADJUSTMENTS FOR FISCAL YEAR 2002-03
ESTIMATED BUDGET FOR FISCAL YEAR 2002-03
REVISED ESTIMATED BUDGET PER H.B. 6495 FOR FISCAL YEAR 2002-03
GOVERNOR'S PROPOSED BIENNIAL BUDGET
FOR FISCAL YEARS 2003-04 AND 2004-05
(In Millions)**

	Mid-Term Budget Adjustments 2002-03^(d)	Estimated Budget 2002-03^(k)	OPM Estimate Per HB 6495 2002-03^{(n)(q)}	Governor's Proposed Budget 2003-04^{(n)(p)(q)}	Governor's Proposed Budget 2004-05^{(n)(p)(q)}
Revenues					
<u>Taxes</u>					
Personal Income Tax	\$4,553.0	\$4,132.0	\$4,372.5	\$4,753.3	\$5,025.1
Sales & Use	3,141.3	3,059.4	3,096.4	3,288.8	3,467.3
Corporation	470.4 ^(e)	508.8 ^(e)	561.4	554.4	542.3
Public Service	172.9	170.8	186.0	179.6	183.0
Inheritance & Estate ^(a)	143.5	165.0	165.0	141.0	101.0
Insurance Companies	218.0 ^(f)	224.8 ^(f)	224.8	233.0	238.8
Cigarettes	237.0 ^(f)	241.5 ^(f)	270.2	309.0	301.3
Real Estate Conveyance	111.0	123.5	135.5	142.3	135.0
Oil Companies	77.5 ^(g)	88.9 ^(g)	108.9	65.2	68.4
Alcoholic Beverages	42.0	42.0	42.0	42.2	42.4
Admissions and Dues	28.5	29.0	29.0	28.5	29.3
Miscellaneous	37.9	25.0	25.0	28.3	25.9
Total Taxes	\$9,233.0	\$8,810.7	\$9,216.7	\$9,765.6	\$10,159.8
Less Refunds of Taxes	(\$794.6)	(\$787.0)	(\$787.0)	(\$805.0)	(\$823.0)
Less R&D Credit Exchange	(14.0)	(14.0)	(14.0)	(23.4)	(21.0)
Net Taxes	\$8,424.4	\$8,009.7	\$8,415.7	\$8,937.2	\$9,315.8
<u>Other Revenues</u>					
Transfers- Special Revenues	273.0	268.9	268.9	274.3	279.8
Indian Gaming Payments	399.0	390.0	390.0	409.5	430.0
Licenses, Permits, Fees	128.5	128.8	128.8	147.5	136.7
Sales of Commodities & Services	31.0	30.9	30.9	31.5	32.1
Rents, Fines & Escheats	88.4 ^(h)	83.2 ^(h)	83.2	67.1	69.5
Investment Income	28.0	13.6	13.6	16.0	23.2
Miscellaneous	121.0	114.7	114.7	117.7	118.8
Less Refunds of Payments	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Total Other Revenue	\$1,068.4	\$1,029.6	\$1,029.6	\$1,063.1	\$1,089.6
<u>Other Sources</u>					
Federal Grants	2,303.2	2,362.4	2,348.6	2,324.7	2,399.3
Transfers to the Resources of the G.F.	284.1 ⁽ⁱ⁾	287.1 ⁽ⁱ⁾	358.6	160.0	160.0
Transfers from Tobacco Settlement Funds	133.0	130.0	130.0	112.0	112.0
Transfers to Other Funds ^(b)	(121.2)	(114.5)	(93.0)	(120.0)	(50.0)
Total Other Sources	\$2,599.1	\$2,665.0	\$2,744.2	\$2,476.7	\$2,621.3
Total Unrestricted Revenues	\$12,091.9	\$11,704.3	\$12,189.5	\$12,477.0	\$13,026.7
Restricted Federal & Other Grants	750.0	1,653.2 ^(j)	1,743.2	750.0	750.0
Total Revenue	\$12,841.9	\$13,357.5	\$13,932.7	\$13,227.0	\$13,776.7

	Mid-Term Budget Adjustments 2002-03 ^(d)	Estimated Budget 2002-03 ^(k)	OPM Estimate Per HB 6495 2002-03 ^{(n) (q)}	Governor's Proposed Budget 2003-04 ^{(m)(p) (q)}	Governor's Proposed Budget 2004-05 ^{(n)(p) (q)}
Appropriations/Expenditures					
Legislative	\$60.8	\$59.6	\$60.8	\$68.9	\$72.2
General Government	451.9	451.9	424.7	402.5	406.9
Regulation & Protection	228.9	228.9	221.5	220.5	221.6
Conservation & Development	71.4	71.4	70.8	81.8	85.8
Health & Hospitals	1,246.4	1,252.7	1,234.5	1,240.8	1,273.0
Transportation	0.0	0.0	0.0	0.0	0.0
Human Services	3,687.4	3,784.1	3,752.7	3,766.0	3,895.9
Education, Libraries & Museums	2,810.3	2,810.3	2,792.3	2,782.5	2,809.5
Corrections	1,132.0	1,142.6	1,126.3	1,175.3	1,204.5
Judicial	395.9	395.9	382.6	391.2	404.5
Non-Functional					
Debt Service	1,023.4	999.1	999.1	1,202.9	1,361.3
Miscellaneous	<u>1,235.2</u>	<u>1,255.7</u>	<u>1,230.8</u>	<u>1,405.5</u>	<u>1,541.7</u>
Subtotal	\$12,343.7	\$12,452.2	\$12,296.1	\$12,737.9	\$13,276.9
Unallocated Lapse	<u>(251.9)^(j)</u>	<u>(126.6)^(j)</u>	<u>(156.3)</u>	<u>(261.4)</u>	<u>(250.5)</u>
Net Appropriations/Expenditures	\$12,091.8	\$12,325.6	\$12,139.8	\$12,476.5	\$13,026.4
Surplus (or Deficit) from Operations	\$0.1	(\$621.3)	\$49.7	\$0.5	\$0.3
Miscellaneous Adjustments	<u>0.0</u>	<u>(7.0)</u>	<u>(10.0)</u>	<u>0.0</u>	<u>0.0</u>
Balance^(c)	\$0.1	(\$628.3) ^(m)	\$39.7 ^(e)	\$0.5	\$0.3

NOTE: Columns may not add due to rounding.

- (a) Reflects the combination of the phase-out in the Connecticut Succession Tax pursuant to Public Act No. 95-256, Public Act No. 01-1 of the November Special Session, and changes to the federal estate pick-up tax pursuant to federal law P.L. 107-16.
- (b) Transfer to Mashantucket Pequot and Mohegan Fund for grants to towns.
- (c) Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to seven and one-half percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund. When in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary, the amount of funds credited to the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit.
- (d) Expenditures are per Public Act No. 02-1 of the May Special Session. The Finance Committee did not adopt revised revenue estimates for the 2002-03 fiscal year. The revenues included in the table above were provided by the Office of Policy and Management and were the assumed revenue estimates at the time of adoption of Public Act No. 02-1 of the May Special Session.
- (e) Public Act No. 02-1 of the May Special Session, effective on January 1, 2002, instituted a \$250 charge on LLCs, LLPs and S corporations, and limited corporation credits from reducing tax liability by more than 70%. Public Act No. 02-4 of the May Special Session extended the tax to single-member LLCs that are not considered entities separate from their owners for federal tax purposes.
- (f) Includes enacted legislative changes that affect revenues as follows:
i: Per Public Act No. 02-1, the increase in Cigarette Tax from 50 cents per pack to \$1.11 per pack effective April 3, 2002 is estimated to yield \$129.3 million in fiscal year 2003 in cigarette and sales taxes.
ii: Per Public Act No. 02-3, eliminating the HMO HUSKY tax credit is estimated to save \$15.6 million in fiscal 2002-03.
- (g) Public Act No. 02-1 of the May Special Session, effective on January 1, 2002, suspended the transfer to the Underground Tank Cleanup Account for one year, and reduced the annual transfer to the Special Transportation Fund by \$25 million.
- (h) Accelerate escheats to the State of Connecticut.
- (i) Public Act No. 02-1 of the May Special Session, transferred one-time revenue of \$100 million from quasi-public agencies, \$127.2 million of proceeds from the Anthem demutualization, \$50.9 million in transfers from Tobacco Settlement Funds, and \$6 million from miscellaneous accounts.
- (j) Per Public Act No. 02-1 of the May Special Session, the lapse anticipates \$94 million in wage concessions from the state's labor unions, \$11 million under the Executive & Judicial Branch for a manager and confidential wage freeze,

- and \$7 million from the Executive & Judicial Branch hiring freeze. In addition, \$35 million is anticipated for the Governor's extraordinary recession authority per section 52 of the Act.
- (k) Per the Office of Policy and Management's letter to the Comptroller dated February 21, 2003 based on information for the period ending January 31, 2003.
 - (l) The figure reflected for Restricted Accounts and Federal & Other Grants reflects an estimate for the Estimated Budget 2002-03. Additional revenues may be received with respect to Restricted Accounts and Federal & Other Grants. Expenditures of these grants are not included; the amount of such expenditures is generally the same as the amount of grants received.
 - (m) The deficit amount was based on revenue and expenditure estimates provided to the Comptroller by the Office of Policy and Management for purposes of the Comptroller's monthly report for the period ending January 31, 2003. The monthly report of the Comptroller issued March 3, 2003 estimated that the deficit would have been \$638.1 million before factoring in the effect of H.B. 6495.
 - (n) Estimates from the Office of the Policy and Management in late February 2003, after taking into effect enacted legislative changes contained in Public Act 03-02 (HB No. 6495). Revenues are affected as follows:
 - i. Per Public Act 03-2, the increase in personal income tax rate from 4.5% to 5.0% effective January 1, 2003 is estimated to yield \$230.5 million in fiscal 2003, \$428.3 million in fiscal 2004, and \$445.5 million in fiscal 2005.
 - ii. Per Public Act 03-2, imposing and extending the sales tax on certain items and services is estimated to yield \$37.0 million in fiscal 2003, \$135.3 million in fiscal 2004, and \$143.3 million in fiscal 2005.
 - iii. Per Public Act 03-2, imposing a one-year business tax surcharge of 20% effective January 1, 2003 is estimated to yield \$45.6 million in fiscal 2003 and \$24.6 million in fiscal 2004.
 - iv. Per Public Act 03-02, the increase in cigarette tax from \$1.11 per pack to \$1.51 per pack effective March 15, 2003 is estimated to yield \$28.7 million in fiscal 2003, \$73.5 million in fiscal 2004, and \$71.7 million in fiscal 2005.
 - v. Per Public Act 03-02, \$52.0 million is transferred to the General Fund from the cumulative balance in the Special Transportation Fund. In addition, \$19.5 million is transferred to the resources of the General Fund from various off budget accounts.
 - (o) **See page II-2 of this Part II (see discussion under STATE GENERAL FUND – Fiscal Year 2002-2003 Operations). The surplus amount is based on revenue and expenditure estimates by the Office of Policy and Management made shortly after the passage of H.B.6495. The monthly report of the Comptroller for the period ending January 31, 2003, taking into account the effect of H.B. 6495, projected a deficit of \$32.6 million for fiscal 2003. The Office of Policy and Management's letter to the Comptroller dated March 20, 2003, estimates a General Fund surplus as of February 28, 2003 of \$15.1 million for the 2002-2003 fiscal year. In a letter dated April 1, 2003, the Comptroller estimates a General Fund deficit as of February 28, 2003 of \$47.4 million for the 2002-2003 fiscal year.**
 - (p) The Governor's budget proposals submitted to the General Assembly on March 4, 2003 affect the revenues and expenditures as follows:
 - i. Reduce the property tax credit from \$500 to \$400 and phases out the remaining \$100 at higher levels effective January 1, 2003 is estimated to yield \$80.0 million in fiscal 2004 and \$81.6 million in fiscal 2005.
 - ii. Repeals various sales tax exemptions and transfers yielding \$21.9 million in fiscal 2004 and \$33.6 million in fiscal 2005. Permanently repeals the tax on hospital services for a revenue loss of approximately \$116.0 million annually.
 - iii. Imposes a 10% surcharge on corporate entities and eliminates various minor tax credits effective January 1, 2003 yields a combined estimate of \$27.8 million in fiscal 2004 and \$21.3 million in fiscal 2005.
 - iv. Increases the effective tax rate on the conveyance of residential and commercial property effective April 1, 2003 is eliminated to yield \$5 million in fiscal 2003, \$25 million in both fiscal 2004 and fiscal 2005.
 - v. Transfers of one-time revenues from the Energy Conservation & Load Management Fund, the Clean Energy Fund, the Connecticut Housing Finance Authority, the Connecticut Development Authority, and Connecticut Innovations, Inc. yields a combined \$147 million in both fiscal 2004 and 2005.
 - vi. Increase in debt service in fiscal 2004 and fiscal 2005 is primarily attributable to retiring the principle and interest on the state's five year deficit notes.
 - (q) The lapses anticipate \$22 million, \$153 million and \$140 million respectively, in early retirement savings for the current fiscal year and two ensuing fiscal years. The lapse in fiscal 2003 anticipates \$23 million in layoff savings and \$18 million from a wage and hiring freeze in the Executive & Judicial Branch.

NOTE: The information in **Appendix III-E** contains only projections and no assurances can be given that subsequent projections will not indicate changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

PART III

**STATE OF CONNECTICUT ANNUAL INFORMATION STATEMENT DATED
DECEMBER 1, 2002, MODIFIED FEBRUARY 28, 2003**

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