

---

---

# **FY 2022 – FY 2023 Biennium Economic Report of the Governor**

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

## **Office of the Secretary**

Melissa McCaw, Secretary  
Konstantinos Diamantis, Deputy Secretary

## **Budget and Financial Management Division**

Paul E. Potamianos, Executive Budget Officer  
Gregory Messner, Assistant Executive Budget Officer

## **Economics, Capital, and Revenue Forecasting**

Thomas J. Fiore, Assistant Executive Budget Officer  
Steven Kitowicz, Principal Budget Specialist  
Brian Tassinari, Principal Budget Specialist  
Ebony Hargrove, Budget Analyst  
Daniel Innes, Budget Analyst

For information on data or analysis provided in this document or any questions or comments, please contact the Budget and Financial Management Division at (860) 418-6265.

February 10, 2021  
Office of Policy and Management  
450 Capitol Avenue  
Hartford, Connecticut 06106

---

---



**TABLE OF CONTENTS**

	<u>Page</u>
<b>ECONOMIC ASSUMPTIONS OF THE GOVERNOR'S BUDGET</b> .....	i-vi
Economic Outlook .....	i
Economic Assumptions of the Governor's Budget.....	iv
<b>REVENUE FORECAST</b> .....	viii-xiii
<b>IMPACT OF THE GOVERNOR'S BUDGET ON THE STATE'S ECONOMY</b> .....	xiv-xxi
<b>INTRODUCTION</b> .....	1
<b>EXECUTIVE SUMMARY</b> .....	2-4
<b>GENERAL CHARACTERISTICS</b> .....	5-18
Demographics.....	5
Housing.....	12
<b>EMPLOYMENT PROFILE</b> .....	19-31
Employment Estimates.....	19
Nonagricultural Employment .....	20
Manufacturing Employment .....	24
Nonmanufacturing Employment.....	27
Unemployment Rate .....	31
<b>SECTOR ANALYSIS</b> .....	32-67
Energy.....	32
Gasoline Consumption and Automotive Fuel Economy.....	41
Export Sector .....	44
Connecticut's Defense Industry.....	51
Retail Trade in Connecticut .....	57
Nonfinancial Debt.....	60
Savings by U.S. Households .....	65
<b>PERFORMANCE INDICATORS</b> .....	68-82
Gross Product .....	68
Productivity and Unit Labor Cost.....	71
Total Personal Income.....	72
Per Capita Personal Income.....	75
Inflation and Its Effect On Personal Income.....	77
Real Personal Income .....	78
Real Per Capita Personal Income.....	79
Cost of Living Index.....	81
<b>MAJOR REVENUE RAISING TAXES</b> .....	83-100
Personal Income Tax.....	83
Sales and Use Tax .....	89
Corporation Business Tax .....	92
Motor Fuels Tax.....	94
Other Sources .....	96
<b>APPENDIX</b> .....	A1-A16

---

---

**APPENDIX**

---

---

	<u>Page</u>
Connecticut Resident Population Census Counts .....	A1–A4
Major U.S. and Connecticut Economic Indicators .....	A5-A16
1. U.S. Economic Variables.....	A5
2. U.S. Personal Income .....	A6
3. U.S. Personal Income and its Disposition.....	A7
4. U.S. Employment and the Labor Force .....	A8
5. U.S. Consumer Price Indices.....	A9
6. Connecticut Personal Income .....	A10
7. Connecticut Deflated Personal Income.....	A11
8. Connecticut Manufacturing Employment.....	A12
9. Connecticut Nonmanufacturing Employment .....	A13
10. Connecticut Labor Force & Other Economic Indicators.....	A14
11. Connecticut Analytics.....	A15
12. Major Connecticut Regional Economic Indicators- Personal Income .....	A16

## Economic Report of the Governor

### ECONOMIC ASSUMPTIONS OF THE GOVERNOR'S BUDGET

#### The United States Economy

The very beginning of 2020 was expected to be another strong year of economic expansion in the United States following the 2008 Great Recession until the novel coronavirus (COVID-19) reached American soil. Since then, over 2 million people have lost their lives globally from the virus with over 400,000 deaths in the United States. COVID-19 was first discovered in late 2019, and the first case of the virus was discovered in the United States in January of 2020. The virus presented a challenge to both the health of Americans as well as the future of the economy. According to the U.S. National Bureau of Economic Research, the Great Recession began in December 2007 and ended in June 2009. From that point forward, economic expansion continued for a record 128 months through February of 2020 once COVID-19 started to present immediate and serious health concerns with the social and work structure of the American people.

The nation's inflation-adjusted or real gross domestic product (GDP) fell by 9.0% between the first and second quarter of 2020 and grew by 7.5% going into the third quarter of 2020. Projections show that real GDP from 2019 to 2020 may end with a 3.6% decline. Job growth for the year totaled an estimated loss of 9.6 million jobs compared to 2019 growth that totaled 1.9 million jobs. The national unemployment rate in January of 2020 was 3.6% and increased to 14.7% in April of 2020. The unemployment rate has since declined and ended 2020 with a rate of 6.7% in December. The annual unemployment rate for 2020 was 8.1%. In 2019, the unemployment rate averaged 3.7% which is the lowest annual rate since 1969 when the rate was 3.5%. Low unemployment rates traditionally contribute to wage growth; however, such growth was minimal during the recovery from the 2008 Great Recession. The pandemic affected wages and salaries which decreased by 6.5% between quarter one and quarter two of 2020 with a 5.6% increase going into the third quarter of 2020. In comparison, inflation grew at an annual rate of 1.2% in 2020. With many businesses temporarily shuttered due to the pandemic, the savings rate increased significantly through the third quarter of 2020 where 17.2% of disposable income was being saved compared to 7.6% through the third quarter of 2019.

Although the economy had showed signs of continued recovery and expansion into 2019, the Federal Reserve cut benchmark interest rates. The rates were cut by 25 basis points in July, September, and October of 2019 from a 2.25%-2.5% benchmark range to the 1.5%-1.75% benchmark range. In 2020, rates were reduced twice in March, bringing the benchmark range to 0%-0.25%. Prior to 2019, interest rates had not been cut in more than a decade. Additionally, in March of 2020, the 10-year treasury rate fell below 1.0% for the first time in history, and in August reached its lowest day on record at 0.52%.

Outside of interest rates, the stock market indices had dramatic performances in 2020. The S&P 500 reached a record high value in February 2020 before declining in March by 33.9%. Thereafter, the S&P 500 grew by 67.9% to end 2020 with annual growth of 16.3% compared to a 28.5% increase in 2019. The S&P 500 declined from its high to its low in 33 trading days and then completely recovered what was lost in a mere 148 trading days. In comparison, it took the S&P 500 index 1,376 trading days to recover after the Great Recession and 1,684 trading days following the 2001 recession. The Nasdaq Composite index also showed significant returns in 2020 as the annual return was about 43.6%. In comparison, the Dow Jones Industrial Average in 2020 was up 7.2% for the year.

The price of oil also recorded dramatic changes throughout 2020. The price for a barrel of oil at the beginning of the year was \$61.17 per barrel. Once the COVID-19 pandemic became a global issue, the

## Economic Report of the Governor

cost of oil began to decrease. On April 20, 2020, the cost for a barrel of oil reached a new record low of minus \$36.98. With the price of oil below \$0, producers were essentially paying buyers to take the oil. The pandemic caused lockdowns worldwide and there was virtually no demand for oil. Even though there was no demand, the production of oil was not scaled back immediately and there were fears of reaching maximum oil storage capacity sometime in May 2020. Some producers even resorted to renting oil tankers to store the excess supply. The Organization of Petroleum Exporting Countries (OPEC) and its allies agreed to cut global output levels by 10% (the largest agreed-upon cut in history) to help combat the low oil prices, and with rising economic activity, oil prices did begin to rise and ended 2020 with a price of \$48.35 per barrel.

In an effort to reduce the trade deficit, the “Economic and Trade Agreement Between the United States of America and the People’s Republic of China: Phase One” went into effect on February 14, 2020. Under this agreement, China agreed to increase purchases of certain U.S. goods and services by \$200 billion over 2020 and 2021 from 2017 levels. The agreement targets the purchase of certain U.S. goods in order to comply. The overall purchase target of \$173.1 billion was set for 2020. Through December of 2020, about 57.8% of the target had been reached as \$100.0 billion of U.S. covered products had been imported by China. The agreement also set a target of \$36.6 billion for covered agricultural products which is \$12.5 billion above 2017 purchase levels. China has imported \$23.5 billion of U.S. covered agricultural products which equates to 64.2% of the annual target. The target for covered manufacturing products was set at \$111.2 billion. China only reached 60.0% of this target as it imported only \$66.7 billion of U.S. covered manufacturing products. The annual target for covered energy products was \$25.3 billion and China only imported about \$9.8 billion reaching approximately 38.7% of the agreement’s target.

In response to the economic downturn caused by the COVID-19 pandemic, the federal government assisted Americans with various stimulus packages. Between March and December of 2020, five pieces of legislation were passed. These included: 1) The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2) The Families First Coronavirus Response Act, 3) The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), 4) The Paycheck Protection Program and Health Care Enhancement Act, and 5) The Consolidated Appropriations Act of 2021. One of the major sections from the CARES Act established the Coronavirus Relief Fund which provided \$1.38 billion to Connecticut to help cover costs to the state that are related to COVID-19. Other major components of the above stimulus packages included the Paycheck Protection Program to help small businesses, the two separate direct payments to Americans of \$1,200 and \$600 for single-filers, enhanced Federal Medical Assistance Percentages (FMAP) of an additional 6.2% reimbursement of Medicaid and certain other program costs, and the supplemental unemployment payments of \$600 weekly to those whose employment was affected by COVID-19. In addition to the above fiscal policy measures, the federal government engaged in aggressive monetary policy actions which ultimately expanded the Federal Reserve’s balance sheet from \$4.2 trillion in January to \$7.4 trillion in December of 2020.

### **The Connecticut Economy**

Similar to the national economy, the state’s economy was presented with various challenges stemming from the COVID-19 pandemic. Of the 400,000+ deaths in the United States due to the pandemic, almost 7,000 were of Connecticut residents. In order to help combat the pandemic, federal, state, and local government officials worked endlessly to keep everyone safe and to help mitigate the damage done to the economy. In Connecticut, Governor Lamont issued 89 executive orders ranging from mask-wearing mandates to guidelines on business operations to shifting tax deadlines in order to help keep Connecticut residents safe. Connecticut was one of the top states in its efforts to slow the spread of the virus.

## Economic Report of the Governor

Employment was significantly impacted by the virus. Between February and April of 2020, 17.1% of nonfarm jobs were lost, or an estimated 291,300 jobs. Since the low point in April of 2020, a relatively rapid ascent began that resulted in 62.7% of jobs recovered from jobs that were lost as of December of 2020. This equates to 182,600 jobs that have been recovered by the end of December of 2020 and an estimated 108,700 jobs are still needed to reach pre-pandemic levels. On a calendar year-over-year basis, 102,700 jobs were lost in 2020 compared to about 900 jobs added in 2019. Manufacturing, after decades of declines, began to register some growth in the few years prior to the pandemic. On a calendar year basis, the manufacturing sector grew by 1.4% in both 2017 and 2018 but declined by 0.4% in 2019 and a further 1.9% in 2020. Financial activities have shown negative growth for the previous five calendar years registering a decline of 1.6% in 2018 and a decline of 0.4% in 2019. The trend continued in 2020 recording a decline of 3.1%. As of February of 2020 -- the end of the economic expansion from the 2008 Great Recession -- Connecticut had only regained 85.7% of the 119,900 jobs lost since the last employment peak of 1,716,600 jobs in March of 2008. The lack of full job recovery from the 2008 Great Recession was driven by the government sector in Connecticut; the private sector had fully regained and exceeded the number of jobs lost as a result of the Great Recession. Connecticut's unemployment rate in December 2020 was 8.0% compared to 3.8% in December of 2019.

Real Gross State Product (GSP), a measure of all economic activity in the state, declined by 8.9% from the first quarter to the second quarter of 2020 as a result of the pandemic. Preliminary data indicates that Connecticut is showing signs of improvement with real GSP growing 0.7% in the fourth quarter of 2020 over the third quarter of 2020, however, it will still be 3.1% below than the fourth quarter of 2019. It is estimated that the benefit of the stimulus packages released by the federal government contributed to about 6.1% of Connecticut's nominal GSP in calendar year 2020. Unfortunately, even before the pandemic struck, Connecticut's output through quarter three of 2020 remained 10.7% below its 2008 quarter one level.

Personal income continued to show growth in 2020, rising by 4.3% in quarter three of 2020 from quarter three of 2019. This compares to a 7.1% growth in personal income for the United States over the same period. Since the last recession's low in quarter one of 2009, per capita personal income has grown substantially from \$59,000 to just under \$81,000 in quarter three of 2020.

As of the third quarter of 2020, median housing prices for existing homes are 2.9% below their pre-Great Recession peak of \$323,493 in quarter three of 2007. 30-year mortgage rates have declined significantly over 2020. In January of 2020, the 30-year mortgage rate was around 3.62% and has since fallen to 2.77% in November of 2020. Home sales have rebounded from the lowest point during the Great Recession, up 52.8% in the third quarter of 2020 from first quarter of 2009. Since 2015 housing sales have remained relatively flat, averaging approximately 41,800 sales per quarter. Once COVID-19 hit the New England region, many people began to leave the cities and move to the suburbs in an effort to avoid densely populated areas and maintain social distancing. According to data from the United States Postal Service, calendar year 2020 witnessed a stark contrast in the inflow of people into our state compared to the prior year. Based on change of address data, in calendar year 2019 there were a net 7,525 requests for change of address to locations outside our state. In calendar year 2020, that deficit switched to a net surplus of 16,494 requests for changes of address into Connecticut. New York state was, by far, the largest contributor to that surplus with 27,978 requests for change of address to Connecticut. New Yorkers bought an estimated 30% of houses in Connecticut that sold for over \$750,000. Another 25% of houses that sold for over \$750,000 were bought by people moving to Connecticut from other states. Housing starts are up 20.7% from quarter three of 2010 to quarter three of 2020.

## Economic Report of the Governor

On December 23, 2020, President Trump vetoed the \$741 billion National Defense Authorization Act (NDAA) after this act had been routinely signed into law for nearly six consecutive decades. Ultimately, this veto was overridden. The NDAA includes many provisions that would directly benefit the defense sector of Connecticut's economy. The defense bill calls for an estimated \$6.8 billion for General Dynamics Electric Boat division in Groton for the Virginia-class submarine program to continue production in 2021 at a pace of two submarines per year. Additionally, the NDAA also includes \$4 billion to continue the construction of the largest and most-expensive submarine ever built by Electric Boat, the new Columbia-class submarine, and includes workforce training programs for Electric Boat. In addition, \$2.8 billion will support the continued development of the B-21 Raider in which Pratt and Whitney has been a partner in the production of these long-range strike bombers. Pratt and Whitney will also assist in the production of the engines for 15 KC-46A tanker aircrafts for which \$2.7 billion has been included in the defense bill. Sikorsky will also benefit from the NDAA as the bill allocates just under \$1 billion for 60 UH-60 Blackhawk helicopters, \$800 million for the procurement of 7 new CH-53K Marine heavy-lift helicopters, and \$909 million for the procurement of 16 HH-60W Air Force search and rescue helicopters, all which are built by Sikorsky. Additionally, there is \$7 million for development of the CQ-24A helicopter manufactured by Kaman Aerospace in Bloomfield. These contracts are important as they support the bulk of manufacturing employment in the state of Connecticut.

The COVID-19 pandemic also had a dramatic impact on public transportation. Prior to all the social distancing guidelines and lockdowns, the New Haven Line, New Canaan Line, Danbury Line and Waterbury Line were serving an average of 134,000 riders per weekday. At the height of the lockdowns from the pandemic in mid-March 2020, ridership on these rail lines declined by approximately 95%. More recently, average weekday ridership on these rail lines is down by approximately 88%. Similarly, Shore Line East and Hartford Line ridership declined and then rebounded slightly by late 2020. Shore Line East and Hartford Line would typically see an average of 2,000 riders per weekday and 2,400 riders per weekday respectively prior to the pandemic. Shore Line East ridership was down approximately 98% by the mid-March 2020. Hartford Line ridership declined by approximately 90% by mid-March of 2020. Through the end of 2020, Shore Line East recovered some riders, but remained down by 90%. Hartford Line did somewhat better, down by 77% at the end of 2020. Finally, the state's bus lines averaged about 128,000 riders on a typical weekday pre-pandemic, however, ridership declined to a much lesser extent than rail during the pandemic. Bus ridership was down 60% by mid-April, but recovered to an average 35% decline from pre-pandemic levels at the end of 2020. Bus ridership remains relatively strong as many bus riders rely on bus service for everyday trips and may not have other travel options available to them.

Despite the onset of the COVID-19 pandemic, Connecticut's finances have remained strong. In FY 2020 the state ended with a General Fund surplus of \$38.7 million, not including the transfer of \$530.3 million to the Budget Reserve Fund, bringing the balance in that fund to \$3.1 billion, or 15.3% of total expenditures, a significant increase from just over \$200 million in FY 2017. For the first time in Connecticut's history, the Budget Reserve Fund reached its statutory limit of 15% of expenditures. Any amount in excess of the 15% threshold (\$61.6 million at the end of FY 2020) will be transferred to reduce the state's long-term unfunded liabilities.

### **Economic Assumptions of the Governor's Budget**

The U.S. economy is projected to grow 4.1% in FY 2022 and 3.0% in FY 2023, before slowing to 2.5% in FY 2024. Inflation is expected to grow by 2.4% in FY 2022 and 2.2% FY 2023, before hovering in the 2.0% range in the out-years. The U.S. unemployment rate is projected to decline to 4.3% in FY 2022 following



## Economic Report of the Governor

the pandemic highs. It is expected that the U.S. unemployment rate will continue to decrease slightly to 4.0% in FY 2023 and remain in the 4.0% range in the out-years. Growth in housing starts is projected to pick up dramatically in FY 2021 by an estimated 14.8% but is expected to decline into FY 2022 by 8.5% and decline by 10.8% in FY 2023. With the combination of economic stimulus and low interest rates, U.S. new vehicle sales are projected to increase by 4.7% in FY 2021 and are expected to stay strong moving into FY 2022, increasing by 2.1% before slowing to the 0.3% growth range for FY 2023 and beyond.

Connecticut's real GSP is expected to grow at 3.9% in FY 2022 and 2.3% in FY 2023, then stabilize in the out-years around 1.5%. Overall, the state's economic output will remain below levels achieved in 2007. Real GSP is projected to make a full recovery from the pandemic by the end of quarter four of calendar year 2021 after dropping 11.5% between quarter four of 2019 and quarter two of 2020. Personal income is projected to slow in FY 2022 growing at only 0.4% while FY 2023 and beyond are estimated to grow in the 3.5% range. Due to federal stimulus, personal income in Connecticut did not turn negative due to the pandemic, however, wages and salaries were impacted negatively. Preliminary data shows that wages and salaries will exceed pre-pandemic levels in the fourth quarter of 2020.

Connecticut's employment growth is projected to peak at 4.0% growth in FY 2022, after falling by 3.5% and 1.9% in FY 2020 and FY 2021, respectively. Employment in Connecticut is projected to slow to 0.7% growth in FY 2023 before declining by 0.2% in FY 2024. FY 2024 levels of employment will be 2.2% below the previous peak in FY 2008. The closest level to the pre-pandemic high for employment is forecasted to be reached in the third quarter of 2022. This level is projected to be 0.7% below the previous peak which equates to an estimated 12,400 jobs short of full recovery from the pandemic. The state's unemployment rate is projected to remain in line with the national rate throughout the forecast period with a rate of 4.7% in FY 2022 and 4.0% in FY 2023 and FY 2024. Similar to Connecticut's employment levels, the closest that the unemployment rate is projected to reach pre-pandemic levels is also in quarter three of 2022 at 3.9%.

## Economic Report of the Governor

**TABLE A-1  
U.S. AND CONNECTICUT ECONOMIC INDICATORS**

<u>Fiscal Year</u>	<u>U.S. Real GDP (Billions of Dollars)</u>		<u>CT Real GSP (Millions of Dollars)</u>		<u>U.S. Housing Starts (Millions)</u>		<u>CT Housing Starts</u>	
	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>
2020	18,677	-1.1%	244.5	-2.3%	1.3	8.3%	5,913.7	23.9%
2021	18,796	0.6%	245.4	0.4%	1.5	14.8%	5,653.4	-4.4%
2022	19,575	4.1%	255.0	3.9%	1.4	-8.5%	5,559.0	-1.7%
2023	20,160	3.0%	260.8	2.3%	1.2	-10.8%	5,102.5	-8.2%
2024	20,657	2.5%	265.0	1.6%	1.2	-4.6%	5,034.3	-1.3%
2025	21,171	2.5%	269.2	1.6%	1.2	0.5%	5,221.5	3.7%
2026	21,699	2.5%	273.8	1.7%	1.2	0.6%	5,317.5	1.8%

<u>Fiscal Year</u>	<u>U.S. Employment (Millions)</u>		<u>CT Employment (Thousands)</u>		<u>U.S. Unemployment Rate</u>		<u>CT Unemployment Rate</u>	
	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>
2020	147.1	-1.9%	1,630.7	-3.5%	6.0%	2.2	5.1%	1.3
2021	143.2	-2.7%	1,600.1	-1.9%	6.8%	0.8	7.6%	2.5
2022	149.6	4.5%	1,664.5	4.0%	4.3%	-2.6	4.7%	-2.9
2023	152.1	1.6%	1,676.9	0.7%	4.0%	-0.3	4.0%	-0.7
2024	153.0	0.6%	1,673.1	-0.2%	4.1%	0.1	4.0%	0.0
2025	153.9	0.6%	1,669.5	-0.2%	4.1%	0.0	4.0%	0.0
2026	154.8	0.5%	1,667.2	-0.1%	4.1%	0.0	4.0%	0.0

<u>Fiscal Year</u>	<u>Consumer Price Index</u>		<u>U.S. New Vehicle Sales (Millions)</u>		<u>CT Personal Income (Millions of Dollars)</u>	
	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>
2020	257.3	1.6%	15.0	-12.0%	280,206.7	2.8%
2021	261.5	1.6%	15.7	4.7%	287,437.5	2.6%
2022	267.7	2.4%	16.1	2.1%	288,525.3	0.4%
2023	273.7	2.2%	16.1	0.3%	298,266.7	3.4%
2024	279.4	2.1%	16.2	0.2%	309,069.8	3.6%
2025	285.4	2.1%	16.2	0.5%	321,026.8	3.9%
2026	291.6	2.2%	16.3	0.7%	334,146.0	4.1%

This page has been intentionally left blank.

## Economic Report of the Governor

### REVENUE FORECAST

**TABLE A-2**  
**STATE OF CONNECTICUT - GENERAL FUND REVENUES**  
**(In Millions)**

	Actual Revenue <u>FY 2020</u>	Estimated Revenue <u>FY 2021</u>	Projected Revenue Current Rates <u>FY 2022</u>	Proposed Revenue Changes <u>FY 2022</u>	Net Projected Revenue <u>FY 2022</u>
<b><u>Taxes</u></b>					
PIT - Withholding	\$ 6,815.2	\$ 6,915.6	\$ 7,160.2	\$ 24.4	\$ 7,184.6
PIT – Estimates & Finals	2,582.6	2,538.7	2,589.1	-	2,589.1
Sales & Use Tax	4,317.7	4,532.7	4,134.7	379.1	4,513.8
Corporation Tax	934.5	960.0	989.8	100.9	1,090.7
Pass-Through Entity Tax	1,241.9	1,221.3	1,233.3	-	1,233.3
Public Service Tax	254.1	261.6	267.5	5.3	272.8
Inheritance & Estate Tax	159.5	222.6	154.4	-	154.4
Insurance Companies Tax	228.4	214.6	217.2	7.5	224.7
Cigarettes Tax	346.3	343.9	319.6	(1.9)	317.7
Real Estate Conveyance Tax	176.6	305.6	237.4	-	237.4
Alcoholic Beverages Tax	73.1	73.2	73.6	-	73.6
Admissions & Dues Tax	39.9	29.3	36.4	-	36.4
Health Provider Tax	1,004.8	1,079.5	989.7	(0.5)	989.2
Miscellaneous Tax	18.2	18.8	22.0	43.2	65.2
<b>Total Taxes</b>	<b>\$ 18,192.9</b>	<b>\$ 18,717.4</b>	<b>\$ 18,424.9</b>	<b>\$ 558.0</b>	<b>\$ 18,982.9</b>
Less Refunds of Tax	(1,400.4)	(1,666.5)	(1,624.7)	53.0	(1,571.7)
Less Earned Income Tax Credit	(91.0)	(100.6)	(104.0)	-	(104.0)
Less R&D Credit Exchange	(8.6)	(6.2)	(6.6)	-	(6.6)
<b>Total - Taxes Less Refunds</b>	<b>\$ 16,692.8</b>	<b>\$ 16,944.1</b>	<b>\$ 16,689.6</b>	<b>\$ 611.0</b>	<b>\$ 17,300.6</b>
<b><u>Other Revenue</u></b>					
Transfers-Special Revenue	\$ 340.1	\$ 376.6	\$ 371.3	\$ 2.0	\$ 373.3
Indian Gaming Payments	164.1	232.3	232.6	-	232.6
Licenses, Permits, Fees	307.5	338.8	359.5	7.0	366.5
Sales of Commodities	26.1	25.3	25.9	-	25.9
Rents, Fines, Escheats	154.3	155.5	160.0	-	160.0
Investment Income	48.7	4.7	6.6	-	6.6
Miscellaneous	256.3	216.9	245.4	-	245.4
Less Refunds of Payments	(69.3)	(57.7)	(63.9)	1.3	(62.6)
<b>Total - Other Revenue</b>	<b>\$ 1,227.9</b>	<b>\$ 1,292.4</b>	<b>\$ 1,337.4</b>	<b>\$ 10.3</b>	<b>\$ 1,347.7</b>
<b><u>Other Sources</u></b>					
Federal Grants	\$ 1,796.8	\$ 1,657.2	\$ 1,466.0	\$ 83.7	\$ 1,549.7
Transfer From Tobacco Settlement	136.0	114.5	113.1	-	113.1
Transfers From/(To) Other Funds	(129.6)	98.8	(129.6)	860.0	730.4
Transfer to BRF – Volatility Cap	(530.3)	(355.1)	(312.0)	-	(312.0)
<b>Total - Other Sources</b>	<b>\$ 1,272.8</b>	<b>\$ 1,515.4</b>	<b>\$ 1,137.5</b>	<b>\$ 943.7</b>	<b>\$ 2,081.2</b>
<b>Total - General Fund Revenues</b>	<b>\$ 19,193.5</b>	<b>\$ 19,751.9</b>	<b>\$ 19,164.5</b>	<b>\$ 1,565.0</b>	<b>\$ 20,729.5</b>
<b>Revenue Cap Deduction</b>	<b>-</b>	<b>-</b>	<b>(191.6)</b>	<b>(15.7)</b>	<b>(207.3)</b>
<b>Available Net General Fund Revenues</b>	<b>\$ 19,193.5</b>	<b>\$ 19,751.9</b>	<b>\$ 18,972.9</b>	<b>\$ 1,549.3</b>	<b>\$ 20,522.2</b>

\*Denotes revenue change impacting fiscal year 2021

## Economic Report of the Governor

Projected Revenue Current Rates FY 2023	Proposed Revenue Changes FY 2023	Net Projected Revenue FY 2023
\$ 7,449.8	\$ 40.8	\$ 7,490.6
2,651.5	-	2,651.5
4,148.0	398.1	4,546.1
1,019.3	79.2	1,098.5
1,301.5	-	1,301.5
274.5	5.3	279.8
150.2	-	150.2
220.2	0.2	220.4
303.7	(2.5)	301.2
244.8	-	244.8
74.0	-	74.0
39.9	-	39.9
991.8	(0.5)	991.3
22.5	54.9	77.4
<u>\$ 18,891.7</u>	<u>\$ 575.5</u>	<u>\$ 19,467.2</u>
(1,680.7)	53.0	(1,627.7)
(107.0)	-	(107.0)
(6.8)	-	(6.8)
<u>\$ 17,097.2</u>	<u>\$ 628.5</u>	<u>\$ 17,725.7</u>
\$ 377.8	\$ 3.0	\$ 380.8
228.4	47.3	275.7
335.0	4.4	339.4
26.6	-	26.6
164.4	-	164.4
7.4	-	7.4
235.4	2.5	237.9
(65.1)	1.3	(63.8)
<u>\$ 1,309.9</u>	<u>\$ 58.5</u>	<u>\$ 1,368.4</u>
\$ 1,573.0	\$ 23.6	\$ 1,596.6
112.2	-	112.2
(124.5)	1,063.1	938.6
(338.6)	-	(338.6)
<u>\$ 1,222.1</u>	<u>\$ 1,086.7</u>	<u>\$ 2,308.8</u>
\$ 19,629.2	\$ 1,773.7	\$ 21,402.9
(245.4)	(22.2)	(267.5)
<u>\$ 19,383.8</u>	<u>\$ 1,751.5</u>	<u>\$ 21,135.4</u>

### Explanation of Changes

#### Personal Income Tax

Hold teachers' pension exemption at 25% for 2 years, hold pension and annuity exemption at 28% for 2 years.

#### Sales Tax

Delay transfers to the municipal revenue sharing account for 2 years, cannabis legalization.

#### Corporation Tax

Maintain current 10% surcharge, delay and extend the elimination of the capital base tax, limit carryforward of new R&D credits to 15 years.

#### Public Service Tax

Eliminate certain exemption, cap tax credits to 50.01% of liability.

#### Insurance Companies Tax

Captive insurers initiative.

#### Cigarettes Tax

Ban flavored vaping products.

#### Health Provider Taxes

Implement recommendation of ambulatory surgical centers tax study.

#### Miscellaneous Tax

Cannabis tax, tax amnesty, CREATES revenue initiative.

#### Refund of Tax

Maintain current eligibility for the property tax credit.

#### Transfers-Special Revenue

i-Lottery draw games.

#### Indian Gaming Payments

Implement iGaming and sports betting.

#### License, Permits, and Fees

Safe drinking water assessment, cannabis licensing.

#### Miscellaneous Revenue

Convenience fee for credit/debit card use.

#### Refund of Payments

Office of Health Strategy hospital assessment.

#### Federal Grants

Revenue gain attributable to expenditure changes, enhanced FMAP.

#### Transfers-Other Funds

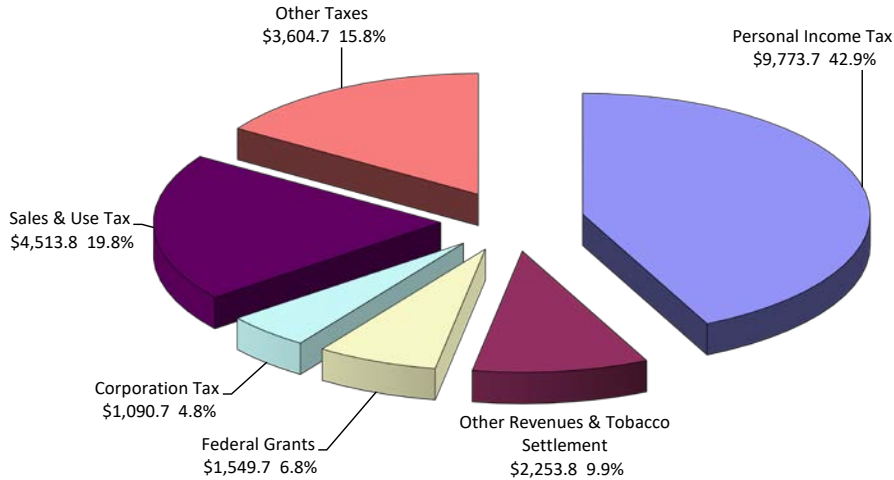
Delay GAAP deficit payment, transfer excess regional performance incentive funds, federal stimulus/budget reserve fund transfer, transfer to the Tourism Fund.

## Economic Report of the Governor

### GENERAL FUND REVENUES FY 2022

(In Millions)

TOTAL \$ 20,729.5 MILLION\*

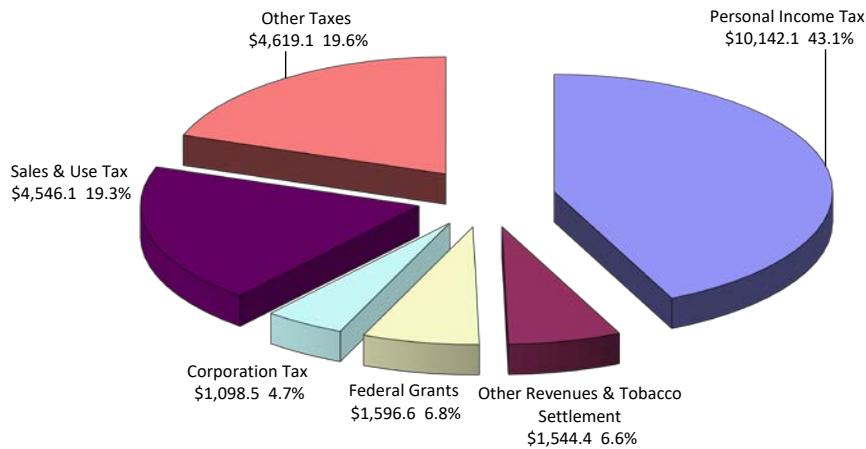


\* Refunds are estimated at \$1,571.7 million in, R&D Credit Exchange is estimated at \$6.6 million, Earned Income Tax Credit is estimated at \$104.0 million, Refunds of Payments are estimated at \$62.6 million, and Transfers to the Budget Reserve Fund are estimated to be \$312.0 million. This chart does not include the revenue cap deduction of \$207.3 million.

### General Fund Revenues FY 2023

(In Millions)

TOTAL \$ 21,402.9 MILLION\*



\* Refunds are estimated at \$1,627.7 million, R&D Credit Exchange is estimated at \$6.8 million, Earned Income Tax Credit is estimated at \$107.0 million, Refunds of Payments are estimated at \$63.8 million, and Transfers to the Budget Reserve Fund are estimated to be \$338.6 million. This chart does not include the revenue cap deduction of \$267.5 million.

This page has been intentionally left blank.

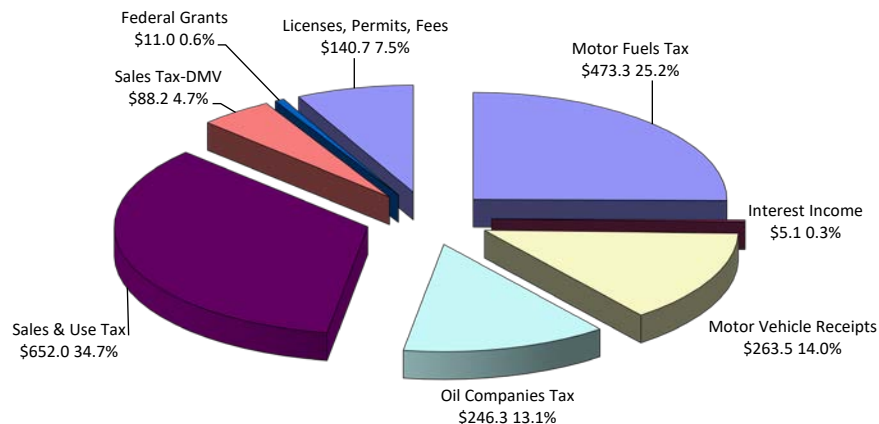
## Economic Report of the Governor

### TABLE A-3

#### STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND REVENUES (In Millions)

<b>Taxes</b>	Actual	Estimated	Projected	Proposed	Net
	Revenue	Revenue	Revenue	Revenue	Projected
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2022</u>	<u>FY 2022</u>
Motor Fuels Tax	\$ 478.2	\$ 467.4	\$ 473.3	\$ -	\$ 473.3
Oil Companies Tax	230.4	203.5	246.3	-	246.3
Sales and Use Tax	400.9	442.3	651.8	0.2	652.0
Sales Tax - DMV	73.1	94.0	88.2	-	88.2
Highway Use Tax	-	-	-	-	-
<b>Total Taxes</b>	<b>\$ 1,182.6</b>	<b>\$ 1,207.2</b>	<b>\$ 1,459.6</b>	<b>\$ 0.2</b>	<b>\$ 1,459.8</b>
Less Refunds of Taxes	(30.4)	(15.0)	(15.5)	-	(15.5)
<b>Total - Taxes Less Refunds</b>	<b>\$ 1,152.2</b>	<b>\$ 1,192.2</b>	<b>\$ 1,444.1</b>	<b>\$ 0.2</b>	<b>\$ 1,444.3</b>
<b>Other Sources</b>					
Motor Vehicle Receipts	\$ 241.6	\$ 332.9	\$ 263.5	\$ -	\$ 263.5
Licenses, Permits, Fees	128.7	129.6	140.7	-	140.7
Interest Income	21.8	4.9	5.1	-	5.1
Federal Grants	12.3	11.8	11.0	-	11.0
Transfers From Other Funds	(35.5)	24.5	(5.5)	-	(5.5)
Less Refunds of Payments	(4.5)	(5.2)	(5.0)	-	(5.0)
<b>Total - Other Sources</b>	<b>\$ 364.4</b>	<b>\$ 498.5</b>	<b>\$ 409.8</b>	<b>\$ -</b>	<b>\$ 409.8</b>
<b>Total - STF Revenues</b>	<b>\$ 1,516.6</b>	<b>\$ 1,690.7</b>	<b>\$ 1,853.9</b>	<b>\$ 0.2</b>	<b>\$ 1,854.1</b>
Revenue Cap Deduction	-	-	(18.5)	-	(18.5)
<b>Available Net STF Revenue</b>	<b>\$ 1,516.6</b>	<b>\$ 1,690.7</b>	<b>\$ 1,835.4</b>	<b>\$ 0.2</b>	<b>\$ 1,835.6</b>

#### FISCAL YEAR 2022 - TOTAL \$1,854.1 MILLION\*



\*Refunds are estimated at \$20.5 million and Transfers to Other Funds at \$5.5 million. This chart does not include the revenue cap deduction of \$18.5 million.



## Economic Report of the Governor

Projected Revenue Current Rates <u>FY 2023</u>	Proposed Revenue Changes <u>FY 2023</u>	Net Projected Revenue <u>FY 2023</u>
\$ 486.0	\$ -	\$ 486.0
268.0	-	268.0
754.6	1.0	755.6
89.5	-	89.5
-	45.0	45.0
<u>\$ 1,598.1</u>	<u>\$ 46.0</u>	<u>\$ 1,644.1</u>
(16.2)	-	(16.2)
<u>\$ 1,581.9</u>	<u>\$ 46.0</u>	<u>\$ 1,627.9</u>

\$ 265.6	\$ -	\$ 265.6
141.9	-	141.9
5.5	-	5.5
10.1	-	10.1
(5.5)	-	(5.5)
(5.0)	2.5	(2.5)
<u>\$ 412.6</u>	<u>\$ 2.5</u>	<u>\$ 415.1</u>

\$ 1,994.5	\$ 48.5	\$ 2,043.0
(24.9)	(0.6)	(25.5)
<u>\$ 1,969.6</u>	<u>\$ 47.9</u>	<u>\$ 2,017.5</u>

### Explanation of Changes

#### Sales and Use Tax

Additional sales tax from cannabis.

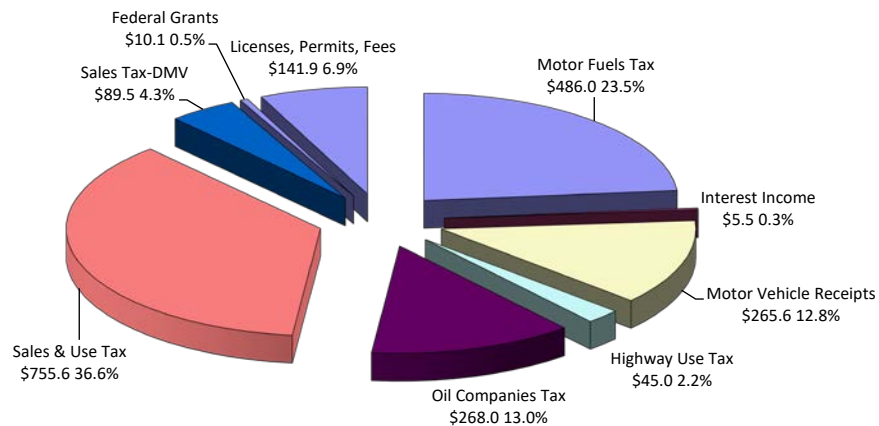
#### Highway Use Tax

Implement highway use tax starting in FY 2023.

#### Refunds of Payments

Impose a convenience fee for credit and debit card use.

### FISCAL YEAR 2023 - TOTAL \$2,043.0 MILLION\*



\*Refunds are estimated at \$18.7 million and Transfer to Other Funds at \$5.5 million. This chart does not include the revenue cap deduction of \$25.5 million.

## Economic Report of the Governor

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

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

The economic implications of government budgets are significant. Government expenditures is an important dimension of the national economy, accounting for about 12.3% of gross domestic product. The Governor's budget will account for an estimated 6.8% of Connecticut's gross state product in FY 2021, and state government's expenditure and revenue actions will inevitably influence the state's economy.

### **Environmental, Broadband Connectivity and Criminal Justice Initiatives**

#### *Climate and Environment*

Under the leadership of Governor Lamont, Connecticut continues to reduce greenhouse gas (GHG) emissions and address the impacts of climate change on the state which will have long-term implications for our region to remain economically viable. The Governor is proposing several initiatives to address environmental and climate concerns.

Governor Lamont is proposing to codify the goal of having zero percent greenhouse gas emission from electric generation toward the middle of the century. In addition, he is proposing to procure up to 300,000 MWh of electricity from active demand response measures, passive demand response measures, and energy storage systems.

The Transportation and Climate Initiative (TCI) program is a cap and invest program with the goal of reducing transportation carbon emissions by 26% by 2032. The program reduces emissions by reinvesting revenues in greenhouse-gas reducing measures such as transit programs, electric vehicle infrastructure, intersection upgrades, bike and pedestrian improvements, and other programs and projects to address transportation carbon emissions. Connecticut has partnered with other states to become a member of the TCI program and invest in the right solutions for the climate change problem.

The Governor is proposing to support the state's efforts to be able to make Connecticut more resilient to the impacts of climate change to reduce the long-term costs from devastating storms or the incremental impacts that build over time. These proposals will expand the tools that municipalities have to fund, finance, and regulate resilience projects and expand the scope of Connecticut Green Bank's investments to provide the ability to raise capital for improvements to environmental infrastructure. These programs provide enhanced opportunities for Connecticut to build back better by leveraging municipal and state dollars to meet non-federal match and cost share requirements for existing and potential future federal resilient infrastructure grant programs.

## **Economic Report of the Governor**

### *Supporting Equitable Access to Broadband*

The COVID-19 global health crisis has brought broadband access to the fore. As many people telework and our students attempted to learn from home, it was readily apparent that many of our residents did not have access to quality high-speed internet- an essential component of commerce in 2021. We need to take steps to invest in making sure our residents can reach the heights of their potential by expanding this critical utility.

To close the digital divide in Connecticut, the Governor aims to achieve three primary goals: make affordable high-speed broadband available for all, promote economic development, and protect consumers. A combination of proposals to achieve these goals include: establishing a self-certification for universal service; creating a statewide broadband map; establishing executive branch leadership devoted to broadband policy-formation, deployment, investment and economic development; strengthening the consumer protection role of the Office of State Broadband; granting the Public Utilities Regulatory Authority (PURA) additional regulatory authority; and improving broadband infrastructure coordination.

### *Creating a Legal Market for Cannabis*

With legal cannabis available, or soon to be in neighboring states, Governor Lamont will introduce legislation that would create a legal market for cannabis in Connecticut that is well-regulated to protect consumers and the public at large. The proposal sets up a fair revenue structure in line with other states that will generate a small, yet meaningful revenue source for the state and towns. Upon enactment of the proposal, sales of adult-use cannabis would begin in May 2022. The Governor's proposal promotes public health, protects public safety, and addresses social equity.

### *Right-Sizing Connecticut's Correction System*

The time has come for Connecticut again to right-size its correction capacity based on the lower population and focus its correction resources on providing a safer environment for the population and correction professionals. Governor Lamont is proposing the closure of up to three correctional facilities based on continued analysis and evaluation.

### *Promoting Fairness and Transparency in Prosecutorial Decision-Making*

Prosecutors, who have considerable discretion regarding case dispositions, are critical partners in achieving criminal justice reform. Governor Lamont's proposed budget includes three recommendations to further data-informed prosecutorial decision-making and to create capacity both to re-investigate wrongful conviction cases and prosecute cases involving unjustified use of force. These measures are aimed at increasing the public's confidence in the criminal justice system.

## Economic Report of the Governor

### Education and Workforce Programs

#### *Sustaining Municipal Aid*

This budget provides municipalities with predictability over state support by:

- Level funding the state’s Education Cost Sharing (ECS) formula to provide districts with fiscal stability and hold them harmless for the volatility in enrollment figures caused by the pandemic;
- In addition to ECS funds – districts were provided \$265 million in federal aid to support safe reopening of Connecticut Schools and to support closing the digital divide;
- \$440 million in additional federal funding will support districts’ continued response to the pandemic and support learning loss and accelerated academic achievement for those students most impacted by the pandemic;
- Level funding appropriated statutory formula aid; and
- Dedicating \$50 million in Coronavirus Relief Funds to the state’s 25 most distressed municipalities to aid them in addressing the impact of COVID 19.
- \$100 million from combined CRF and bond funds in FY 2022 to 25 towns and cities designated as Distressed Municipalities. This support will aid the state’s neediest communities through the difficult recovery from many impacts of COVID-19; and
- The Governor is also proposing that 50% of the excise tax collected from the legal sale of cannabis be diverted back to Connecticut’s communities as PILOT grants after the revenues begin to accrue in FY 2024.

#### *Investing in Education Equity*

The Governor is recommending:

- \$3 million in FY 2022 and FY 2023 to raise the charter school per pupil grant from \$11,250 to \$11,525, equal to the ECS foundation.
- \$275,000 in FY 2022 and \$900,000 in FY 2023 to pilot an open choice program in Danbury and Norwalk. This will give 50 students in each community the opportunity to attend a neighboring school district while alleviating overcrowding in their home districts.

The aforementioned investments demonstrate the Governor’s focus on reducing educational inequities that impact Connecticut’s most vulnerable students to ensure all children have a bright future and will ultimately have the skills to contribute to the workforce of tomorrow.

#### *Supporting Early Care and Education*

The Governor’s budget continues a commitment to the provision and maintenance of high-quality early care and education in Connecticut. In order to ensure that Connecticut will emerge from the pandemic with a stable, high-quality system of early childhood education and childcare, Connecticut has invested over \$125 million of state, federal and philanthropic funds in the Childcare and Early Education Community over the last year.

## **Economic Report of the Governor**

### *Supporting Workforce Development through the Office of Workforce Strategy*

The workforce landscape of the 21st century is ever changing and requires states to be strategic in their approach to workforce development. In order to create a workforce development ecosystem that meets the needs of employers and bolsters a thriving economy for the state, Connecticut must invest in a system that strategically aligns education, training and the workforce into a pipeline which fosters economic growth. A high-quality workforce development system will ensure better outcomes for our state's residents and help our businesses to hire and grow in the state. This is all the more urgent given how many of our residents have suffered from unemployment due to the COVID pandemic.

The revitalization of the Governor's Workforce Council (GWC) demonstrates Governor Lamont's commitment to workforce development. Staffed with leaders in business, education, nonprofits and labor, the GWC serves as the principal advisor to the Governor on workforce development issues while coordinating the efforts of all state agencies and other entities as it promotes workforce development throughout the state. The GWC issued their strategic plan in October of 2020 and highlights the Governor's commitment to a wholistic approach to workforce development.

To strengthen support for the GWC and to better align the existing state workforce system, Governor Lamont's budget provides funding to support the continued operation of the Office of Workforce Strategy (OWS) within the Department of Economic and Community Development. The OWS, led by the Chief Workforce Officer, will serve as the Governor's principal advisor on workforce policy, strategy and be responsible for coordinating the state's strategy on workforce development. OWS will focus on aligning state programs with an eye towards developing a high-quality workforce capable of meeting the labor demands of the state.

### *Pledge to Advance Connecticut*

The Governor's Budget provides \$6 million in each year of the biennium for the Pledge to Advance Connecticut (PACT) program to provide last-dollar scholarships to qualifying Connecticut Community College students with an emphasis on supporting enrollment in short term certificate programs enabling students to be better-prepared for in-demand jobs. This maintains the level of funding committed by CSCU in FY 2021 to ensure that participating students can continue in their programs.

## **Health and Human Services Initiatives**

During the pandemic, the state's health and human services providers (state and private) were challenged in ways they couldn't have previously imagined – they still had clients to serve – and in some cases more clients – but needed to adapt their service delivery systems to a new reality that required telemedicine and compliance with social distancing requirements. Well targeted stimulus dollars helped maintain adequate staffing levels, provide appropriate personal protective equipment and purchase devices for staff and clients that could allow them to safely continue services. Those efforts sustained the state's human services providers through the very difficult year so that there would be adequate access to care when clients were able to fully participate again. The Governor's FY 2022 and FY 2023 budget continues those investments by maintaining safety net services and funding caseload requirements but with an eye toward reasonable savings measures.

This past year has taught us about the importance of investing in public health. Governor Lamont's budget includes approximately \$408,000 in FY 2022 and \$420,000 in FY 2023 to support the Department of Public

## Economic Report of the Governor

Health (DPH) in implementing certain recommendations of the Connecticut Interagency PFAS (per- and polyfluoroalkyl substances) Task Force. Additional staffing and operating expenses will allow the department to provide toxicological expertise to assist with updating standards and action levels for drinking water, review environmental laboratories to become approved for PFAS testing, implement PFAS testing of drinking water at the state's Public Health Laboratory, support testing of public water systems and educate stakeholders to protect the public health from the impacts of PFAS in drinking water. Approximately \$600,000 from the Capital Equipment Purchase Fund will be made available to DPH to purchase additional laboratory equipment. DPH is also receiving two new staff to enhance response to drinking water issues in schools undergoing construction projects and assist with the continued administration of safe drinking water standards for public drinking water.

The state cannot afford to maintain as wide a service array as we do if our services or eligibility are so much richer than other comparable states. For that reason and recognizing that Connecticut is one of only nine states that does not have an asset test under the Medicare Savings Program (MSP), the Governor is proposing to reinstitute an asset test effective August 1, 2022. Instead of reverting to the federal minimum, which 38 states rely on and which was the level in place in Connecticut prior to FY 2010, the asset test will be double the federal minimum, aligning with the level in our sister state of Massachusetts (currently \$15,720 for singles and \$23,600 for couples). Income eligibility for MSP will remain the highest in the country as those levels will remain unchanged. This proposal will result in net savings to the state of \$26.6 million in FY 2023.

Restructuring services will also result in savings. In the Department of Children and Families (DCF), the Governor proposes the establishment of Quality Parenting Centers (QPC), which will provide biological parents from whom a child has been removed for abuse or neglect an opportunity to continue their parenting relationship in a supervised setting that closely simulates a family home environment. Additionally, DCF will deploy existing social worker resources to pilot Prevention Services Teams that will work directly with educators on providing prevention services to families that come to the attention of the community and present as having potential service needs.

### *Improving Health Care Quality and Affordability*

In January 2020, the Governor signed Executive Order 5 directing the Office of Health Strategy (OHS) to develop annual healthcare cost growth benchmarks for calendar years 2021-2025 to help slow the growth of healthcare spending and thus make healthcare more affordable for the citizens of Connecticut which has significant ramifications for the state's economy. The order also requires OHS to implement several additional, related initiatives, including: setting targets for increased primary care spending as a percentage of total healthcare spending; developing quality benchmarks across all public and private payers beginning in 2022; monitoring accountable care organizations and the adoption of alternative payment models.

Two legislative initiatives are being proposed by the Governor to rein in pharmacy costs and help lower income individuals and families maintain health insurance coverage through the Exchange. A new Covered Connecticut Program will generate money from assessments on insurers that can provide premium assistance for eligible individuals purchasing insurance through the Exchange. The second initiative will assess a penalty on manufacturers and distributors for increases in pharmaceutical prices that exceed acceptable levels.

## Economic Report of the Governor

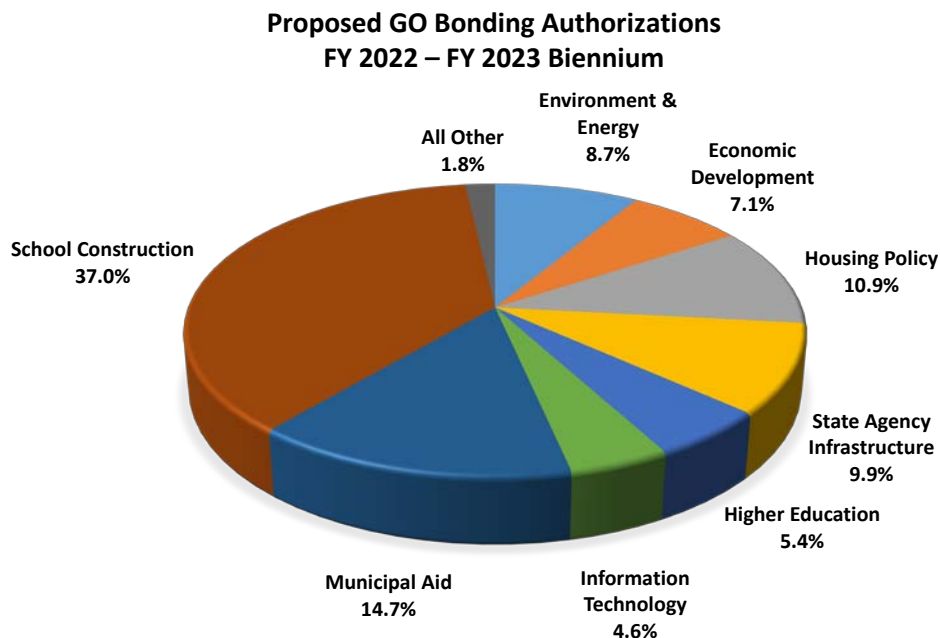
### Capital Budget Proposals

#### *Controlling Fixed Costs by Prioritizing Strategic Investments*

Debt service is a large component of the growth in fixed costs. Two years ago, Governor Lamont established a plan to keep the growth in General Obligation (GO) bond debt service more in line with revenue growth. The recommended budget for the FY 2022-2023 biennium for GO bond debt service continues the Governor's plan to hold annual GO bond issuance to \$1.6 billion, an over 15% reduction in debt issuance compared to the average of the five years prior to his taking office. To meet the GO bond issuance goal, the Governor has closely managed GO bond allocations through the State Bond Commission. Over the past two years, Governor Lamont reduced GO bond allocations by over 40% compared to the average of the prior eight years. As a result, actual GO bond fund spending has begun bending the curve, even as debt service continues to rise due to actions of prior Administrations.

The Governor is prioritizing bond allocations to areas that require the most investment, which include municipal aid, affordable housing, school construction, information technology improvements, economic development, workforce development, and state agency infrastructure improvements.

The Governor is proposing new GO bond authorizations of \$1.404 billion in FY 2022, which includes cancellation of \$153.7 million of prior GO bond authorizations which are no longer needed, and \$1.419 billion in FY 2023. Additionally, prior authorizations becoming effective over the biennium include \$190.5 million in FY 2022 and \$125.1 million in FY 2023 for UConn 2000, \$25 million in each year of the biennium for the Bioscience Innovation Fund and \$9.6 million in FY 2022 and \$9.8 million in FY 2023 for the Strategic Defense Investment Act.



The Governor is also recommending authorizations for \$836.9 million of Special Tax Obligation (STO) bonds in FY 2022 and \$929.6 million in FY 2023, to keep our transportation infrastructure in a state of good repair and \$281 million in FY 2023 of revenue bonds to fund low interest loans under the Clean Water Fund.

## Economic Report of the Governor

### Revenue Proposals

The recommended budget includes General Fund revenue policy changes of \$1,565.0 million in FY2022 and \$1,773.7 million in FY2023. There are no broad-based tax increases nor changes to income or sales tax rates. The largest single component of these revenue initiatives is the expectation that the Biden Administration and Congress will approve unrestricted aid to the states to compensate for the drop-off in revenue related to the pandemic. Should this expectation not materialize, the state's Budget Reserve Fund (BRF) will be marshalled to mitigate the impact to the state's economy from sizeable tax increases or devastating cuts to state services just as our economic recovery from the pandemic is taking root. The second largest component of the proposed revenue changes are delays to previously enacted tax cuts or revenue diversions totaling \$640.6 million in FY 2022 and \$644.7 million in FY 2023 as such policies are currently unaffordable and if allowed to proceed would necessitate raising other taxes or cutting services in order to accommodate their implementation. This includes items such as delaying the General Fund sales tax diversion to the Municipal Revenue Sharing Account, delaying the phase-in of the pension and annuity exemption, delaying the phase in of the teachers' pension exemption, and the payment toward the cumulative GAAP deficit. Other notable items reflect the Governor's desire to expand opportunities in the state while recognizing the changing competitive landscape in certain fields and includes the proposed gaming initiatives, legalization of Cannabis and the initiative to encourage captive insurers to domicile in the state. Finally, the budget contains two revenue initiatives that seek to enforce the collection of taxes that are already on the books as opposed to new taxes. A tax amnesty is being proposed along with the deployment of more sophisticated analytical tools by the Department of Revenue Services aimed at narrowing the tax gap between what is remitted to the state and is legally owed to the state.

### General Fund Revenue Proposals By Major Category (in millions)

	Fiscal Year 2022		Fiscal Year 2023	
	Amount	Percentage	Amount	Percentage
1. Federal Stimulus or Use of BRF	\$ 775.0	49.5%	\$ 975.0	55.0%
2. Continue Current Policies	640.6	40.9%	644.7	36.3%
3. Expanding Opportunities	19.4	1.2%	83.1	4.7%
4. Closing the Tax Gap	40.0	2.6%	36.0	2.0%
5. All Other	90.0	5.8%	34.9	2.0%
6. Total	\$ 1,565.0	100.0%	\$ 1,773.7	100.0%

Since taking office, Governor Lamont has made transportation a top priority recognizing it as one of the critical pillars supporting the state's economy. Unfortunately, the Governor's previous proposals for raising the resources necessary to make long-term strategic investments failed to gain traction. However, the need is still there. Over the long-term, new transportation specific revenues will have to be developed to maintain current levels of infrastructure investment, without harming the state's ability to fund important General Fund programs by continually transferring General Fund resources to the Special Transportation Fund. This is why the recommended budget includes a new Highway Use Tax (HUT), a mileage-based tax on heavy weight vehicles. Operators are charged a rate, determined by the weight of the truck, for the number of miles driven in the state. The state of New York has a nearly identical system



## Economic Report of the Governor

which has been in place for decades. The Connecticut HUT will be imposed specifically on classifications 8 through 13, which weigh 26,000 pounds and above. Rates will increase incrementally from 2.5 cents per mile at 26,000 pounds to 10 cents per mile at 78,001 pounds. Operators of trucks which are classified overweight (over 80,000 pounds) will pay an additional 7.5 cents for a total of 17.5 cents per mile. The budget anticipates a start date of January 1, 2023 with an estimated \$45.0 million to be collected in FY 2023. Annualized revenue is approximately \$90.0 million per year. This new revenue source will go a long way in financing investments in our infrastructure.

### **Conclusion**

Governor Lamont is committed to a fiscally responsible state government which lives within the state's means and promotes Connecticut's quality of life. The Governor's proposed biennial budget addresses the fiscal and economic realities facing the state. The Governor's budget is balanced, represents limited growth over prior years, remains below the constitutional spending cap, and is compliant with both the volatility and revenue caps.

This page has been intentionally left blank.

**ECONOMIC REPORT  
OF THE GOVERNOR  
FY 2022 – FY 2023 Biennium**

This page has been intentionally left blank.

## Economic Report of the Governor

### INTRODUCTION

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

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

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

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

## Economic Report of the Governor

### EXECUTIVE SUMMARY

Highlights included in this report are as follows:

#### **Population**

Between 2000 and 2010, Connecticut's population grew at a rate of 4.9%, faster than the 3.8% population growth in New England but trailing behind the 9.7% of the U.S. In FY 2020, Connecticut's population experienced a year over year decline of an estimated 7,700 residents. Connecticut continues to experience net outmigration, with a deficit of just under 73,000 between 2011 and 2020. Current Connecticut population estimates indicate that the relative share of Connecticut's elderly population (age 65+) exceeded the U.S., while its younger age cohorts, those under 45, trailed the nation as a whole. The proportion of residents holding a bachelor's degree in Connecticut is 10.1% higher than the nation, while the proportion of those holding a graduate or professional degree is 41.1% higher than the nation.

#### **Housing**

Connecticut's housing starts increased by 23.9% in FY 2020, a significant improvement over FY 2019's increase of 2.0%, a likely consequence of the COVID-19 pandemic. Prior to FY 2020 declines have been driven by the multifamily segment of the housing market. FY 2020 saw a reversal of this trend which saw multi-families outpace single-family housing starts. Median existing home prices increased 2.7% in Connecticut in FY 2020, lower than the U.S. as a whole, which saw median home prices increase 5.8%. Thirty year mortgage rates decreased to 3.4%, a 20.3% decrease over the prior year. Nationally, homeowner equity as a percentage of home values improved to 65.1% in FY 2020, reaching their highest level since the housing collapse in FY 2008.

#### **Employment**

Employment in FY 2020 was hard hit as a result of local restrictions and lockdowns across the country as the nation experienced the height of the COVID-19 pandemic. In FY 2020 Connecticut lost approximately 58,000 non-farm jobs, representing 3.5% decline over the prior year. During the 2008 financial crisis, Connecticut lost approximately 120,000 non-farm jobs, and as of FY 2019 still had not reached pre-financial crisis peaks before heading into the COVID-19 pandemic. As of FY 2019 Connecticut had only regained about 95,000 non-farm jobs on a fiscal year basis. Manufacturing remains an important sector of Connecticut's economy, representing 9.8% of all non-farm jobs in FY 2020. Connecticut Manufacturing employment declined by 1,800, or 1.1%, in FY 2020, which was slightly less than New England and the United States which saw declines of 1.9% and 1.7% respectively. Nonmanufacturing employment lost approximately 56,800 jobs, or 3.7%, in FY 2020, trailing the U.S.'s decline of 1.9% and New England's decline of 3.7%. The largest growth in nonmanufacturing employment in Connecticut came in the transportation and warehousing, which gained 2,900 jobs or a 5.9% increase over the prior year. In FY 2020, Connecticut's unemployment rate averaged 5.1%, lower than the U.S. at 6.0% and New England at 5.7%.

## Economic Report of the Governor

### Energy

In calendar year 2019, the United States was the world's largest supplier of oil at 17.9% of the world's total. In 2017 Connecticut consumed 3.1 thousand BTU's per 2012 chained dollar of GDP, making it one of the most energy efficient states relative to output. Overall, Connecticut is 43.4% below the nation's per capita energy consumption and ranks 5<sup>th</sup> in energy efficiency per capita among the fifty states and District of Columbia. Connecticut's energy efficiency is likely due in part to the high relative price of energy in the state. In 2018 Connecticut's overall energy costs were 60.7% higher than the national average and its electricity prices were 74.0% higher than the national average.

### Export Sector

Exports play a crucial role in the economy. The U.S. trade deficit in 2019 was \$491.0 billion, up from \$449.7 billion in 2018. Total trade exports grew 41.6% from 2010 to 2019, while trade imports have grown 37.4% over the same period. Connecticut exports totaled \$16.2 billion and accounted for 5.6% of GSP in 2019. Over the past five years, Connecticut's exports have increased by an average of 2.3% per year. Transportation equipment, nonelectrical machinery and computer and electronic equipment are Connecticut's largest exporting industries and comprise 42.7% of exports in 2019.

### Defense Industry

Prime defense contracts tend to be a leading indicator of Connecticut's economic activity. In federal fiscal year (FFY) 2019, Connecticut contractors were awarded \$18.4 billion in defense related prime contracts, up 24.9% from the \$14.7 billion awarded in FFY 2018. However, as defense contract awards normally take several years to complete, the 3-year moving average is a better reflection of actual production activities. In FFY 2019, this average was \$14.9 billion.

### Retail Trade

Connecticut's retail trade in FY 2020 totaled \$62.3 billion, a 3.7% increase over FY 2019. Growth in durable sales declined by 1.3% in FY 2020 compared to a growth in non-durable sales of 5.8%. U.S. E-commerce sales continued their rapid growth, increasing an estimated 23.7% compared to a 1.0% decrease in traditional retail sales. Connecticut retail trade as a percentage of disposable income decreased to 25.9% in FY 2020 from 25.3% in FY 2019.

### Nonfinancial Debt

Total nonfinancial debt grew 184.6% between 2000 and 2019, far outpacing GDP growth of 104.0%. Federal indebtedness grew 365.9%, state and local government debt grew 158.3%, business debts grew 146.9% and household debts grew 120.6%. Connecticut's state government debt outstanding at the end of FY 2018 was \$40.3 billion, up from \$38.8 billion in FY 2017 and \$37.0 billion in FY 2016. Connecticut per capita state government debt was \$11,284 in FY 2018, far above the fifty state average of \$3,830 in FY 2018.

## **Economic Report of the Governor**

### **Gross State Product**

In FY 2019, Connecticut's real GSP declined by 2.3% over the prior year to \$244.5 billion in 2012 dollars, a larger decline compared to the U.S. and New England which saw experienced a decrease of 1.1% and 1.8% respectively. Per capita real GSP in Connecticut was 21.1% higher than that of the U.S.

### **Personal Income**

In FY 2020, real personal income in Connecticut increased 1.2%, compared to 3.6% growth in the U.S. and 3.2% growth in New England. In FY 2020, Connecticut possessed the highest per capita personal income in the nation at \$78,676, 34.9% higher than the national average.

### **Economic Forecast**

Connecticut's personal income is expected to increase 0.4% in FY 2022 and 3.4% in FY 2023 to \$288.5 and \$298.3 billion, respectively. Connecticut is projected to add 64,400 jobs in FY 2022 and 12,400 jobs in FY 2023, or a respective 4.0% and 0.7% growth. The unemployment rate is projected to improve significantly to 4.7% in FY 2022 and decrease slightly to 4.0% in FY 2023.



## Economic Report of the Governor

### GENERAL CHARACTERISTICS OF THE STATE OF CONNECTICUT

Connecticut is located in southern New England, bordered by Long Island Sound, New York, Massachusetts and Rhode Island. The state enjoys a favorable location within the region as rail, truck, air transport and ports provide easy access to local and regional markets in the United States, Canada, and even Europe and South America. About one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of Connecticut.

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

#### Demographics

The United States conducts a census every ten years as required by the Constitution. Since the 1970 census, growth in Connecticut and New England has been slower than the nation as a whole.

**TABLE 1**  
**CENSUS POPULATION COUNTS**  
**(In Thousands)**

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

Source: U.S. Bureau of the Census

Between 2000 and 2010, Connecticut's population grew by 4.9%. Growth in some of the state's smaller counties, including Middlesex, New London, Tolland, and Windham counties, outpaced the state as a whole.

## Economic Report of the Governor

**TABLE 2  
COUNTY POPULATION IN CONNECTICUT**

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

Source: U.S. Bureau of the Census

In FY 2020, Connecticut's population decreased slightly (by about 7,700 people) over the prior year for the seventh consecutive fiscal year. By comparison, population grew modestly in both New England and the nation as a whole. The following table shows population for the last ten fiscal years for each of the three geographical areas.

**TABLE 3  
POPULATION BY FISCAL YEAR  
(In Thousands)**

Fiscal Year	United States*		New England		Connecticut	
	Population	% Growth	Population	% Growth	Population	% Growth
2011	310,724.7	0.7	14,509.2	0.5	3,585.1	0.4
2012	313,025.2	0.7	14,570.7	0.4	3,592.7	0.2
2013	315,240.1	0.7	14,628.1	0.4	3,595.6	0.1
2014	317,504.5	0.7	14,686.0	0.4	3,595.7	0.0
2015	319,856.0	0.7	14,725.2	0.3	3,591.2	(0.1)
2016	322,207.9	0.7	14,754.1	0.2	3,583.1	(0.2)
2017	324,381.1	0.7	14,791.2	0.3	3,577.0	(0.2)
2018	326,216.7	0.6	14,827.3	0.2	3,574.8	(0.1)
2019	327,785.5	0.5	14,845.9	0.1	3,569.2	(0.2)
2020	329,101.0	0.4	14,854.5	0.1	3,561.5	(0.2)

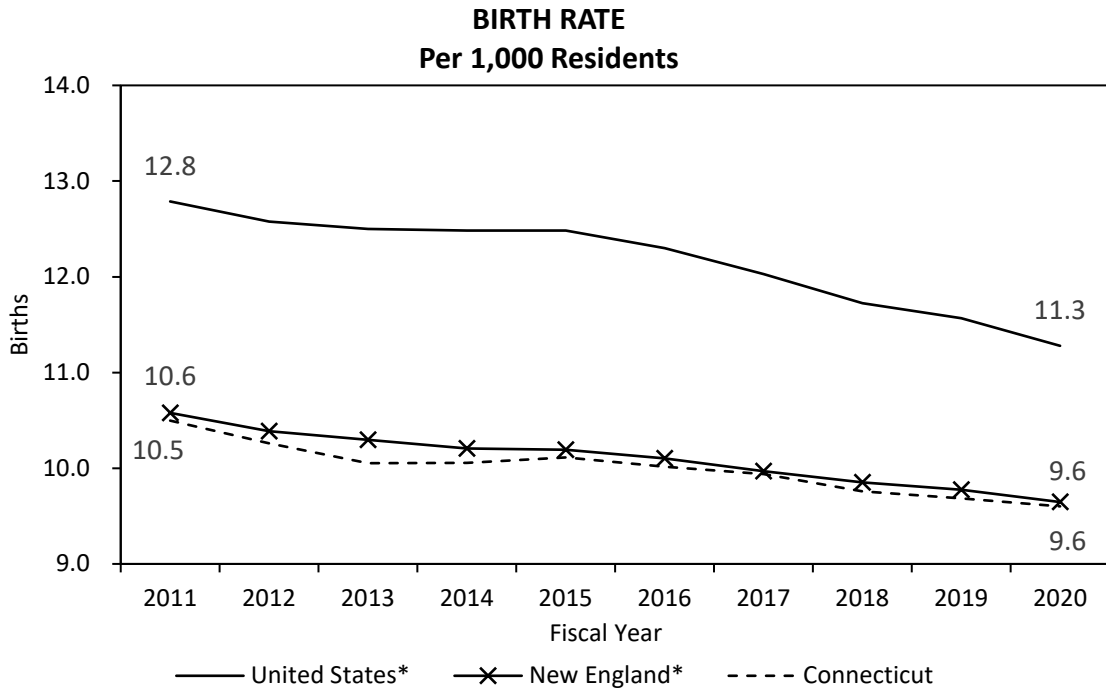
\*Includes armed forces overseas

Source: Bureau of the Census, IHS Economics

There are two drivers of change in a population. The first is natural change, calculated as births per 1,000 people less deaths per 1,000 people. The natural change in Connecticut was an estimated -0.3 per 1,000 people in FY 2020, down from 2.3 per 1,000 people in FY 2011. This represents a 114.5% decline in the natural change rate over that period. Births, in particular, have been reduced in the period following the

## Economic Report of the Governor

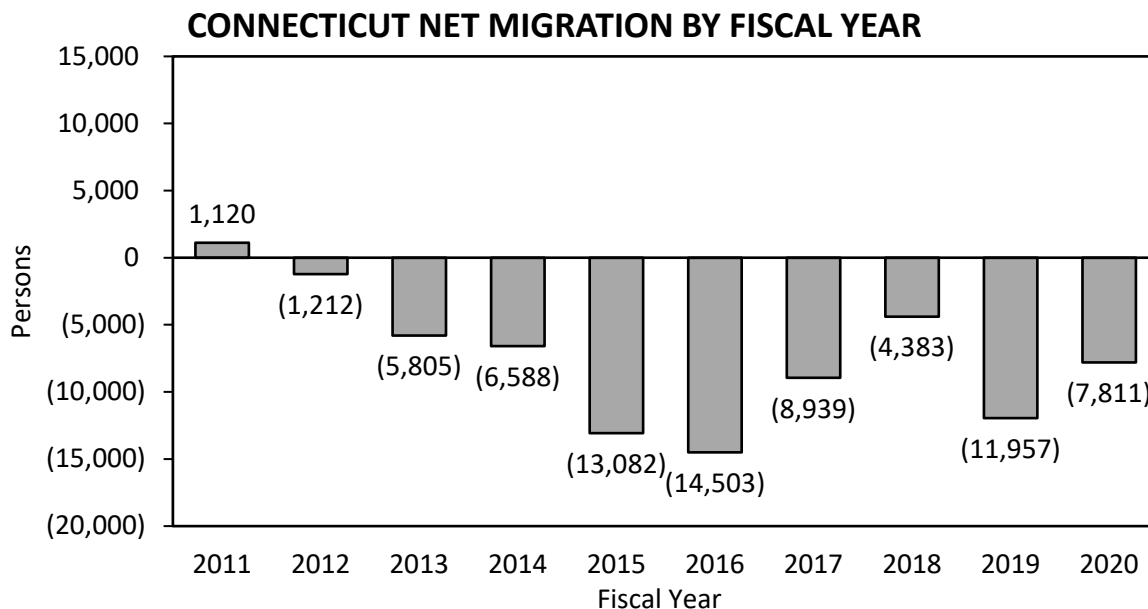
Great Recession. In Connecticut, there were 9.6 births per 1,000 people in FY 2020, down from 10.5 births per 1,000 people in FY 2011. This represents an 8.5% reduction in the birth rate in the state. The birth rate in Connecticut has been lower than both New England and the nation as a whole in every year since FY 2011. The following graph shows the rates of birth in the United States, New England, and Connecticut.



\*Sum of states' totals

Source: Bureau of the Census, IHS Markit

The second driver of population change is migration. Generally speaking, the domestic migratory pattern in the United States has been towards the South and West. At the same time, international migration has contributed to population growth in the nation. Over the past decade, Connecticut has experienced net outmigration. Over the prior seven fiscal years, outmigration was sufficient to cancel out any population growth from births, resulting in net population declines in those years. The following graph shows net outmigration for the state in each of the previous ten fiscal years.



Source: Bureau of the Census, IHS Markit

The pattern of outmigration that Connecticut has consistently seen over the last decade may be interrupted as a result of the COVID-19 pandemic as people left densely populated urban areas. According to change of address request data from the United States Postal Service (USPS), from January to October in 2019, Connecticut experienced a loss of residents totaling about 765 people. For the same period in 2020, USPS change of address requests show Connecticut gaining about 18,694 residents. Because of Connecticut’s proximity to New York and New York City, a majority of the new residents to the state have come from New York. From January to October in 2019, 6,862 New Yorkers moved to Connecticut compared to 24,046 that moved to Connecticut in 2020. These new residencies could be more of a permanent relocation rather than a short-term result of COVID-19 as home sales have also significantly increased this year than in prior years.

**Age Cohorts**

Connecticut tends to be older than the nation as a whole. In 2019, the Bureau of the Census reported the median age in Connecticut was 41.0 years, compared to 38.1 years nationally. In comparison to the rest of the 50 states, Maine had the oldest median age in 2019 at 44.7 years and Utah had the youngest median age at 30.8 years. Connecticut ranks 6<sup>th</sup> in the nation for the oldest median age where Maine, New Hampshire, and Vermont are the only Northeastern states that have an older median age population than Connecticut. An older population in the state has implications both for private economic activity and for demand for state government services. The following table summarizes the estimated population by age cohort during calendar year 2019 for Connecticut and the United States. Cohorts age 45 and older represent a larger portion of the population in Connecticut compared to the United States, as does the 15-24 age cohort. The 0-14 and 25-34 age cohorts represent a smaller portion of the population in Connecticut than the nation as a whole. In Connecticut, there is a particularly large population in the 45-54 age cohort. As this cohort ages out of the workforce, there will be significant change, challenges, and opportunities in the Connecticut economy.

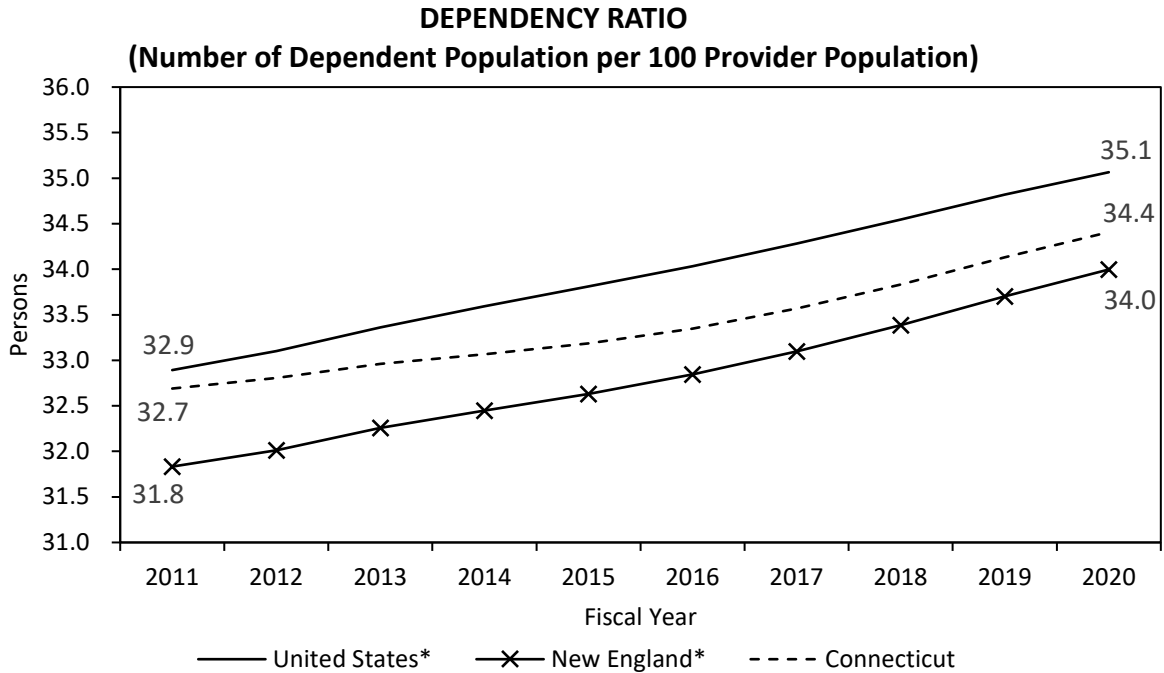
**Economic Report of the Governor**

When comparing the median age among all 169 towns in Connecticut for 2018, the town with the oldest median age was Salisbury at 57.7 years and the youngest median age was Mansfield at 21.1 years. Connecticut’s major cities have some of the youngest median ages of all the towns in the state. In 2018, New Haven had a median age of 30.6 years, Hartford at 31.5 years, Bridgeport at 33.8 years, and Waterbury and Stamford at 35.0 and 37.2 years, respectively.

**TABLE 4  
POPULATION BY AGE COHORT  
Calendar Year 2019 Population Estimates Program by U.S. Census Bureau**

<u>Age Cohort</u>	Connecticut		United States	
	<u>Population</u>	<u>% of Total</u>	<u>Population</u>	<u>% of Total</u>
0-14 Years	603,133	16.9	60,852,425	18.7
15-24 Years	488,846	13.7	43,223,294	13.3
25-34 Years	441,742	12.4	45,030,415	13.9
35-44 Years	424,739	11.9	40,978,831	12.6
45-54 Years	508,428	14.2	42,072,620	13.0
55-64 Years	507,133	14.2	41,756,414	12.9
65+ Years	<u>601,053</u>	<u>16.8</u>	<u>50,783,796</u>	<u>15.6</u>
Total	3,575,074	100.0	324,697,795	100.0

Source: Bureau of the Census



\*Based on sum of states’ population data  
Source: Bureau of the Census, IHS

## Economic Report of the Governor

The previous graph shows the dependency ratio for Connecticut, New England, and the United States over the previous ten fiscal years. The dependency rate is calculated as the number of dependent population per 100 provider population. "Dependent population" means either those age 14 or younger and those over the age of 65. "Provider population" means those aged 15 to 64. No consideration is made as to whether members of each group are currently participating in the labor force, a limit to this analysis. As the graph shows, the dependency rate in Connecticut has been below the nation each year since FY 2011. The dependency ratio in Connecticut was 34.4 persons per 100 provider population in FY 2020, compared to 35.1 in the United States and 34.0 in New England. The lower ratio in Connecticut is the result of a smaller proportion of those age 14 or younger in the state. While these individuals tend to consume many state services in the short run, they also represent the future provider population.

### Educational Attainment

One of Connecticut's greatest economic strengths is a highly educated and talented workforce. This workforce gives the state a competitive edge in areas such as professional services and advanced manufacturing. The following table summarizes the highest level of educational attainment during calendar year 2019 for Connecticut and the United States, according to the Bureau of the Census. Note that the proportion of those holding a bachelor's degree in Connecticut is 10.1% higher than the nation, while the proportion of those holding a graduate or professional degree is 41.1% higher than the nation.

**TABLE 5**  
**HIGHEST EDUCATIONAL ATTAINMENT, POPULATION 25 YEARS AND OVER**  
**Calendar Year 2019**

	<u>Connecticut*</u>	<u>United States*</u>	Connecticut as a % <u>of U.S.</u>
Less than high school	9.3%	12.0%	77.5%
High school diploma or equivalent	26.9%	27.0%	99.6%
Some college, no degree	16.8%	20.4%	82.4%
Associate's degree	7.7%	8.5%	90.6%
Bachelor's degree	21.8%	19.8%	110.1%
Graduate or professional degree	17.5%	12.4%	141.1%

\*Note, columns may not add to 100.0% due to rounding

Source: Bureau of the Census

## Economic Report of the Governor

### Households

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

The number of households in Connecticut in FY 2020 was an estimated 1,382,096, down 0.5% from FY 2019. This continues the consistent trend over the ten previous fiscal years as Connecticut has experienced relatively flat or declining population that has affected economic growth. The previous years with upticks in growth may reflect the long-term trend toward smaller household size. Family households include a householder and one or more other persons living in the same household who are related by birth, marriage or adoption. Non-family households include a householder living alone or with non-relatives.

**TABLE 6**  
**HOUSEHOLDS**  
**(In Thousands)**

Fiscal Year	United States*		New England		Connecticut	
	<u>Households</u>	<u>% Growth</u>	<u>Households</u>	<u>% Growth</u>	<u>Households</u>	<u>% Growth</u>
2011	117,108.6	0.4	5,682.2	0.4	1,366.1	(0.3)
2012	117,879.1	0.7	5,693.0	0.2	1,367.2	0.1
2013	118,446.6	0.5	5,680.0	(0.2)	1,358.3	(0.7)
2014	119,171.1	0.6	5,695.8	0.3	1,361.5	0.2
2015	120,126.7	0.8	5,702.4	0.1	1,359.9	(0.1)
2016	120,899.0	0.6	5,721.2	0.3	1,363.9	0.3
2017	121,898.6	0.8	5,761.3	0.7	1,368.6	0.3
2018	123,241.1	1.1	5,812.9	0.9	1,381.8	1.0
2019	124,578.6	1.1	5,860.2	0.8	1,389.2	0.5
2020	125,095.8	0.4	5,856.4	(0.1)	1,382.1	(0.5)

\*Sum of states' data

Source: Bureau of the Census, IHS Markit

## Economic Report of the Governor

### Housing

Housing plays an integral role in our nation's economy. According to analysis by the National Association of Home Builders, the housing sector was about 15.1% of national gross domestic product (GDP) in FY 2020. Housing starts, or the number of housing units on which construction has begun, reached a nadir in FY 2011. This dramatic decline in the aftermath of the 2008 Great Recession negatively impacted homebuilders and contributed to the high unemployment rate nationwide. While starts have rebounded in recent years, growth in New England and Connecticut have been slower and more uneven than the nation as a whole for most of the last ten fiscal years. Between 2011 and 2020, starts grew at an annual rate of 9.8% in the United States, versus 5.3% in New England and 5.9% in Connecticut. Starts have increased in Connecticut over the prior year in FY 2020 by 23.9% compared to starts in New England and the United States increasing by 0.9% and 8.3%, respectively. The decreases in housing starts in Connecticut in FY 2017 and FY 2018, shown in the table below, were driven entirely by a decline in starts of multi-family units.

**TABLE 7**  
**HOUSING STARTS**  
**(In Thousands)**

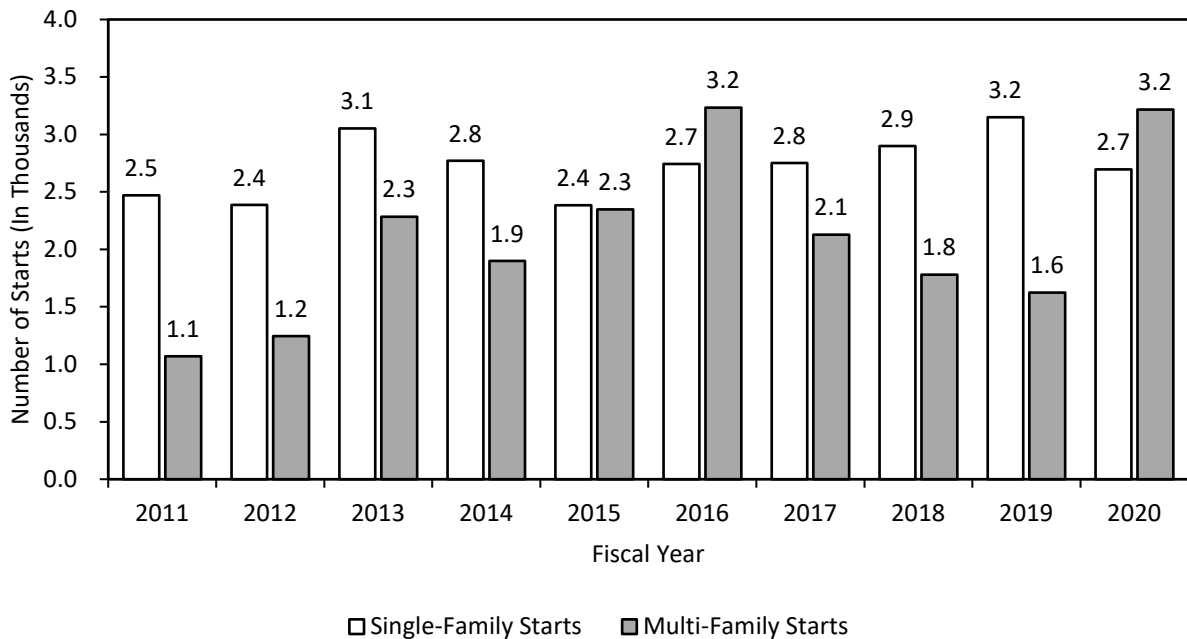
<u>Fiscal</u> <u>Year</u>	<u>United States</u>		<u>New England</u>		<u>Connecticut</u>	
	<u>Number</u>	<u>% Growth</u>	<u>Number</u>	<u>% Growth</u>	<u>Number</u>	<u>% Growth</u>
2011	569.7	(4.1)	18.7	(3.9)	3.5	(8.2)
2012	684.4	20.1	20.3	8.1	3.6	2.6
2013	877.4	28.2	24.4	20.7	5.3	46.9
2014	953.1	8.6	26.3	7.8	4.7	(12.5)
2015	1,053.8	10.6	26.6	1.0	4.7	1.4
2016	1,148.8	9.0	32.7	22.9	6.0	26.2
2017	1,200.0	4.5	32.1	(1.8)	4.9	(18.3)
2018	1,252.4	4.4	32.6	1.7	4.7	(4.1)
2019	1,219.3	(2.6)	29.6	(9.3)	4.8	2.0
2020	1,320.9	8.3	29.9	0.9	5.9	23.9

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

In Connecticut, the mix of starts has been significantly different than it was prior to the 2008 Great Recession. In FY 2016, starts in multi-family housing units actually exceeded those for single-family units and reached a record high. Since then, multi-family starts have decreased year over year as single-family starts have increased—until the COVID-19 pandemic reached the United States in FY 2020. The trend completely reversed in FY 2020 as starts of single-family homes decreased, multi-family starts increased, and similar to FY 2016, the number of starts of multi-family homes surpassed those of single-family homes. The trend in the last four years may have been driven by demographic changes and shifting preferences in the state. As the size of the average household has decreased and the Connecticut population has aged, demand for smaller and more affordable housing units has increased. The following graph shows both single- and multi-family housing starts in Connecticut by fiscal year.



**CONNECTICUT SINGLE-FAMILY AND MULTI-FAMILY STARTS  
(In Thousands)**



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

**Household Formations**

Given that housing starts were low through the 2008 recession, it is no surprise that household formation has also been depressed. New households may be formed when children move out of their family’s home, individuals live singly after previously sharing a residence, or couples separate. Households are reduced when young people move back home with their parents or individuals pass away. The number of households is also impacted by both in- and out-migration. Connecticut has been a net out-migration state in recent years. While the number of households in the United States has grown modestly over the last decade, the number of households in Connecticut has remained relatively flat until FY 2018 when they grew by 1.0%. In FY 2019 and FY 2020, the United States saw increases of 0.8% and 0.3%, respectively, whereas Connecticut grew by 0.5% in FY 2019, but then fell by 0.5% in FY 2020. Since FY 2011, household formations in Connecticut have grown by approximately 16,000. In comparison to the United States, the annual growth rate from FY 2011 to FY 2020 was 0.1% for Connecticut and 0.8% for the United States. The following table summarizes household formation data for both the United States and Connecticut.

## Economic Report of the Governor

**TABLE 8**  
**U.S. HOUSEHOLD FORMATIONS**  
**(In Thousands)**

Fiscal Year	United States Total Households	Change in Households from Previous Year	Connecticut Total Households	Change in Households from Previous Year
2011	117,702	0.9%	1,366	-0.3%
2012	118,855	1.0%	1,367	0.1%
2013	120,139	1.1%	1,358	-0.7%
2014	121,104	0.8%	1,362	0.2%
2015	122,331	1.0%	1,360	-0.1%
2016	123,530	1.0%	1,364	0.3%
2017	124,150	0.5%	1,369	0.3%
2018	125,305	0.9%	1,382	1.0%
2019	126,319	0.8%	1,389	0.5%
2020	126,658	0.3%	1,382	-0.5%

Source: U.S. Bureau of the Census, IHS Markit

### Median Sales Price of Housing

Median sales price is the midpoint price at which half of the sales are above and half below the price. In FY 2020, the median sales price for existing homes in the nation was 65.7% above its FY 2011 level, while in Connecticut the median sales price is above its FY 2011 level by 8.0%. Historically, the median price of an existing family home has been much higher in Connecticut than in the nation. That gap has closed considerably over the past decade. In FY 2020, the median price of a home in Connecticut was 4.4% higher than the national average. The following table summarizes data on the median sale price for existing single-family homes.

The U.S. housing affordability index increased to 171.0 in FY 2020. To interpret the housing affordability index, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home, assuming a 20% down payment. A value above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home. The affordability index continues to remain above the 100 benchmark. The following table summarizes the affordability index over the previous ten fiscal years.

Economic Report of the Governor

**TABLE 9**  
**MEDIAN SALES PRICE OF EXISTING HOMES IN CONNECTICUT AND THE UNITED STATES**  
**(By Fiscal Year)**

Fiscal Year	Median Price U.S.	% Change	Median Price CT	% Change	CT as a % of U.S.	U.S. Affordability Index
2011	\$169,033	(2.2)	\$270,691	(3.4)	160.1	178.1
2012	\$167,975	(0.6)	\$262,057	(3.2)	156.0	191.6
2013	\$185,758	10.6	\$262,082	0.0	141.1	193.7
2014	\$201,750	8.6	\$264,704	1.0	131.2	165.4
2015	\$214,908	6.5	\$265,418	0.3	123.5	167.3
2016	\$227,267	5.8	\$267,469	0.8	117.7	165.7
2017	\$241,058	6.1	\$270,817	1.3	112.3	163.4
2018	\$253,967	5.4	\$278,721	2.9	109.7	155.0
2019	\$264,717	4.2	\$284,704	2.1	107.6	150.3
2020	\$280,158	5.8	\$292,363	2.7	104.4	171.0
'11-'20 Change	\$111,125	65.7	\$21,672	8.0		
'11-'20 CAGR*		5.8		0.9		

\*Compound Annual Growth Rate

Source: National Association of Realtors, Federal Housing Finance Agency, IHS Economics

**Housing Finance**

In FY 2020, thirty-year fixed mortgage rates averaged 3.53%, down from 4.43% in FY 2019, and the lowest level since FY 2013 which also averaged 3.53%. Low interest rates and sluggish home sales have put downward pressure on mortgage rates during the housing market collapse and recent recovery. The low interest rates seen in FY 2020 may help increase home sales in future fiscal years should the rates remain historically low.

**TABLE 10**  
**30 YEAR FIXED-RATE MORTGAGES**

Fiscal Year	Average Rate	% Change	Fiscal Year	Average Rate	% Change
2011	4.59	(8.1)	2016	3.80	(3.0)
2012	4.01	(12.7)	2017	3.86	1.6
2013	3.53	(12.1)	2018	4.15	7.8
2014	4.33	22.9	2019	4.43	6.6
2015	3.91	(9.7)	2020	3.53	(20.3)

Source: Freddie Mac

## Economic Report of the Governor

Delinquency rates on mortgages have decreased in recent years, following a turbulent period in the aftermath of the 2007 housing bust. According to economic data from the Federal Reserve, the delinquency rate on single family residential mortgages was 2.4% in FY 2020, its lowest level since FY 2007.

### Total Home Sales

Total home sales have not returned to levels experienced prior to the housing crisis, both in Connecticut and the nation. Causes may include deferred household formations, stricter lending standards, decreased speculation, and a trend toward renting instead of owning. The following table shows home sales for Connecticut, New England, and the United States by state fiscal year. Total home sales in Connecticut decreased in FY 2020 by 7.1%. Home sales in FY 2017 were Connecticut's highest level since FY 2007 at approximately 44,300 sales. Total home sales also decreased in both New England and the United States, by 5.4% and 1.3%, respectively in FY 2020. As the COVID-19 pandemic hit the nation in early 2020, the combination of mortgage interest rates dropping significantly, people moving to the suburbs from densely populated areas, and widespread adoption of remote working policies all may contribute to a substantial increase in home sales in Connecticut in FY 2021. The housing market thrived from late spring well into the autumn months of 2020. With social distancing and other limited physical person-to-person contact as a result of the pandemic, it is expected that many home sales were not finalized and recorded until the beginning of FY 2021.

**TABLE 11**  
**TOTAL HOME SALES**  
**(In Thousands)**

Fiscal Year	United States*		New England		Connecticut	
	Number	% Change	Number	% Change	Number	% Change
2011	4,039.2	(12.5)	158.7	(14.3)	33.1	(15.9)
2012	4,431.7	9.7	166.3	4.8	34.4	3.9
2013	4,924.2	11.1	186.3	12.0	39.6	15.3
2014	4,950.8	0.5	188.4	1.1	39.3	(0.9)
2015	5,098.3	3.0	192.0	1.9	39.2	(0.3)
2016	5,343.3	4.8	212.6	10.7	43.0	9.8
2017	5,516.7	3.2	218.8	2.9	44.3	3.0
2018	5,475.8	(0.7)	207.0	(5.4)	41.9	(5.4)
2019	5,226.7	(4.6)	199.6	(3.6)	41.9	(0.1)
2020	5,156.7	(1.3)	188.9	(5.4)	38.9	(7.1)

\* Sum of States' Home Sales

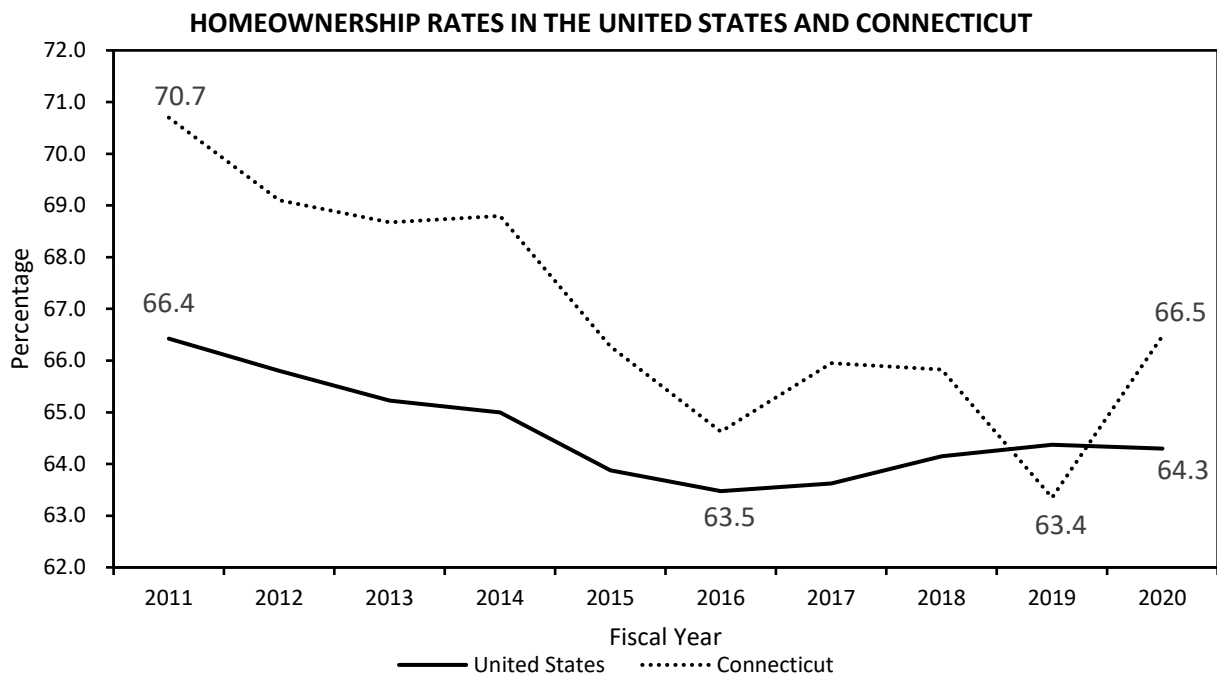
Source: National Association of Realtors, IHS

### Homeownership and Home Equity

Homeownership experienced a long-term decline in the years following the housing crisis. This may be attributable to a number of factors, including weak economic growth, stricter lending standards, and millennials deferring their first home purchase. Since reaching a low in FY 2016, homeownership rates

## Economic Report of the Governor

have been gradually rising in the United States until declining by -0.1% in FY 2020. Connecticut was following a trend similar to the nation where a low point was registered in FY 2016, but as the nation’s homeownership rates increased over the next few fiscal years, Connecticut had a mix of increases and declines. Connecticut experienced a new low point in FY 2019 with a homeownership rate of 63.4%. The state then recorded its greatest year-over-year increase in homeownership rates in FY 2020 over the last 15 fiscal years. In FY 2019, the homeownership rate in Connecticut was 63.4% compared to 64.3% in FY 2020. The following graph shows homeownership rates in FY 2011 through FY 2020. Historically, Connecticut has had higher homeownership rates than the national average. In FY 2019, the homeownership rate in Connecticut fell below the national homeownership rate where the United States saw a homeownership rate of 64.4% compared to 63.4% in Connecticut. The historical trend continued in FY 2020 where Connecticut, again, registered homeownership rates greater than the nation.



Source: U.S. Census Bureau

While the rate of homeownership has declined in the last decade, the home equity rate has increased. Nationally, owners’ equity in their homes has increased from 46.4% in FY 2011 to 65.1% in FY 2020. Two factors have pushed owners’ equity higher over the last decade. First, home values have nominally recovered from the housing bust. The Case-Shiller Home Price Index, which measures home values using data on sales prices of single-family homes, exceeded its previous peak in September of 2016. At the same time, the same economic and regulatory forces that have reduced homeownership have also reduced the overall indebtedness resulting from home mortgages. The following table summarizes owners’ equity data from the Federal Reserve.

## Economic Report of the Governor

**TABLE 12**  
**OWNERS' EQUITY AS A PERCENTAGE OF**  
**HOUSEHOLD REAL ESTATE**  
**(In Billions)**

<u>Fiscal</u> <u>Year</u>	<u>Home</u> <u>Values*</u>	<u>Home</u> <u>Mortgages*</u>	<u>Home</u> <u>Equity</u>
2011	\$18,640.6	\$9,999.3	46.4%
2012	18,100.9	9,746.8	46.2%
2013	18,832.3	9,518.2	49.5%
2014	20,487.0	9,416.3	54.0%
2015	21,893.6	9,376.9	57.2%
2016	23,407.2	9,485.1	59.5%
2017	25,181.7	9,687.0	61.5%
2018	26,963.7	9,951.5	63.1%
2019	28,684.1	10,230.8	64.3%
2020	30,162.2	10,518.4	65.1%

Source: Federal Reserve "Flow of Funds" Table B.101

\*In Nominal Dollars

**EMPLOYMENT PROFILE**

**Employment Estimates**

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

Fiscal Year 2020 was a unique year for employment in Connecticut and the nation. The COVID-19 pandemic led governors across the country to lockdown their state's, restrict travel, and significantly curtail social interaction (i.e. sporting events, concerts, etc.). This resulted in massive downturns in employment over a short period of time. Connecticut experienced over 291,000 job losses from February through April, the peak of the pandemic in the northeast region, after government restrictions were put in place. Employment has rebounded and as of November 30, 2020 a total of 159,000 jobs have been recovered. As of February 2021, the pandemic is still a lingering problem and is expected to curb employment growth in FY 2021.

To provide a broader employment picture, the following table, based on residential employment, was developed. Total residential employment is estimated based on household surveys which include individuals excluded from establishment employment figures such as self-employed and workers in the agricultural sector. By this measure, residential employment in FY 2020 decreased by 31,800 jobs compared to the prior year. Likewise, the level of establishment employment based on the employer survey response decreased by 58,600 jobs in FY 2020.

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

## Economic Report of the Governor

**TABLE 13**  
**CONNECTICUT SURVEY EMPLOYMENT COMPARISONS**  
**(In Thousands)**

Fiscal <u>Year</u>	Residential <u>Employment</u>	<u>% Growth</u>	Establishment <u>Employment</u>	<u>% Growth</u>
2011	1,743.8	0.62	1,622.7	0.79
2012	1,742.6	(0.07)	1,635.5	0.79
2013	1,717.2	(1.46)	1,648.5	0.79
2014	1,736.7	1.14	1,659.4	0.66
2015	1,781.2	2.56	1,673.7	0.86
2016	1,780.9	(0.01)	1,681.8	0.49
2017	1,807.9	1.51	1,685.9	0.24
2018	1,807.4	(0.03)	1,687.3	0.08
2019	1,832.5	1.39	1,689.3	0.12
2020	1,800.7	(1.74)	1,630.7	(3.47)

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

### **Nonagricultural Employment**

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

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



Economic Report of the Governor

**TABLE 14**  
**NONAGRICULTURAL EMPLOYMENT**  
**(In Thousands)**

Fiscal Year	United States		New England		Connecticut	
	Number	% Growth	Number	% Growth	Number	% Growth
2011	131,151	0.87	6,839	0.78	1,623	0.79
2012	133,183	1.55	6,916	1.14	1,635	0.79
2013	135,420	1.68	6,997	1.16	1,648	0.79
2014	137,870	1.81	7,085	1.26	1,659	0.66
2015	140,747	2.09	7,193	1.53	1,674	0.86
2016	143,467	1.93	7,294	1.40	1,682	0.49
2017	145,681	1.54	7,378	1.15	1,686	0.24
2018	147,757	1.42	7,439	0.83	1,687	0.08
2019	149,951	1.49	7,497	0.78	1,689	0.12
2020	146,848	(2.07)	7,238	(3.47)	1,631	(3.47)

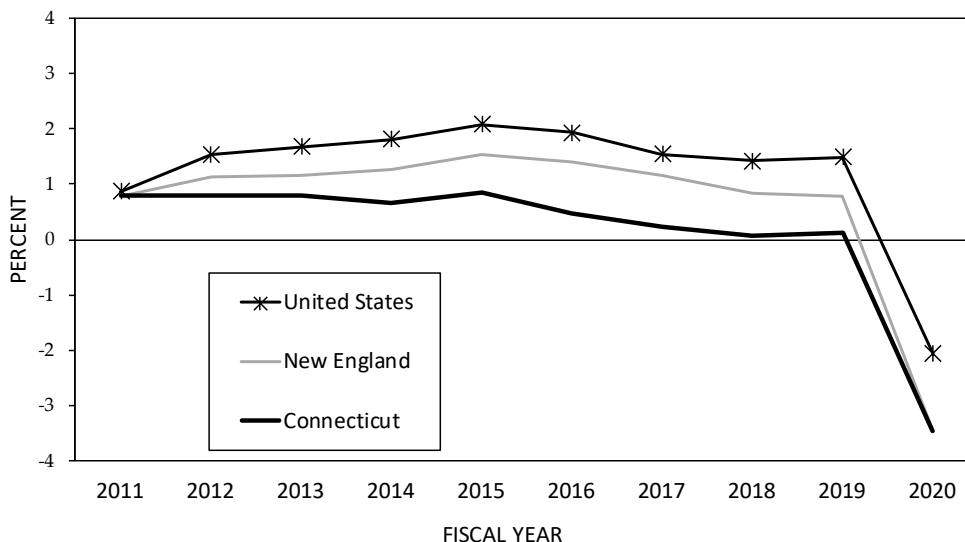
Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department, IHS Economics

In Connecticut, approximately 44% 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 economies. These factors make nonagricultural employment figures a valuable indicator of economic activity.

Connecticut experienced positive growth in nonagricultural employment from FY 2004 through FY 2008. After reaching a peak in FY 2008, Connecticut lost approximately 100,000 nonagricultural jobs due to the Great Recession. As of FY 2019 Connecticut had regained approximately 79,400 nonagricultural jobs. FY 2020 saw a reversal of positive employment growth with a loss of 58,600 jobs in a single fiscal year. This loss in employment is directly related to the COVID-19 pandemic which resulted in government mandated shutdowns and significant employment losses. The following chart provides a graphic presentation of the growth rates in nonagricultural employment for the state, New England region and nation over a ten fiscal year period and clearly shows the impact of the COVID-19 pandemic.

Economic Report of the Governor

**NONAGRICULTURAL EMPLOYMENT  
PERCENT GROWTH BY FISCAL YEAR**



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

The following table shows employment growth rates for the United States and the State of Connecticut over six decades beginning in state FY 1950. This table highlights the robust growth of nonagricultural employment for Connecticut prior to 1990 juxtaposed against the modest 2.3% growth between 1990 and 2000 and the negative 4.5% growth during the 2000-2010 time period which was significantly impacted by the Great Recession. U.S. growth was negative in the 2000-2010 period for the first time in five decades with a 0.5% decline. Since 2010, employment growth has increased for both the United States and Connecticut by 13.0% and 1.2% respectively.

**TABLE 15  
NONAGRICULTURAL EMPLOYMENT  
LONG-TERM GROWTH RATES  
(Not Seasonally Adjusted)**

Fiscal Year	Growth Rates		Cumulative Growth Rates	
	United States	Connecticut	United States	Connecticut
1950-1960	23.4%	24.6%	23.4%	24.6%
1960-1970	31.6%	31.9%	62.4%	64.4%
1970-1980	27.3%	17.8%	106.7%	93.6%
1980-1990	20.4%	16.3%	148.8%	125.2%
1990-2000	20.0%	2.3%	198.7%	130.3%
2000-2010	(0.5%)	(4.5%)	197.3%	119.9%
2010-2020	13.0%	1.2%	235.9%	122.5%

Source: U.S. Bureau of Labor Statistics

Throughout the last two decades, while manufacturing employment in Connecticut has been steadily declining, employment growth in nonmanufacturing industries has surged. Relatively rapid growth in the

## Economic Report of the Governor

nonmanufacturing sector is a trend that is evident nationwide and reflects the increasing 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 FY 2020, approximately 90% of the state’s workforce was employed in nonmanufacturing jobs, up from roughly 50% in the early 1950s.

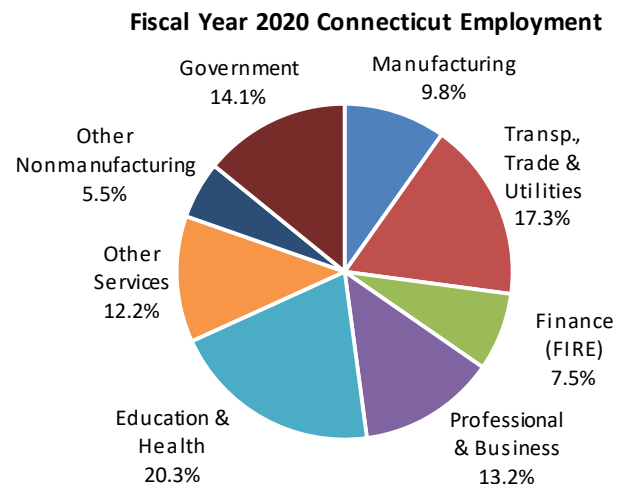
The following table depicts the decrease in the ratio of manufacturing employment to total employment in Connecticut over the last six decades.

**TABLE 16**  
**CONNECTICUT RATIO OF MANUFACTURING EMPLOYMENT**  
**TO TOTAL EMPLOYMENT**  
**(In Thousands)**

<u>Fiscal Year</u>	<u>Total Employment</u>	<u>Manufacturing Employment</u>	<u>NonMfg. Employment</u>	<u>Mfg. Employment as a Percentage of Total Employment</u>
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	1,561.3	250.6	1,310.7	16.0
2000	1,686.7	235.3	1,451.4	14.0
2005	1,663.1	194.3	1,468.7	11.7
2010	1,610.0	163.4	1,446.6	10.1
2020	1,630.7	159.9	1,470.9	9.8

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

The chart on the right provides a breakdown of Connecticut employment in FY 2020. As is evident, Connecticut employment is highly concentrated in nonmanufacturing employment sectors with only 9.8% of Connecticut laborers employed in the manufacturing sector. The services sector, which includes the professional and business, education and health, government, finance, and leisure and hospitality segments (included in Other Services), is clearly the leading sector with 67.4% of those working employed in that classification.



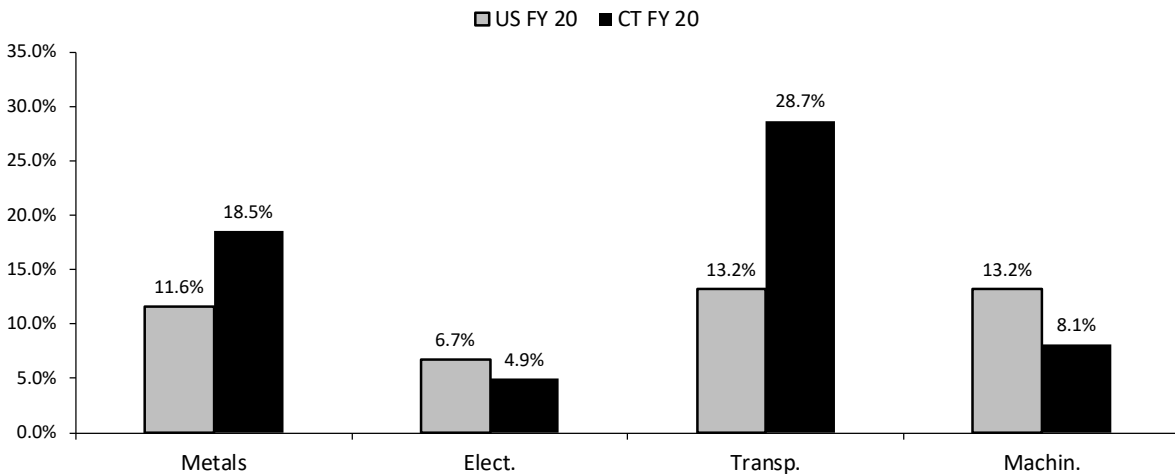
## Economic Report of the Governor

### Manufacturing Employment

Even with declines in overall manufacturing employment, the ratio of manufacturing employment to total employment still defines Connecticut as one of the major manufacturing and industrial states in the country. Within this broad definition, the manufacturing sector can be further broken down into several major components.

Over the last decade the state's distribution of manufacturing employment has changed slightly. Defense expenditures have enhanced the transportation equipment sector as evidenced by the percentage of total state manufacturing employment in that sector at 25.8% in FY 2011 and 28.7% in FY 2020. Employment in the fabricated metals sector as a percent of total state manufacturing has remained stable over the past decade at approximately 17.4% in FY 2011 and 18.5% in FY 2020. The other major manufacturing sectors, industrial machinery, and electrical equipment and appliances make up approximately 8.1% and 4.9% of the total manufacturing sector respectively in FY 2020. The distribution of employment figures within the manufacturing sector highlights that Connecticut manufacturing is diversified, but has a greater reliance on the metals and transportation equipment sectors.

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



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

In FY 2020, manufacturing employment in the state of Connecticut saw a decline after three annual increases in FY 2017, FY 2018 and FY 2019. The United States also saw a decline in FY 2020, likely a consequence of the COVID-19 pandemic, with a decline of 1.71%.

Economic Report of the Governor

**TABLE 17**  
**MANUFACTURING EMPLOYMENT**  
**(In Thousands)**

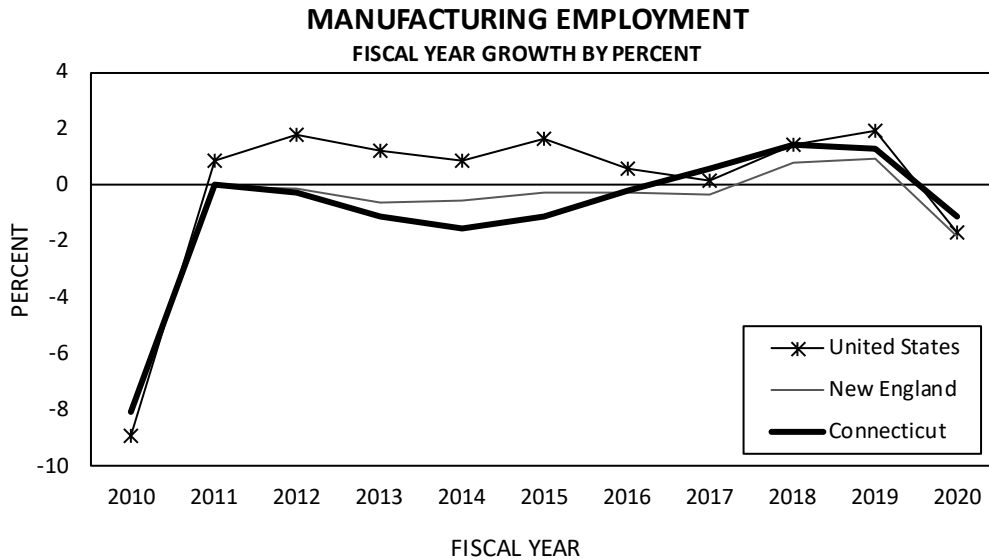
Fiscal Year	United States		New England		Connecticut	
	Number	% Growth	Number	% Growth	Number	% Growth
2011	11,626.1	0.85	601.8	(0.07)	163.4	0.01
2012	11,833.8	1.79	600.9	(0.15)	162.9	(0.28)
2013	11,977.6	1.21	597.3	(0.61)	161.1	(1.12)
2014	12,083.8	0.89	594.0	(0.55)	158.6	(1.56)
2015	12,279.0	1.62	592.4	(0.26)	156.9	(1.09)
2016	12,354.3	0.61	591.0	(0.24)	156.6	(0.20)
2017	12,373.4	0.15	588.9	(0.35)	157.4	0.56
2018	12,552.4	1.45	593.4	0.77	159.7	1.41
2019	12,791.3	1.90	599.1	0.96	161.7	1.26
2020	12,572.5	(1.71)	588.0	(1.86)	159.9	(1.12)

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

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

The erosion of the state's manufacturing base reflects the national trend away from traditional industries, both durable and nondurable. More of U.S. demand is being satisfied by foreign producers who can manufacture goods more cheaply. The upward trend of higher productivity has enabled Connecticut manufacturers to make more with fewer workers. Even with the structural change, manufacturing employment in Connecticut still accounts for 9.8% of all nonfarm payroll jobs, compared with 8.6% in the U.S. and 8.1% in New England through FY 2020. The following table provides a breakdown of the state's manufacturing employment by industry and indicates percentage changes for the year and for a ten-year period for each of the manufacturing sectors.

Economic Report of the Governor



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

Manufacturing employment declined in FY 2020 over FY 2011 despite seeing growth in three sectors: chemicals, transportation equipment, and fabricated metals over the past ten-year period. The largest growth was in transportation equipment at 10.6%, followed by fabricated metal production at 5.5%. These gains could not offset reductions in employment in electrical equipment and appliances which dropped 23.5 percent, chemicals which dropped 17.0%, printing and related support which dropped 12.0%, and industrial machinery which dropped 11.7%. All other manufacturing saw declines of 6.1% compared to the FY 2011. The percent change from FY 2011 to 2020 demonstrates the overall decline in manufacturing employment over the last decade which has been exacerbated by the COVID-19 pandemic.

**TABLE 18**  
**CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY**  
**(In Thousands)**

Industry	FY <u>2011</u>	FY <u>2019</u>	FY <u>2020</u>	Percent Change	
				FY 2019 to FY 2020	FY 2011 to FY 2020
Transportation Equipment	42.1	46.4	46.6	0.5	10.6
Fabricated Metal Production	28.4	29.9	30.0	0.3	5.5
Electrical Equipment & Appl.	9.9	8.0	7.6	(5.4)	(23.5)
Chemicals	9.6	7.9	8.0	1.2	(17.0)
Printing & Related Support	5.7	5.2	5.0	(3.0)	(12.0)
Industrial Machinery	14.9	13.1	13.1	0.1	(11.7)
All Other	<u>52.8</u>	<u>51.3</u>	<u>49.6</u>	(3.3)	(6.1)
Total Mfg. Employment	163.4	161.7	159.9	(1.1)	(2.2)

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

## Economic Report of the Governor

### Nonmanufacturing Employment

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

Nonmanufacturing employment lost approximately 56,800 positions and decreased by approximately 3.7% from FY 2019 to 2020. This decline was due in large part to a downturn in the services sector which fell by 4.6% (35,600 job losses). The leisure and hospitality sector saw the most significant contraction with a decline of 12.78% over FY 2019, a consequence of COVID-19 pandemic lockdowns and travel restrictions. The transportation and warehousing sector experienced the largest percentage growth from FY 2011 to 2020 with a 35.0% gain during that period and was largely unaffected by pandemic related lockdowns.

Over the last ten years the state has seen significant shifts within nonmanufacturing employment. Finance and insurance, once a reliable growing employment sector, has declined 9.55% since FY 2011, a loss of 12,900 jobs, and shows no signs of improvement. The government sector also has experienced a significant contraction over the last ten years, losing more than 18,000 jobs over that period. Connecticut state and local employment includes casino employees who work for the state's two tribal governments. On the opposite end of the spectrum, the transportation and warehousing sector has experienced substantial growth with nearly 13,800 jobs added.

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

## Economic Report of the Governor

**TABLE 19**  
**CONNECTICUT NONMANUFACTURING EMPLOYMENT BY INDUSTRY**  
(In Thousands)

<u>Industry</u>	<u>FY</u> <u>2011</u>	<u>FY</u> <u>2019</u>	<u>FY</u> <u>2020</u>	<u>Percent Change</u>	
				<u>FY 2019 to</u> <u>FY 2020</u>	<u>FY 2011 to</u> <u>FY 2020</u>
Construction & Mining	51.4	60.3	58.9	(2.36)	14.64
Information	31.7	31.5	30.9	(1.90)	(2.47)
<b>Transp., Trade &amp; Utilities</b>	<b>287.3</b>	<b>294.1</b>	<b>282.5</b>	<b>(3.96)</b>	<b>(1.70)</b>
Transpo & Warehousing	39.3	50.2	53.1	5.86	35.02
Utilities	6.2	5.2	5.1	(0.96)	(17.97)
Wholesale	62.1	60.5	58.8	(2.92)	(5.41)
Retail	179.6	178.2	165.5	(7.16)	(7.89)
<b>Finance (FIRE)</b>	<b>135.5</b>	<b>124.4</b>	<b>122.6</b>	<b>(1.47)</b>	<b>(9.55)</b>
Finance & Insurance	116.7	104.4	102.7	(1.67)	(12.03)
Real Estate	18.8	20.0	19.9	(0.46)	5.85
<b>Services</b>	<b>704.9</b>	<b>781.1</b>	<b>745.5</b>	<b>(4.56)</b>	<b>5.76</b>
Professional & Business	198.2	220.2	215.9	(1.93)	8.94
Education & Health	310.8	336.9	331.4	(1.63)	6.65
Leisure & Hospitality	135.3	158.4	138.2	(12.78)	2.09
All Other Services	60.6	65.6	60.0	(8.52)	(0.94)
<b>Government</b>	<b>248.5</b>	<b>236.3</b>	<b>230.5</b>	<b>(2.42)</b>	<b>(7.22)</b>
Federal	18.3	18.1	18.3	1.52	0.05
State & Local	230.1	218.2	212.2	(2.75)	(7.80)
<b>Total Nonmanufacturing</b>	<b>1,459.3</b>	<b>1,527.7</b>	<b>1,470.9</b>	<b>(3.72)</b>	<b>0.80</b>

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

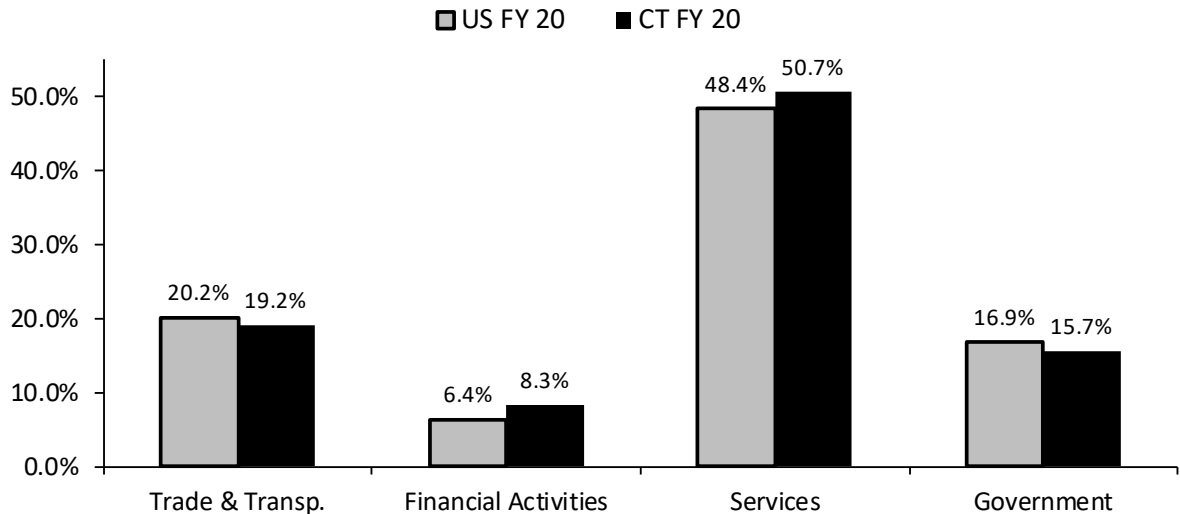
Source: U.S. Department of Commerce, Bureau of Economic Analysis, IHS Economics



## Economic Report of the Governor

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

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



Source: U.S. Bureau of Labor Statistics, IHS Economics

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

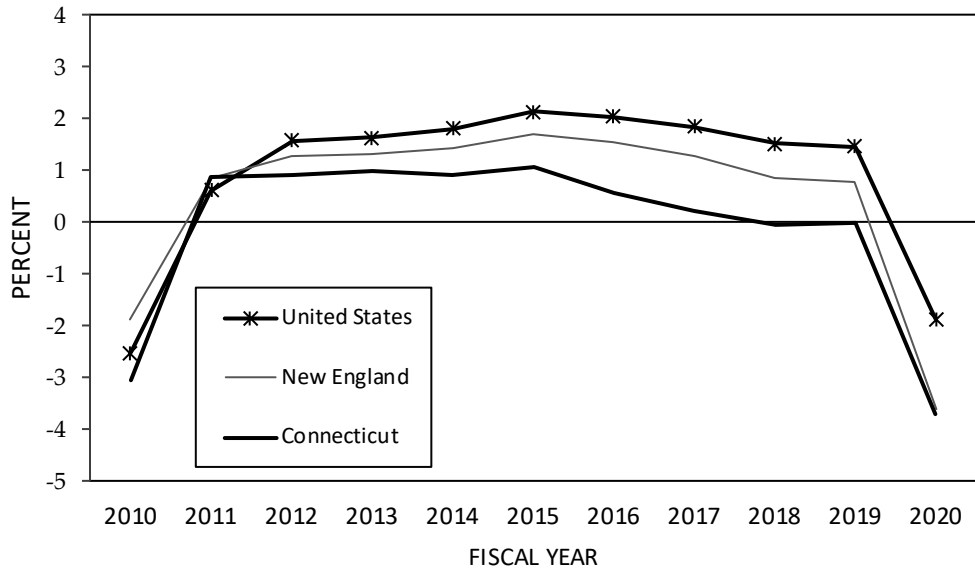
**TABLE 20  
NONMANUFACTURING EMPLOYMENT  
(In Thousands)**

Fiscal Year	United States		New England		Connecticut	
	Number	% Growth	Number	% Growth	Number	% Growth
2011	119,360	0.6	6,237	0.9	1,459	0.9
2012	121,243	1.6	6,316	1.3	1,473	0.9
2013	123,215	1.6	6,399	1.3	1,487	1.0
2014	125,451	1.8	6,491	1.4	1,501	0.9
2015	128,132	2.1	6,601	1.7	1,517	1.1
2016	130,736	2.0	6,703	1.5	1,525	0.6
2017	133,137	1.8	6,789	1.3	1,528	0.2
2018	135,172	1.5	6,846	0.8	1,528	(0.1)
2019	137,135	1.5	6,898	0.8	1,528	0.0
2020	134,573	(1.9)	6,650	(3.6)	1,471	(3.7)

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

Economic Report of the Governor

**NONMANUFACTURING EMPLOYMENT  
FISCAL YEAR GROWTH BY PERCENT**



Source: U.S. Bureau of Labor Statistics, IHS Economics

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

**TABLE 21  
AVERAGE CONNECTICUT NONMANUFACTURING ANNUAL SALARIES**

Industry	FY	FY	FY	Percent Change	
	<u>2011</u>	<u>2019</u>	<u>2020</u>	FY 2019 to FY 2020	FY 2011 to FY 2020
Construction	\$ 59,959	\$ 73,061	\$ 73,180	0.2	22.0
Information	78,827	118,727	125,347	5.6	59.0
Transp., Trade & Utilities	46,774	52,370	54,465	4.0	16.4
Wholesale Trade	84,656	96,789	98,395	1.7	16.2
Retail Trade	31,252	35,568	37,458	5.3	19.9
Finance, Ins. & Real Estate	139,668	161,811	159,943	(1.2)	14.5
Professional & Business Services	75,736	90,624	92,987	2.6	22.8
Education & Health Services	48,451	55,841	59,300	6.2	22.4
Leisure & Hospitality Services	22,140	27,562	29,093	5.6	31.4
Government	54,550	63,026	64,006	1.6	17.3
Federal	95,858	105,850	105,460	(0.4)	10.0
State and Local	53,284	61,790	62,774	1.6	17.8

Source: U.S. Bureau of Economic Analysis, IHS Economics

Economic Report of the Governor

**Unemployment Rate**

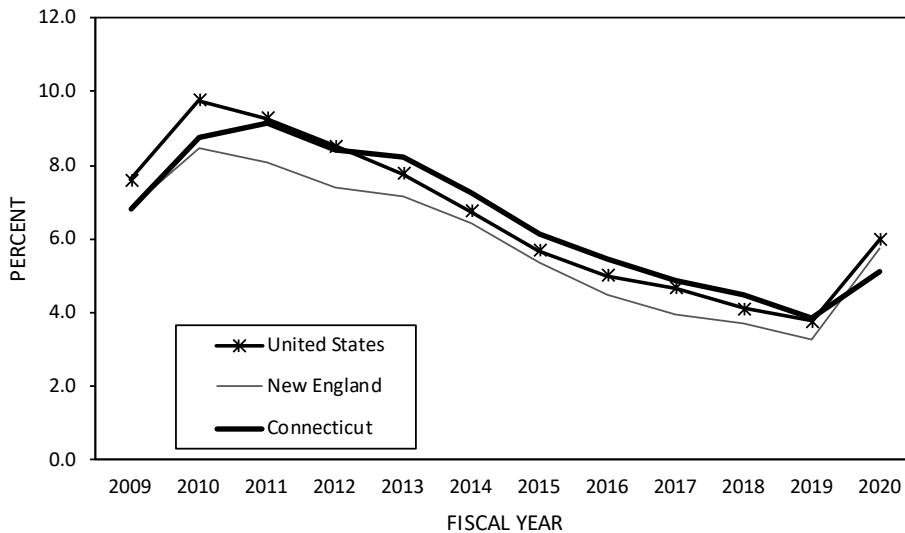
The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. The rate is based upon a monthly survey in which household members are asked a series of questions, one of which is whether a jobless person has looked for work at some time during the preceding four weeks. Those looking for work are considered in the labor force but unemployed. The following table shows the unemployment rate for the U.S., the New England region, and Connecticut over a ten-year period. Unemployment rates have fallen considerably since the end of the recession, but remain elevated by historical standards. Connecticut’s unemployment rate and the national average were 5.1% and 6.0% respectively for FY 2020.

**TABLE 22  
UNEMPLOYMENT RATES (%)**

<u>Fiscal Year</u>	<u>United States</u>	<u>New England</u>	<u>Connecticut</u>
2011	9.3	8.1	9.1
2012	8.5	7.4	8.4
2013	7.8	7.1	8.2
2014	6.8	6.4	7.2
2015	5.7	5.3	6.1
2016	5.0	4.5	5.5
2017	4.7	4.0	4.9
2018	4.1	3.7	4.5
2019	3.8	3.2	3.8
2020	6.0	5.7	5.1

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

**UNEMPLOYMENT RATES  
BY FISCAL YEAR**



Source: U.S. Bureau of Labor Statistics, IHS Economics

### SECTOR ANALYSIS

#### Energy

The cost of energy has an outsized impact on the economy. For most consumers, transportation and household energy are major expenses. Many improvements to energy efficiency, such as fuel-efficient cars and replacement windows, require significant capital investment. Therefore, it is difficult for consumers to react to changes in energy prices in the short-term, often necessitating spending decisions in other areas. Just as increases in the price of oil can negatively impact consumers, price decreases can put money back into consumer's pockets.

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

#### **Worldwide**

World oil supply and demand among countries and regions continued to be significantly imbalanced in 2019. Unlike in prior years where both supply and demand increase, supply decreased very slightly and demand continued to increase from 2018 levels. The following table illustrates the disparity between the world's suppliers of oil and its users. Members of the Organization of Petroleum Exporting Countries (OPEC) continued to supply more oil than they consumed. As an example, Saudi Arabia produced 11.83 million barrels per day (MBPD) while consuming 3.79 MBPD, generating an 8.04 MBPD surplus. The Organization for Economic Cooperation and Development (OECD), on the other hand, consumed more than it supplied. In 2019, the OECD consumed 45.82 MBPD, while supplying only 28.38 MBPD, registering a 17.44 MBPD deficit.

The United States had a 12.1% dependency rate on foreign oil supplies in 2019, down from 25.2% in 2018. This figure was significantly below the ten-year average of 41.9% for the period ending in 2018. The nation accounted for 19.7% of global demand and 17.9% of global supply. Similar deficits between supply and demand also exist in mature economies such as China, Japan, France, and Germany. The United States has become increasingly less reliant on foreign oil in recent years due to the development of new oil production technologies as well as increasing fuel efficiency. Prior to the Arab oil embargo of 1973, the United States was the largest oil producer in the world. After four decades, the U.S. became the largest producer again in 2014.

Demand in China and India, the world's two most populous countries, continued its upward trend, accounting for a combined 19.7% of the worldwide demand total in 2019, up from 5.6% in 1991. China, the world's second largest consumer, switched from a net exporter of oil in 1993, and began running an increasing oil deficit as its economy continued to grow at a brisk pace. In 2019, China consumed 14.06 MBPD while supplying 3.84 MBPD, registering a 10.22 MBPD deficit. China had a 72.7% dependence rate on foreign oil in 2019, significantly larger than the United States.

## Economic Report of the Governor

**TABLE 23**  
**WORLD OIL SUPPLY AND DEMAND**  
**Calendar Year 2019**

	Supply			Demand	
	Millions of Barrels <u>Per Day</u>	% of <u>Total</u>		Millions of Barrels <u>Per Day</u>	% of <u>Total</u>
Total OECD (a)	28.38	29.8%	Total OECD	45.82	46.6%
United States	17.05	17.9%	United States	19.40	19.7%
Canada	5.65	5.9%	Canada	2.40	2.4%
Mexico	1.92	2.0%	Mexico	1.73	1.8%
Other OECD	3.77	4.0%	Japan	3.81	3.9%
			Germany	2.28	2.3%
Total OPEC (b)	35.57	37.4%	France	1.53	1.6%
Saudi Arabia	11.83	12.4%	Italy	1.22	1.2%
United Arab Emirates	4.00	4.2%	United Kingdom	1.55	1.6%
Iran	3.54	3.7%	Other OPEC	11.90	12.1%
Iraq	4.78	5.0%			
Other OPEC	11.42	12.0%	Total Non-OECD	52.45	53.4%
All Other	31.25	32.8%	Russia	3.32	3.4%
Russia	11.54	12.1%	China	14.06	14.3%
China	3.84	4.0%	India	5.27	5.4%
Other	<u>15.87</u>	<u>16.7%</u>	Saudi Arabia	3.79	3.9%
			Other	<u>26.02</u>	<u>26.5%</u>
<b>Total 2019 Supply</b>	95.19	100.0%	<b>Total 2019 Demand</b>	98.27	100.0%
<b>Total 2018 Supply</b>	95.25		<b>Total 2018 Demand</b>	97.35	
Change	-0.06	-0.1%	Change	0.92	0.9%

Notes:

- (a) The OECD includes the United States, Western and some Eastern European countries, some Latin American countries, Israel, Australia, Canada, Japan, and New Zealand.
- (b) The OPEC includes Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
- (c) Totals may not add due to rounding.

Source: 2020 BP Statistical Review of World Energy

### United States

The U.S. has the largest demand for world oil. While the country contains 4.3% of the world population and produces 17.9% of world oil, it consumes 19.7% of world oil. The nation has long been a net energy importer, although America's energy dependence has decreased in the last decade compared to the years prior to the Great Recession. America's dependence on net energy imports remained fairly steady from 2013 to 2016 and since 2017, America's dependence has been declining year over year. According to the

## Economic Report of the Governor

Energy Information Administration's *Monthly Energy Review*, the U.S. consumed 100.3 quadrillion British Thermal Units (QBTU's) of energy in 2019, 80.1% of which were from fossil fuels.

National energy consumption rose steadily during the 1990s and 2000s before peaking in 2007 at 100.9 QBTU's. Since 2007, U.S. energy consumption has remained fairly steady until peaking again in 2018 at 101.2 QBTU's. Changes in energy consumption are driven by overall economic conditions, the movement of prices, and increases in energy efficiency. The following table displays energy usage in the U.S. in 2019 by fuel type and by economic sector. Petroleum products are currently the most important energy source for the U.S. economy. The 36.9 quadrillion petroleum-generated BTU's accounted for 36.8% of U.S. energy consumption, followed by natural gas at 32.2 QBTU's and coal at 11.3 QBTU's.

**TABLE 24**  
**U.S. ENERGY CONSUMPTION IN 2019**  
**(Quadrillion BTU's)**

	<u>Resi-</u> <u>dential</u>	<u>Com-</u> <u>mercial</u>	<u>In-</u> <u>dustrial</u>	<u>Trans-</u> <u>portation</u>	<u>Electric</u> <u>Generation</u>	<u>Total</u>	<u>% of</u> <u>Total</u>
<b>Fossil Fuels</b>							
Natural Gas	5.2	3.6	10.7	1.0	11.6	32.2	32.1
Petroleum	1.0	0.8	8.9	25.9	0.2	36.9	36.8
Coal	-	-	1.1	-	10.2	11.3	11.3
Nuclear	-	-	-	-	8.5	8.5	8.4
<b>Renewables</b>							
Hydroelectric	-	-	-	-	2.6	2.6	2.6
Other*	0.8	0.3	2.4	1.4	3.8	8.8	8.7
Electricity	4.9	4.6	3.4	-	-	13.0	13.0
Electric Losses	9.1	8.6	6.3	-	(36.9)	(12.9)	(12.8)
<b>Total Demand</b>	<b>21.0</b>	<b>18.0</b>	<b>32.9</b>	<b>28.4</b>	<b>0.0</b>	<b>100.3</b>	<b>100.0</b>

Notes: \*Includes power generated from wood, biofuels, wind, waste, geothermal, tide, and solar/photovoltaic, as well as imported electricity.

Totals may not add due to rounding.

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

The U.S. lags other developed countries in utilizing renewable energy. Hydroelectricity, for example, provided approximately 7.0% of electric generation in the U.S., versus approximately 59.6% in Canada. Capital investments in alternative renewable energy from solar, hydroelectric, wind, biofuels, and geothermal have increased dramatically in the U.S.; nonetheless, their share of power production remains relatively small. As of October 2020, the United States has 94 operable nuclear reactors in service and 2 reactors that are currently under construction. Nuclear generation accounted for about 20% of domestic electricity net generation in 2019. The U.S. is the world's largest nuclear power producer, accounting for more than 30% of worldwide nuclear electricity production.

There are five energy-use sectors: residential, commercial, industrial, transportation, and electric power generation. The first four sectors are end-users while the last one is an intermediate-user consisting of all utility and non-utility facilities and equipment used in the electricity industry. The industrial sector was

## Economic Report of the Governor

the largest end-user of energy, consuming 32.9 QBTU's in 2019, followed by transportation at 28.4 QBTU's, residential at 21.0 QBTU's, and commercial at 18.0 QBTU's.

In contrast to the relatively smooth trends in the other sectors, industrial consumption has shown the greatest fluctuation, dropping sharply in 1975, 1980-83, 2001-03, and 2008-09 in response to high oil prices and economic slowdowns. The electric power generation sector consumes and also produces energy. Energy losses occur throughout the entire electrical system beginning with utility generation in fossil-fired, nuclear or hydroelectric power plants all the way to the end-users. Energy losses are approximately two-thirds of total energy input during the conversion process of heat energy into mechanical energy for turning electric generators. Of the electricity generated, it is estimated that about 5% is lost in transmission and distribution.

### Crude Oil Prices

Following the collapse of oil prices in the midst of the 2008 Great Recession, the refiner's acquisition cost rebounded, rising to around \$100 per barrel in 2011 and hovered near that level through the first half of 2014. However, beginning in the fall of 2014, the cost of a barrel of oil began to decline significantly due to oversupply in the global market. In September 2015, the composite refiner acquisition cost was \$44.38 a barrel; a more than 50% reduction from September 2014. Acquisition costs dropped another 16.8% from 2015 to 2016. Adjusted for inflation, 2011's annual price of \$103.82 per barrel price in 2012 dollars was a modern high. In real terms, annual average refiner's acquisition costs dropped in each successive year following that peak through 2016, but experienced growth of 22.3% in 2017, 24.1% in 2018, a decrease of 9.4% in 2019, and a significant decrease of 36.2% for the first 3 quarters of 2020 at \$33.74 per barrel in 2012 dollars.

**TABLE 25**  
**CRUDE OIL PRICES AND U.S. CONSUMPTION**  
Refiners' Crude Oil Acquisition Costs\* Per Barrel

<u>Calendar</u> <u>Year</u>	<u>In Current</u> <u>Dollars</u>	<u>In 2012</u> <u>Dollars</u>
2011	101.87	103.82
2012	100.93	100.93
2013	100.49	98.76
2014	92.02	88.79
2015	48.39	46.25
2016	40.66	38.46
2017	50.68	47.05
2018	64.38	58.37
2019	59.38	52.89
2020**	38.25	33.74

Note: \* Adjusted using implicit price deflator for gross domestic product.

\*\* Average for the first three quarters.

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

### Shale Energy

Oil producers in the United States are increasingly able to extract natural gas and petroleum from shale formations across the country. Increased production of these fuels is attributable to the development of horizontal drilling and hydraulic fracturing (“fracking”) technology. In the process of fracking, producers pump a mixture of water, sand, and chemicals into shale wells to extract natural gas and petroleum. In conjunction with horizontal drilling, this technique has made the development of shale energy sources economically feasible. As a result, energy resources in the country have increased. The amount of proven natural gas reserves have grown dramatically since the introduction of this technology. The ability to use fracking technology to extract fossil fuels has reduced the United States’ dependency on foreign energy.

### Efficiency

Increasing efficiency has been a focal point of the nation’s energy conservation policy. Energy regulatory agencies have been aggressively protecting the environment by promoting energy-efficient products over the past two decades. The National Appliance Energy Conservation Act of 1987 set minimum efficiency standards for 13 appliances and prohibited the sale if standards were not met. In 1992, the EPA embarked upon “*Energy Star*” as a voluntary labeling program to identify and promote energy-efficient products to reduce greenhouse gas emissions. *Energy Star* products use less energy and help protect the environment. The *Energy Star* label now covers product categories from small battery chargers to central air conditioners, and includes appliances, electronics, heating and cooling equipment, office equipment, lighting, commercial food services, and new buildings and plants with additional energy-saving features that are 20–30% more efficient than standard homes. To promote energy efficient buildings in the U.S., Leadership in Energy and Environmental Design (LEED), a non-profit organization under the U.S. Green Building Council (USGBC), provides green building rating standards for environmentally sustainable construction and design.

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



Economic Report of the Governor

**TABLE 26**  
**U.S. PRIMARY ENERGY CONSUMPTION & ENERGY EFFICIENCY**

Calendar Year	U.S. Energy Consumption		GDP	BTU	Annualized % Change*
	Total Quadrillion BTU's	Annualized % Change*	Billion (In 2012\$)	Per \$1 GDP (In 2012\$)	
1990	84.4	2.0	9,365.5	9,015	(1.2)
1995	90.9	1.5	10,630.3	8,554	(1.0)
2000	98.7	1.7	13,131.0	7,517	(2.6)
2005	100.1	0.3	14,912.5	6,713	(2.2)
2010	97.5	(0.5)	15,598.8	6,251	(1.4)
2011	96.9	(0.7)	15,840.7	6,115	(2.2)
2012	94.4	(2.6)	16,197.0	5,827	(4.7)
2013	97.1	2.9	16,495.4	5,888	1.0
2014	98.3	1.2	16,912.0	5,811	(1.3)
2015	97.4	(0.9)	17,432.2	5,586	(3.9)
2016	97.3	(0.0)	17,730.5	5,490	(1.7)
2017	97.6	0.3	18,144.1	5,379	(2.0)
2018	101.2	3.7	18,687.8	5,413	0.6
2019	100.3	(0.9)	19,091.7	5,252	(3.0)

\*Annualized percent change calculated using a compound annualized growth rate formula

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

Between 1990 and 2019, energy consumption per dollar of real GDP decreased at a compound annual rate of 1.8% per year. In 1990, 9,015 BTU's of energy were required to produce \$1 of GDP measured in 2012 dollars. In 2019, that number was 5,252 BTU's, a 41.7% reduction. The long-term decline in energy consumption per dollar of GDP resulted from efficiency improvements and a structural shift from energy intensive industries to those that consume less energy but create more value added products, such as finance, banking, and professional services. However, improvements in energy efficiency vary from period to period, depending upon energy prices, consumers' consumption habits, and technology improvements. Efficiency tends to stagnate when fuel prices decline; as oil prices fall, the incentive to conserve energy diminishes.

**Oil Stability Program**

To protect against supply disruptions, the United States created a Strategic Petroleum Reserve (SPR) under the Energy Policy and Conservation Act of 1975 (EPCA). The SPR program was established as a 750 million barrel capacity crude oil reserve with the objective of achieving a maximum draw-down rate within 15 days of the notice to proceed, and currently has a design capacity of 727 million barrels. In December of 2009, the SPR reached a record inventory of 726.6 million barrels. Some of the major reductions in the inventory were a result of various hurricanes such as 5.4 million barrels of sweet crude oil sent to the Gulf of Mexico after Hurricane Ivan in 2004, another 9.8 million barrels that went to the Gulf of Mexico after Hurricane Katrina in 2005, and 5.2 million barrels delivered to the Gulf Coast in 2017 following Hurricane

## Economic Report of the Governor

Harvey. As of December 2020, the reserve held 638.1 million barrels of crude oil, equivalent to an estimated 30 days of crude oil consumption.

### Connecticut

Connecticut is one of the most energy efficient states in the nation. The state consumed 3.07 thousand BTU's per 2012 chained dollar of Gross State Product in 2018, the latest available data. Connecticut was one of the most efficient states based on this measure, behind only the District of Columbia, New York, Massachusetts, and California. Connecticut was 43.4% below the national average of 5.42 thousand BTU's. When measuring energy consumption in Connecticut and the United States among the end-use sectors on a per capita basis (end-use sectors include residential, commercial, industrial, and transportation sectors and excludes energy consumption needed for electric generation), Connecticut consumed 210.8 million BTU's per capita in 2018. Connecticut ranks 45th among the 50 states plus the District of Columbia, leaving Rhode Island, New York, Florida, California, Hawaii, and Arizona with per capita end-use energy consumption lower than Connecticut's level. Connecticut was 31.9% below the national figure of approximately 309.4 million BTU's per capita. The state has few local energy sources, and it must import nearly all the energy that it consumes. This situation affects Connecticut consumers' energy choices and results in prices that are higher than the national average. In 2018, Connecticut residents spent \$29.93 per million BTU, compared to \$18.62 for the nation.

**TABLE 27**  
**CONSUMER ENERGY PRICES IN THE UNITED STATES AND CONNECTICUT\***  
**Nominal Dollars per Million BTU in 2018**

	Natural Gas	Motor Gasoline	Distillate Fuel Oil*	All Petroleum**	Retail Electricity	Total Energy
Connecticut	\$7.47	\$23.42	\$21.30	\$22.65	\$53.97	\$29.93
United States	\$5.71	\$22.52	\$21.83	\$20.52	\$31.02	\$18.62
CT as a % of the U.S.	131%	104%	98%	110%	174%	161%

Notes: \* Includes diesel fuels and fuel oils used for residential space heating.

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

Source: U.S. Department of Energy, Energy Information Administration, State Energy Data 2018

The above table compares various prices to the national average for natural gas, motor gasoline, distillate fuel oil, residential electricity, and total average energy paid by consumers in 2018, the latest data available. Overall energy costs in Connecticut in 2018 were 60.7% higher than the national average, with retail electricity prices 74.0% higher than the national average.

Economic Report of the Governor

**TABLE 28**  
**CONNECTICUT ENERGY CONSUMPTION IN 2018**  
**(Trillion BTU's)**

<u>Fuels</u>	<u>Resi- dential</u>	<u>Com- mercial</u>	<u>In- dustrial</u>	<u>Trans- portation</u>	<u>Electric Generation</u>	<u>CT Total</u>	<u>% of CT Total</u>	<u>% of US Total</u>
Natural Gas	54.7	59.9	25.3	6.2	139.9	286.0	38.0	30.7
Petroleum	63.6	16.3	18.4	225.5	3.2	327.0	43.4	36.4
Coal	-	-	-	-	4.0	4.0	0.5	13.1
Nuclear	-	-	-	-	176.5	176.5	23.4	8.3
Hydroelectric	-	-	-	-	5.1	5.1	0.7	2.6
Other*	9.7	2.7	4.6	-	13.8	30.8	4.1	8.6
Deliv. Elec.	44.6	42.2	11.0	0.6	1.8	100.2	13.3	13.0
Deliv. Losses	75.9	71.9	18.7	1.1	(344.3)	(176.7)	(23.5)	(12.9)
Total Demand	248.5	193.2	78.0	233.4	0.0	752.9	100.0	100.0
% of Total-CT	33.0	25.7	10.4	31.0	-	100.0		
% of Total-U.S.	21.2	18.2	32.5	28.1	-	100.0		

Note: \* Other includes power generated from wood, biofuels, wind, waste, geothermal, tide, and solar/photovoltaic, as well as imported electricity.

\*\* Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, State Energy Data 2018

The preceding table displays the amount and percentage share of total energy consumed in Connecticut by fuel source and sector in 2018, the latest available data. Compared to the nation, petroleum and natural gas provide more of Connecticut's energy needs, while coal provides significantly less. Petroleum remains the main source of energy in Connecticut because it is easily transported. Fuel oil provides for Connecticut's energy needs because it is a significant source to heat homes. In 2019, 38.9% of Connecticut households used fuel oil for home heating, followed by natural gas at 36.3%, electricity at 17.3%, liquefied petroleum gases (propane/butane) at 4.9%, and others at 2.7%. The state's petroleum products are received at the ports in New Haven, New London, and Bridgeport, and shipped by barge up the Connecticut River to central Connecticut. Additionally, a pipeline runs from New Haven to Springfield, Massachusetts, supplying petroleum to Hartford and northern Connecticut.

Connecticut is also more reliant on nuclear energy and less reliant on coal for electric generation than the United States. In 2019, the latest data available, the state generated 40.1 million net megawatt hours of electricity, primarily from natural gas. Retail sales within the state were at 27.9 million megawatt hours of electricity. This implies that Connecticut was more than 100% electricity self-sufficient, unlike in 2000, when the state generated 56.8% of its own demand and relied on imports from other states and Canada for the balance of its need while certain nuclear reactors were shut down for servicing. The power grid that supplies electricity to the entire state is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, other New England states, and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's borders.

## Economic Report of the Governor

All electric utilities in the state are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England Inc., operates this regional system. In 2019, there were 1,667,152 electric consumers in Connecticut. Of these, 90.6% were residential customers, 9.1% were commercial customers, and 0.3% were industrial and transportation customers. Approximately 90% of the electricity was sold by two investor-owned companies: Eversource and United Illuminating.

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

**Gasoline Consumption and Automotive Fuel Economy**

According to 2018 data, highway vehicles in the U.S. consumed approximately 94.9% of all gasoline, with about 5.1% used for other purposes such as agriculture, aviation, construction and boating. In 2018, the latest data available, gasoline consumption in the U.S. totaled 145.2 billion gallons, with Connecticut accounting for 1.5 billion gallons, 1.05% of the nation's consumption. The table below shows gasoline consumption for the U.S. and Connecticut since 1995.

In 2018, Connecticut residents consumed 425.9 gallons of gasoline per capita, versus 444.3 gallons per capita for the nation. Per capita consumption is attributable to several factors, including gas prices, income levels, traffic conditions, average weight of vehicles, distance residents drive to work or shop, and percentage of workers telecommuting or ride sharing. As one of the smallest and most densely populated states in the nation, Connecticut residents generally commute shorter distances to work and shop. Per capita consumption reached a peak in 2005, and has fallen faster in Connecticut than in the U.S. since then. Between 2005 and 2018, per capita consumption decreased by 7.5% in Connecticut, versus 6.3% for the nation. This has reduced Connecticut's per capita consumption to 95.9% of the U.S. amount in 2018.

As the highest per capita personal income state in the nation, Connecticut residents tend to own more automobiles. Connecticut residents owned 365 private and commercial automobiles per 1,000 residents in 2018, versus 336 for the nation. Also, Connecticut had 729 driver licenses per 1,000 residents in 2018, compared to 696 licenses for the nation. Connecticut residents trail the nation as a whole in the use of carpooling. The United States Census Bureau estimates that in 2018, of those commuting to work by car, 8.1% of Connecticut residents carpooled, versus 9.0% for the nation as a whole.

## Economic Report of the Governor

**TABLE 29**  
**GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT**

Calendar Year	U.S.* Total	Annualized	CT Total	Annualized	Gallons Per Capita		
	Gallons (000's)	% Change**	Gallons (000's)	% Change**	U.S.*	CT	CT/U.S. (%)
1995	120,875,789	1.9%	1,302,750	0.0%	453.3	391.7	86.4%
2000	132,279,950	1.8%	1,476,340	2.5%	468.2	432.4	92.3%
2005	140,338,710	1.2%	1,614,697	1.8%	474.3	460.3	97.0%
2006	140,320,089	0.0%	1,566,875	-3.0%	469.7	445.3	94.8%
2007	140,436,133	0.1%	1,567,360	0.0%	465.7	444.0	95.4%
2008	136,499,418	-2.8%	1,494,164	-4.7%	448.4	421.2	93.9%
2009	136,877,949	0.3%	1,512,081	1.2%	445.7	424.3	95.2%
2010	137,592,937	0.5%	1,514,622	0.2%	444.4	423.1	95.2%
2011	135,204,475	-1.7%	1,467,953	-3.1%	433.6	409.0	94.3%
2012	134,998,800	-0.2%	1,449,384	-1.3%	429.8	403.3	93.8%
2013	135,595,239	0.4%	1,438,625	-0.7%	428.7	400.2	93.4%
2014	137,883,016	1.7%	1,434,867	-0.3%	432.8	399.3	92.3%
2015	141,757,545	2.8%	1,479,844	3.1%	441.7	412.7	93.4%
2016	144,885,278	2.2%	1,515,941	2.4%	448.3	423.7	94.5%
2017	144,575,062	-0.2%	1,514,021	-0.1%	444.6	423.7	95.3%
2018	145,235,172	0.5%	1,520,748	0.4%	444.3	425.9	95.9%
<b>Average 2013-2018</b>					440.1	414.3	94.1%

\* Fifty states plus Washington, D.C.

\*\* Annual growth calculated using compound annual growth rate formula

Source: U. S. Dept. of Transp., Federal Highway Administration, Office of Highway Policy Information, IHS

### Corporate Average Fuel Economy (CAFE)

The United States Department of Transportation (DOT) is required to set corporate average fuel economy (CAFE) standards for automobile fuel efficiency. This responsibility is administered by the National Highway Traffic Safety Administration (NHTSA). The measurement of CAFE is performed by manufacturers and reported to the U.S. Environmental Protection Agency. Federal law imposes a civil penalty of \$5.50 for each tenth of a MPG by which a manufacturer's CAFE level falls short of the standard, multiplied by the total number of passenger automobiles or light trucks produced by the manufacturer in that model year (MY). According to NHTSA data, total fleet performance in MY 2017, the most recent data available, was 33.4 miles per gallon, while the fleet standard was 33.8 miles per gallon. This was a 35.8% improvement in the total fleet fuel efficiency since 2004, when the total fleet performance was 24.6 miles per gallon.

## Economic Report of the Governor

### Fluctuations in Gasoline Prices

Short-term gasoline prices have long been known for their drastic volatility, often rising and dropping markedly during short periods of time. The average retail gasoline price for all grades in the U.S. in October of 2020 was \$2.25 per gallon, compared to \$2.72 in October of 2019 and \$2.94 in October of 2018. The average retail price for all grades hit an all-time high of \$4.11 in July of 2008, before plummeting to \$1.75 in December that same year. Since 2008, the average monthly price for a gallon of gasoline in the U.S. has only fallen below \$2.00 per gallon twice; gasoline was \$1.87 per gallon in February of 2016 and \$1.95 per gallon between April and May of 2020. Changes in gasoline prices are determined by the cost of crude oil, supply and demand of fuel, any disruption of refinery operations, inventory levels, seasonality and weather conditions, the regulation of environmental standards, and geopolitical conditions.

The long run nominal price shows a relatively stable upward trend except for sharp upticks in the early 1980s and the early part of the just concluded decade. The following table shows the history of retail motor gasoline prices in the U.S. Prices averaged approximately 30 cents per gallon during the 1950s through the early 1970s. Prices began increasing after the Arab oil embargo in 1973. They rose to an average of \$3.30 per gallon in 2008 before declining to an average of \$2.41 per gallon in 2009. The annual average price has hovered around \$3.50 through 2014, and has been closer to \$2.50 in more recent years. The real prices listed are adjusted for inflation in 2012 dollars. In 2012, the average real price reached a high of \$3.68 per gallon.

**TABLE 30**  
**RETAIL MOTOR GASOLINE PRICES**  
(Dollars per Gallon, Regular Gasoline)

Calendar	Nominal	Real	Calendar	Nominal	Real
<u>Year</u>	<u>Price</u>	<u>Price*</u>	<u>Year</u>	<u>Price</u>	<u>Price*</u>
1950	\$0.27	\$2.06	2010	2.84	2.95
1960	0.31	1.86	2011	3.58	3.64
1970	0.36	1.66	2012	3.68	3.68
1980	1.25	2.96	2013	3.58	3.51
1990	1.16	1.82	2014	3.44	3.32
2000	1.52	1.95	2015	2.52	2.41
2005	2.31	2.65	2016	2.25	2.13
2006	2.62	2.91	2017	2.53	2.35
2007	2.84	3.07	2018	2.81	2.55
2008	3.30	3.50	2019	2.69	2.40
2009	2.41	2.53			

Note: Prices for 1950 to 1970 are leaded regular; 1980 and after are unleaded regular.

\* Adjusted by GDP Price Deflator (2012=100)

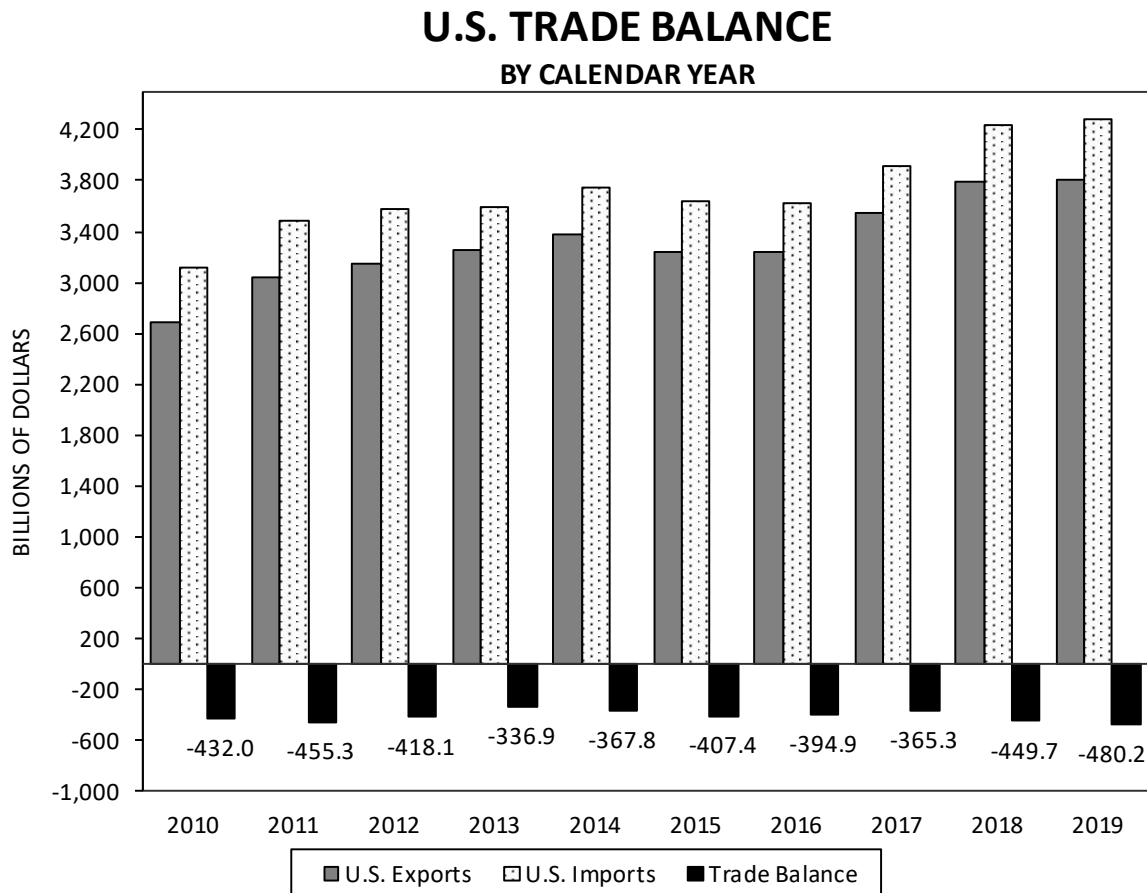
Source: U.S. Dept. of Energy, Energy Information Administration, Bureau of Economic Analysis, IHS Economics

## Economic Report of the Governor

### Export Sector

Trade has played an important role in the U.S. economy. Exports and a favorable balance of payments have traditionally been important to the growth of the U.S., affecting employment, production, and income. The United States is the world's largest goods and service trading nation and the growth in real exports of goods and services has been an important factor in driving the country's economic expansion over the last half century. Total trade exports have grown 41.6% from 2010 through 2019, while total trade imports have grown 37.4% over the same time period.

The following graph illustrates the United States' trade balance for the past ten years. In 2019, the trade deficit increased to \$480.2 billion, up from \$449.7 billion in 2018.



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

United States' trade balances in the past two decades have generally improved during recession years and deteriorated during recovery and expansionary periods. Unlike previous expansionary cycles, since 2009 the U.S. trade balance has remained relatively stable with little net change year over year. The prior deficit peak occurred in 2006 with a trade deficit of \$806.7 billion, or 68.0% higher than the 2019 deficit of \$480.2 billion.



Economic Report of the Governor

**TABLE 31**  
**U.S. TRADE DEFICIT BY CATEGORY**  
(In Billions of Dollars)

	2018			2019		
	Exports	Imports	Balance	Exports	Imports	Balance
<b>Total Trade</b>	<b>3,792.9</b>	<b>4,242.6</b>	<b>(449.7)</b>	<b>3,805.9</b>	<b>4,286.2</b>	<b>(480.2)</b>
<b>Merchandise</b>	<b>1,677.0</b>	<b>2,557.3</b>	<b>(880.3)</b>	<b>1,652.4</b>	<b>2,516.8</b>	<b>(864.3)</b>
Foods/Beverages	133.1	148.3	(15.2)	131.1	151.6	(20.5)
Industrial Supplies & Materials	537.0	580.7	(43.7)	526.8	525.9	1.0
Capital Goods, Excluding Autos	563.4	694.7	(131.3)	548.1	681.1	(132.9)
Autos	158.8	372.4	(213.5)	162.5	376.8	(214.3)
Consumer Goods	205.5	648.4	(442.9)	205.0	655.9	(450.9)
Others	79.0	112.8	(33.7)	78.9	125.6	(46.7)
<b>Services</b>	<b>862.4</b>	<b>562.1</b>	<b>300.4</b>	<b>875.8</b>	<b>588.4</b>	<b>287.5</b>
Travel & Transportation	317.7	239.4	78.2	312.3	249.9	62.4
Business Services	377.2	233.4	143.9	397.0	249.2	147.8
Royalties & License fees	118.9	43.9	74.9	117.4	42.7	74.7
Other Services	48.7	45.3	3.3	49.1	46.6	2.6
<b>Investment Income</b>	<b>1,253.5</b>	<b>1,123.2</b>	<b>130.2</b>	<b>1,277.7</b>	<b>1,181.0</b>	<b>96.6</b>
Direct Investment	587.9	245.4	342.5	578.1	248.8	329.3
Portfolio Investment Income	412.5	488.2	(75.7)	426.4	495.6	(69.2)
U.S. Gov't Receipts/Payments	145.0	265.9	(120.9)	142.0	281.7	(139.7)
Other Investment Income	108.1	123.7	(15.6)	131.2	155.0	(23.7)
			<u>Net Change From Previous Year</u>			
<b>Total Trade</b>	<b>250.9</b>	<b>335.3</b>	<b>(84.4)</b>	<b>13.1</b>	<b>43.6</b>	<b>(30.5)</b>
<b>Merchandise</b>	<b>119.9</b>	<b>200.9</b>	<b>(81.0)</b>	<b>(24.5)</b>	<b>(40.5)</b>	<b>16.0</b>
Foods/Beverages	0.4	9.5	(9.1)	(2.0)	3.2	(5.3)
Industrial Supplies & Materials	77.7	72.1	5.6	(10.2)	(54.8)	44.6
Capital Goods, Excluding Autos	29.7	51.8	(22.1)	(15.3)	(13.6)	(1.7)
Autos	1.0	13.3	(12.3)	3.6	4.4	(0.8)
Consumer Goods	8.3	45.0	(36.6)	(0.5)	7.5	(8.0)
Others	2.9	9.3	(6.4)	(0.2)	12.8	(13.0)
<b>Services</b>	<b>32.0</b>	<b>17.2</b>	<b>14.8</b>	<b>13.4</b>	<b>26.3</b>	<b>(12.9)</b>
Travel & Transportation	14.2	18.2	(3.9)	(5.4)	10.4	(15.8)
Business Services	16.1	(4.2)	20.3	19.8	15.8	4.0
Royalties & License fees	0.7	(0.5)	1.2	(1.5)	(1.2)	(0.3)
Other Services	1.0	3.8	(2.8)	0.5	1.2	(0.8)
<b>Investment Income</b>	<b>98.9</b>	<b>117.1</b>	<b>(18.3)</b>	<b>24.2</b>	<b>57.8</b>	<b>(33.6)</b>
Direct Investment	26.8	34.6	(7.8)	(9.8)	3.4	(13.2)
Portfolio Investment Income	57.2	42.3	14.8	13.9	7.4	6.5
U.S. Gov't Receipts/Payments	(12.1)	(0.4)	(11.7)	(3.0)	15.7	(18.8)
Other Investment Income	27.0	40.6	(13.6)	23.1	31.2	(8.2)

Note: Net changes were derived before rounding to billions.

Source: U.S. Bureau of Economic Analysis

## Economic Report of the Governor

### Merchandise Trade

According to the U.S. Department of Commerce, international trade is classified into three categories: merchandise trade, service transactions, and investment income. There are six subcategories within merchandise trade: foods and beverages; industrial supplies and materials; capital goods excluding autos; autos; consumer goods and others. The deficit in merchandise trade decreased by \$16.0 billion for a total deficit of \$864.3 billion in 2019, down from \$880.3 billion in 2018. This improvement was attributable to decreased imports of industrial supplies and material goods.

Of the total trade deficit of \$480.2 billion in 2019, consumer goods accounted for the largest portion, reaching \$450.9 billion. Consumer goods consist of durables and nondurables. Durable goods include household and kitchen appliances such as radio and stereo equipment, televisions and video receivers, bicycles, watches, toys and sporting goods. Nondurables include footwear, apparel, medical, dental and pharmaceutical preparations. The trade deficit in the consumer goods category increased in 2019 by \$8.0 billion.

The second largest portion of the deficit occurred in autos. This category includes automotive vehicles, parts and engines. In 2019, the U.S. imported \$376.8 billion worth of these goods compared to the \$162.5 billion that the U.S. exported. The automotive trade deficit at \$214.3 billion represents a 0.8 billion increase from the deficit of \$213.5 billion in 2018.

### Service Transactions

The United States is highly competitive in the delivery of services, although at a lower level than it was just a year ago. The surplus in service transactions decreased to \$287.5 billion in 2019, from a surplus of \$300.4 billion in 2018. Imports increased 4.7% to \$588.4 billion while exports of services increased 1.6% to \$875.8 billion. Of the \$287.5 billion total surplus in 2019, \$147.8 billion was attributable to business services.

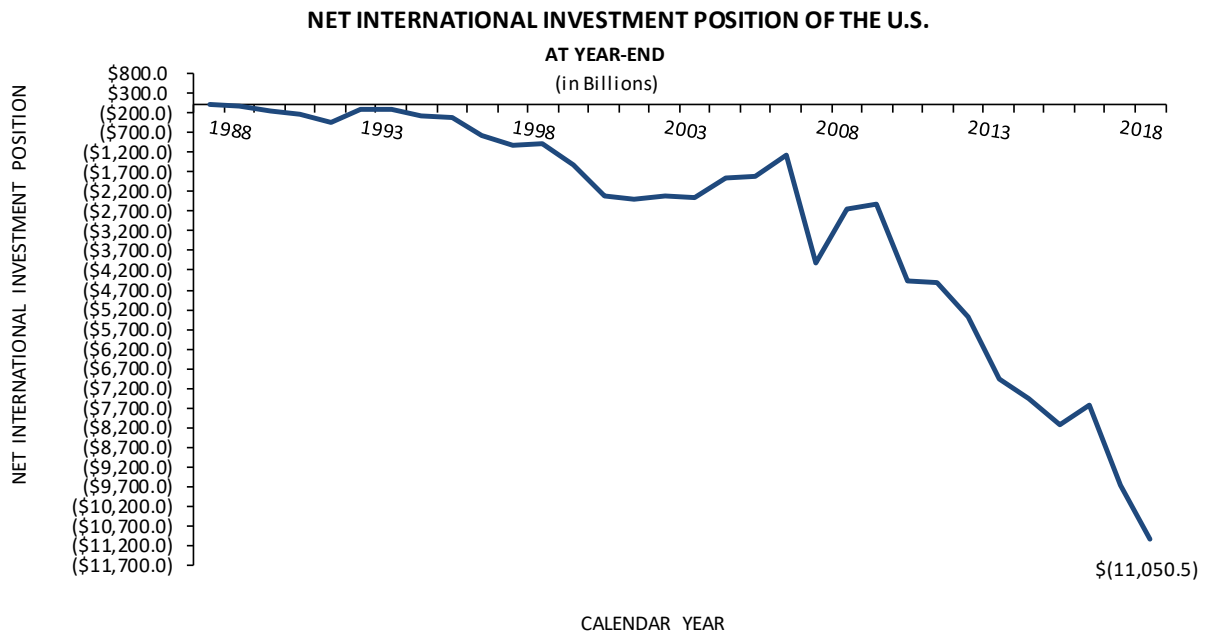
### Investment Income

Investment income contains two components: 1) receipts generated from U.S.-owned assets abroad including direct investments, other private securities such as U.S. government-owned securities, corporate bonds and stocks, and 2) compensation receipts of workers employed abroad in international organizations and foreign embassies stationed in the U.S., including wages, salaries, and benefits. Payments are the counterpart of U.S. receipts; they are paid on foreign-owned assets invested in the U.S. There are six major types of foreign assets in the United States, including U.S. government securities held by foreign governments and the private sector, direct investments, and liabilities captured by private bonds, corporate stocks and U.S. banks. The balance in investment income registered a surplus of \$96.6 billion in 2019.

According to the U.S. Bureau of Economic Analysis, in calendar 2019 foreign assets in the U.S., measured at current cost, increased by \$5,295.1 billion, or 15.2%, to \$40,203.3 billion, compared to a increase of \$3,919.0 billion, or 15.5%, to \$29,152.8 billion for U.S. assets abroad. This placed U.S. international investment at a net negative \$11,050.5 billion. Historically, U.S. direct investment in assets abroad exceeded foreign direct investment in the U.S. However, this trend ended in the late 1980s, and foreign direct investment began to grow rapidly over the last couple decades. In 2019, the U.S.'s direct investment

## Economic Report of the Governor

abroad was \$8,798.7 billion and foreign direct investment in the U.S. was \$10,547.1 billion, registering a net investment decline of \$1,748.4 billion. Foreign assets in the United States are mostly in securities such as bonds and stocks issued by the U.S. Treasury and corporations. The significant growth in the net international investment position (NIIP) deficit should be a cause for concern as there has been no country that was able to maintain a large deficit over the long-term. Adjustments, such as policies to significantly depreciate the U.S. dollar, would be required to bring the United States back into alignment.



Source: U.S. Bureau of Economic Analysis

### Tariffs

Tariffs are taxes placed on the import of goods or services and are used to restrict imports by increasing the price of the goods or services purchased from outside the United States. This policy has been used throughout history primarily for protecting national industries from global competition and as a form of revenue generation. Tariffs can have unintended consequences. By design, tariffs reduce competition, which can result in less efficient domestic industries which could lead to a drag on economic growth. The United States is no stranger to tariffs and has been using them to protect domestic industries since the country's founding.

The Trump Administration introduced several new tariffs through the use of executive order and not an act of Congress in order to adjust the imbalance in the United States' trade deficit and protect certain industries believed to be negatively impacted by global trade policies. In January 2018, tariffs of 30% to 50% were imposed on solar panels and washing machines. In March 2018, additional tariffs were added, including a 25% tariff on raw steel and a 10% tariff on raw aluminum. Certain countries, such as Argentina, Canada, and Mexico were later exempted from the tariffs through trade agreements. In September 2018, a 10% tariff was placed on various goods imported from China which increased to 25% for certain items

## Economic Report of the Governor

throughout 2019, although this was subsequently lowered to 10% in July 2019. Since early 2020, the Trump Administration has rolled back various tariffs on Canadian and Chinese products.

Calculating the cost of these new tariffs can be difficult given the relatively brief time that they have been in place and the evolving nature of their coverage and associated costs. In 2019, the Congressional Budget Office estimated that the relative impact of the tariffs and the associated retaliatory tariffs would reduce U.S. GDP by roughly 0.3% by 2020. As a result of this reduction, the average real household income is expected to be reduced by \$580 (in 2019 dollars). Over the longer term it is anticipated that the impact will level off as businesses and consumers adjust their behaviors.

### Connecticut Exports

In Connecticut, the export sector has assumed an important role in the state's overall economic growth. State exports of goods for the past five years averaged 5.7% of Gross State Product (GSP).

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. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the World Institute for Social and Economic Research to capture a greater percent of indirect exports, Connecticut exports of commodities totaled \$16,242.5 million in 2019, down 6.7% from 2018's historic high.

Connecticut industries that rely most heavily on exports are Transportation Equipment (NAICS 336), Nonelectrical Machinery (NAICS 333) and Computer & Electronic Equipment (NAICS 334). The top three industries accounted for 63.4% of Connecticut's foreign sales in 2019. The following table shows the breakdown of major products by NAICS code for the past five years. In 2019, transportation equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters and spacecraft accounted for 42.7% of total exports down from 44.1% of exports in 2018. In terms of average annual growth from 2015 to 2019, Plastics and Rubber posted the strongest growth at 10.7%, followed by Fabricated Metals at 8.0%.

Overall growth in exports of commodities for the past five years averaged 1.6%. Exports of \$16.2 billion are estimated to account for 5.6% of Connecticut Gross State Product (GSP) in 2019, which is lower than the 6.2% level in 2018. This appears to be a result of a one-time significant increase in transportation equipment exports in 2018.

Economic Report of the Governor

**TABLE 32**  
**COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT**  
(In Millions of Dollars)

<u>NAICS</u>	<u>Industry</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Percent of 2019 <u>Total</u>	Average Growth <u>15-19</u>
322	Paper	131.2	137.0	152.2	157.6	145.1	0.9%	2.6%
325	Chemicals	1,039.5	865.0	954.5	1,224.5	1,054.5	6.5%	0.4%
326	Plastics and Rubber	230.3	224.9	269.9	297.7	346.4	2.1%	10.7%
331	Primary Metal	675.1	505.1	410.8	323.8	295.3	1.8%	-18.7%
332	Fabricated Metal	706.7	790.3	829.5	906.0	963.2	5.9%	8.0%
333	Machinery, exc. Elec.	1,666.6	1,769.7	1,945.7	2,259.1	2,180.3	13.4%	6.9%
334	Comp. & Electronic	1,191.0	1,108.7	1,132.4	1,260.4	1,176.9	7.2%	-0.3%
335	Electrical Equipment	1,032.9	958.9	983.6	919.6	895.5	5.5%	-3.5%
336	Transportation Equip.	7,012.5	6,216.3	6,066.4	7,673.6	6,939.7	42.7%	-0.3%
339	Misc. MFG	326.2	327.3	312.6	339.1	382.8	2.4%	4.1%
	Other	<u>1,229.7</u>	<u>1,490.9</u>	<u>1,734.1</u>	<u>2,042.1</u>	<u>1,862.9</u>	<u>11.5%</u>	10.9%
<b>Total Commodity Exports</b>		<b>15,241.8</b>	<b>14,394.0</b>	<b>14,791.6</b>	<b>17,403.5</b>	<b>16,242.5</b>	<b>100.0%</b>	<b>1.6%</b>
	% Growth	-4.5%	-5.6%	2.8%	17.7%	-6.7%		
Gross State Product (\$M)		262,372.7	266,747.3	272,570.0	279,782.3	287,822.2		2.3%
		5.5%	1.7%	2.2%	2.6%	2.9%		
Exports as a % of GSP		5.8%	5.4%	5.4%	6.2%	5.6%		5.7%

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

The bulk of Connecticut's exports are shipped by air from Bradley International Airport and by sea from the port of New Haven. In 2019, exports originating from Connecticut totaled \$16.2 billion, with 70.2% of the total being shipped by air, 12.1% being delivered by sea, and the remaining 17.7% 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, with the majority of goods transported by air as that mode of transportation provides more frequent departures and faster transit times.

The following table shows the ten major foreign countries to which Connecticut firms export their products. Germany is the largest destination country in 2019 at 15.6% of total exports, followed by Canada, France, United Kingdom, and China. These five countries accounted for 55.8% of total state exports in 2019. Exports to Singapore have grown the fastest in the past five years at an average growth rate of 18.7%.

## Economic Report of the Governor

**TABLE 33**  
**COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY COUNTRY**  
(In Millions of Dollars)

<u>Destination</u>	2019 <u>Rank</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Percent of 2019 <u>Total</u>	2015-2019
								<u>Average</u> <u>Rate</u> Growth
Germany	1	1,654.2	1,641.7	1,823.8	2,332.3	2,541.5	15.6%	11.3%
Canada	2	1,623.1	1,634.8	1,907.3	1,964.1	1,951.8	12.0%	4.7%
France	3	1,942.9	1,954.6	2,114.1	3,177.8	1,859.6	11.4%	-1.1%
United Kingdom	4	885.4	893.2	1,300.1	1,484.4	1,451.7	8.9%	13.2%
China	5	1,028.9	798.3	795.0	942.7	1,262.1	7.8%	5.2%
Netherlands	6	476.6	499.1	619.4	769.5	775.2	4.8%	12.9%
Mexico	7	1,318.7	1,061.2	1,036.9	947.7	810.6	5.0%	-11.5%
Singapore	8	278.5	333.7	399.5	623.3	552.5	3.4%	18.7%
South Korea	9	457.5	364.7	539.3	422.6	475.3	2.9%	1.0%
Japan	10	526.6	525.4	546.7	627.5	402.1	2.5%	-6.5%
Other Areas		<u>5,049.4</u>	<u>4,687.4</u>	<u>3,709.6</u>	<u>4,111.7</u>	<u>4,160.1</u>	25.6%	-4.7%
<b>Total</b>		15,241.8	14,394.0	14,791.6	17,403.5	16,242.5	100.0%	1.6%

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

In an effort to create jobs and investment, the Connecticut Department of Economic and Community Development has continued to work with a number of foreign companies to establish branches in Connecticut. As a result of this work, foreign countries continually invest and own firms in the state. This foreign investment is an important stimulus for Connecticut's economic growth and future productivity as 7.1% of the state's total private industry employment in 2017 was a result of foreign investment. In 2017, 108,600 Connecticut workers were employed by foreign-controlled companies, an increase of 5,000 since 2014. Major sources of foreign investment in Connecticut in 2017 included the Netherlands, the United Kingdom, Germany, and France.

## Economic Report of the Governor

### Connecticut's Defense Industry

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

In federal fiscal year (FFY) 2019, contractors in the state were awarded \$18.4 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. This was up 24.9% from the \$14.7 billion received in awards in FFY 2018. Of the total awarded, the following five companies were the top contractors in the state, primarily for the described areas of work:

- |                            |                        |
|----------------------------|------------------------|
| 1. Sikorsky Aircraft Corp. | Aircraft               |
| 2. General Dynamics Corp.  | Submarines             |
| 3. United Technologies     | Aerospace              |
| 4. Gartner, Inc.           | Information Technology |
| 5. Sonalysts, Inc.         | Software Developer     |

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

**TABLE 34**  
**VALUE OF PRIME CONTRACT AWARDS BY PROGRAM IN FFY 2019**  
**(In Millions)**

<u>Connecticut Program</u>	<u>Value</u>	<u>Percent</u>	<u>United States Program</u>	<u>Value</u>	<u>Percent</u>
Gas Turbines and Jet Engines	\$ 6,631.7	36.1%	Aircraft Fixed Wing	\$ 29,424.8	8.2%
Combat Ships and Landing Vessels	3,852.2	21.0%	Engineering & Tech Support Services	18,442.3	5.1%
Aircraft, Rotary Wing	3,228.4	17.6%	Combat Ships and Landing Vessels	15,185.1	4.2%
Maintenance and Repair of Equipment	874.7	4.8%	General Healthcare Services	12,190.1	3.4%
Aircraft, Research and Development	690.5	3.8%	Guided Missiles	11,906.6	3.3%
Other	<u>3,080.3</u>	<u>16.8%</u>	Other	<u>\$ 272,964.0</u>	<u>75.8%</u>
Total	\$ 18,357.9	100.0%	Total	\$ 360,112.9	100.0%

Source: General Services Administration (SAM.gov)

## Economic Report of the Governor

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

**TABLE 35**  
**GEOGRAPHIC DISTRIBUTION OF CONNECTICUT PRIME AWARDS**  
**(And Total Awards in Thousands of Dollars)**

	<u>FFY 2015</u>	<u>FFY 2016</u>	<u>FFY 2017</u>	<u>FFY 2018</u>	<u>FFY 2019</u>
Fairfield	27.6%	28.1%	30.8%	20.1%	28.9%
Hartford	28.7%	33.0%	21.8%	39.3%	44.5%
Litchfield	0.3%	0.2%	0.3%	0.3%	0.2%
Middlesex	0.1%	0.1%	0.2%	0.1%	0.3%
New Haven	0.5%	0.6%	0.7%	0.6%	0.5%
New London	42.6%	37.8%	46.2%	39.3%	25.6%
Tolland	0.1%	0.1%	0.1%	0.1%	0.1%
Windham	<u>0.1%</u>	<u>0.0%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>
State Total	100.0%	100.0%	100.0%	100.0%	100.0%
State Total	\$12,148,179	\$14,134,403	\$11,632,365	\$14,697,986	\$18,357,870

Source: General Services Administration (SAM.gov)

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

To compare the relative volatility of contract awards with defense related employment, the coefficient of variation is used: the larger the number, the greater the volatility. It is derived by dividing the standard deviation of a variable by its mean. The coefficient of variation for the state's defense contract awards over the past decade was 0.176 compared with 0.048 for transportation equipment employment. This implies that the fluctuations in transportation employment are milder than the fluctuations in defense contract awards. Because most defense contract awards are long-term projects, there is usually a backlog of unfinished orders in the pipeline, allowing continued employment even if new contracts are not received.

Real defense contract awards—the value of contracts after accounting for inflation—increased from \$11.1 billion in FFY 2010 to \$15.4 billion in FFY 2018. This represents an annual percentage growth rate of 3.8% per year from FFY 2010 to FFY 2019.



Economic Report of the Governor

**TABLE 36**  
**CONNECTICUT DEFENSE CONTRACT AWARDS AND RELATED EMPLOYMENT**

Federal Fiscal Year	Defense Contract Awards		Connecticut Transportation Equipment Employment		Real Defense Contract Awards (1982-84 = 1)	
	(\$ 000's)	% Growth	(\$ 000's)	% Growth	(\$ 000's)	% Growth
2010	11,238,753	(5.2)	42.31	(2.7)	11,050,608	(6.8)
2011	12,491,324	11.1	42.17	(0.3)	11,969,658	8.3
2012	12,750,298	2.1	42.19	0.1	11,928,036	(0.3)
2013	10,032,845	(21.3)	41.57	(1.5)	9,234,373	(22.6)
2014	13,207,996	31.6	40.28	(3.1)	11,962,130	29.5
2015	12,148,179	(8.0)	40.43	0.4	10,968,313	(8.3)
2016	14,134,403	16.3	41.39	2.4	12,646,523	15.3
2017	11,632,365	(17.7)	43.35	4.7	10,197,944	(19.4)
2018	14,697,986	26.4	45.37	4.6	12,581,020	23.4
2019	18,357,870	24.9	46.72	3.0	15,427,904	22.6
Coefficient of Variation	0.176		0.048		0.141	

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

**TABLE 37**  
**COMPARISON OF U.S. AND CONNECTICUT DEFENSE CONTRACT AWARDS**

Federal Fiscal Year	Connecticut				United States			
	Defense Contract Awards (\$ Millions)	% Growth	3-Year Moving Average (\$ Millions)	% Growth	Defense Contract Awards (\$ Millions)	% Growth	3-Year Moving Average (\$ Millions)	% Growth
2010	11,239	(5.2)	11,772	8.0	323,252	(2.4)	336,463	2.5
2011	12,491	11.1	11,861	0.8	329,490	1.9	327,953	(2.5)
2012	12,750	2.1	12,160	2.5	319,356	(3.1)	324,033	(1.2)
2013	10,033	(21.3)	11,758	(3.3)	268,847	(15.8)	305,898	(5.6)
2014	13,208	31.6	11,997	2.0	260,720	(3.0)	282,974	(7.5)
2015	12,148	(8.0)	11,796	(1.7)	253,348	(2.8)	260,972	(7.8)
2016	14,134	16.3	13,164	11.6	279,081	10.2	264,383	1.3
2017	11,632	(17.7)	12,638	(4.0)	300,804	7.8	277,745	5.1
2018	14,698	26.4	13,488	6.7	336,450	11.9	305,445	10.0
2019	18,358	24.9	14,896	10.4	360,113	7.0	332,456	8.8
Coefficient of Variation	0.176				0.119			

Source: U.S. Department of Defense, General Services Administration (SAM.gov)

## Economic Report of the Governor

The coefficient of variation for Connecticut's defense contract awards over the past decade was 0.176, compared to 0.119 for the U.S., reflecting a pattern of fluctuations in the state's annual levels of defense contract awards which is relatively close to the national level. However, over the last several years Connecticut has seen more volatility as the U.S. Department of Defense has approved increasingly larger contracts to Connecticut contractors.

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

Connecticut's total defense awards, based on a three-year moving average, increased at an annual growth rate of 2.6% during the nine-year period from 2010 to 2019, compared to a growth rate of -0.1% for the nation.

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

In FFY 2019, while Connecticut ranked fifth in total defense contracts awarded, it ranked first in per capita defense dollars awarded with a figure of \$5,148. This figure was more than four times the national average of \$1,097. In 2018, Connecticut ranked sixth in total defense contracts awarded and second in per capita defense dollars awarded with a figure of \$4,114. This was about four times the national average of \$1,027 for that year.

The wind-down of the Afghanistan and Iraq wars lead to a gradual reduction in national defense spending, which can be seen in the early 2010s. Connecticut saw a significant change in defense spending in December 2019, when President Trump approved a spending bill with approximately \$738 billion in federal funding for military and defense projects in FFY 2020. One of the projects includes over \$22 billion for nine Virginia Class submarines to be partly manufactured by Electric Boat in Connecticut. Additionally, the bill includes over \$13 billion for the production of F-35 jets and another \$3 billion for research and development of the B-21 Raider. Pratt & Whitney manufactures the engines for the F-35 jets and will be the manufacturer of the engine for the B-21 Raider. Lastly, approximately \$3 billion is planned for the production of helicopters consisting of Black Hawks, CH-53K heavy lift helicopters, and combat rescue helicopters—all produced by Sikorsky Aircraft Corporation.

Economic Report of the Governor

**TABLE 38**  
**CONNECTICUT DEFENSE CONTRACT AWARDS AND GSP**

Federal Fiscal Year	Connecticut Defense Contract Awards (\$ Millions)	U.S. Defense Contract Awards (\$ Millions)	CT as % of U.S.	CT GSP Current Dollars (\$ Millions)	3-year Average CT Awards (\$ Millions)	CT Awards as % of CT GSP
2010	11,239	323,252	3.5%	238,072	11,772	4.7%
2011	12,491	329,490	3.8%	236,453	11,861	5.3%
2012	12,750	319,356	4.0%	242,528	12,160	5.3%
2013	10,033	268,847	3.7%	244,148	11,758	4.1%
2014	13,208	260,720	5.1%	246,363	11,997	5.4%
2015	12,148	253,348	4.8%	260,227	11,796	4.7%
2016	14,134	279,081	5.1%	265,563	13,164	5.3%
2017	11,632	300,804	3.9%	271,013	12,638	4.3%
2018	14,698	336,450	4.4%	278,177	13,488	5.3%
2019	18,358	360,113	5.1%	285,457	14,896	6.4%

Source: General Services Administration (SAM.gov), Bureau of Economic Analysis, IHS Markit

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

1. CH-53K Heavy Lift Helicopter
2. UH-60 Utility Helicopter (Black Hawk)
3. S-70i Black Hawk Helicopter
4. CH-148 Cyclone Helicopter
5. HH-60W Combat Rescue Helicopter (Pave Hawk)
6. F-15 Aircraft
7. F-16 Aircraft
8. F-35 Lightning Aircraft
9. H-92 Super Hawk Helicopter
10. KC-46A Pegasus Aircraft
11. Virginia Class Submarine

Economic Report of the Governor

**TABLE 39**  
**COMPARISON OF STATE PRIME CONTRACT AWARDS**  
**Federal Fiscal Year 2019**

State	Prime Contract Awards		\$ Per Capita Prime Contract Awards		State	Prime Contract Awards		\$ Per Capita Prime Contract Awards	
	(\$ 000's)	Rank	Awards	Rank		(\$ 000's)	Rank	Awards	Rank
<b>Connecticut</b>	<b>18,357,870</b>	<b>5</b>	<b>5,148</b>	<b>1</b>	Iowa	1,869,822	33	593	26
Virginia	38,377,062	3	4,498	2	Utah	1,864,040	34	583	27
Maryland	15,558,559	6	2,574	3	Rhode Island	603,884	41	570	28
Alaska	1,847,390	35	2,524	4	South Carolina	2,919,362	27	568	29
Maine	3,162,979	26	2,354	5	Indiana	3,812,230	24	567	30
Alabama	11,060,112	11	2,257	6	Illinois	6,298,799	17	497	31
Kentucky	9,565,617	13	2,141	7	Ohio	5,471,507	20	468	32
Missouri	12,805,878	9	2,087	8	Michigan	4,672,394	21	468	33
Massachusetts	13,078,884	8	1,898	9	Louisiana	2,130,681	30	458	34
Mississippi	5,623,981	19	1,889	10	North Carolina	4,591,925	22	438	35
Arizona	12,178,483	10	1,677	11	Wyoming	230,948	47	399	36
Hawaii	2,266,225	28	1,600	12	Kansas	1,157,986	38	398	37
New Hampshire	2,157,944	29	1,588	13	New York	7,127,213	14	366	38
Texas	43,763,159	1	1,512	14	Nebraska	692,815	40	358	39
Washington	10,855,330	12	1,428	15	Vermont	216,345	48	347	40
Colorado	6,447,861	15	1,121	16	South Dakota	255,316	45	289	41
Pennsylvania	14,110,147	7	1,102	17	Montana	295,562	44	277	42
New Mexico	2,095,407	31	1,000	18	Minnesota	1,556,140	37	276	43
California	39,256,278	2	994	19	Tennessee	1,817,722	36	266	44
Florida	20,363,186	4	949	20	West Virginia	469,415	42	262	45
Oklahoma	3,286,403	25	831	21	North Dakota	166,297	50	218	46
New Jersey	6,338,820	16	714	22	Delaware	196,526	49	202	47
Wisconsin	3,913,289	23	672	23	Oregon	738,149	39	175	48
Nevada	1,965,258	32	639	24	Idaho	238,753	46	134	49
Georgia	6,287,892	18	593	25	Arkansas	310,710	43	103	50
U.S. Total	360,112,901		1,097						

Source: General Services Administration (SAM.gov), Bureau of the Census, IHS Markit Economics

## Economic Report of the Governor

### Retail Trade in Connecticut

Consumer spending on goods and services, ranging from pencils to refrigerators to haircuts to electricity, accounted for approximately 68% of the nation’s gross domestic product (GDP) in FY 2020. During the last decade, variations in retail trade closely matched variations in GDP growth, making retail trade an important barometer of economic health.

The North American Industry Classification System (NAICS) 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 NAICS codes for retail trade are from NAICS 44 to NAICS 45. In general, retail establishments are classified via these codes according to the principal lines of commodities sold (e.g., apparel, groceries) or the usual trade designation (e.g., liquor store, drug store).

The following table shows the major group in each NAICS code as well as the state’s retail trade history for the past two fiscal years. Retail sales reflect the pulse of economic conditions: they perform strongly as the economy expands and perform poorly during a recession. Connecticut retail trade in FY 2020 totaled \$62.3 billion, a 3.7% increase over FY 2019 and the tenth straight year of increased total trade.

**TABLE 40**  
**RETAIL TRADE IN CONNECTICUT**  
**(In Millions)**

<u>NAICS</u>	<u>Industry</u>	<u>FY</u> <u>2019</u>	<u>% of</u> <u>Total</u>	<u>FY</u> <u>2020</u>	<u>% of</u> <u>Total</u>	<u>%</u> <u>Change</u>
441	Motor Vehicle and Parts Dealers	\$11,435	19.0%	\$11,068	17.8%	-3.2%
442	Furniture and Home Furnishings Stores	2,043	3.4	1,902	3.1	-6.9
443	Electronics and Appliance Stores	1,630	2.7	1,744	2.8	7.0
444	Building Material and Garden Supply Stores	3,331	5.5	3,488	5.6	4.7
445	Food and Beverage Stores	10,873	18.1	11,664	18.7	7.3
446	Health and Personal Care Stores	4,124	6.9	4,347	7.0	5.4
447	Gasoline Stations	3,792	6.3	3,261	5.2	-14.0
448	Clothing and Clothing Accessories Stores	3,083	5.1	2,724	4.4	-11.7
451	Sporting Goods, Hobby, Book and Music Stores	936	1.6	857	1.4	-8.4
452	General Merchandise Stores	5,465	9.1	5,625	9.0	2.9
453	Miscellaneous Store Retailers	7,917	13.2	8,026	12.9	1.4
454	Nonstore Retailers	<u>5,451</u>	<u>9.1</u>	<u>7,569</u>	<u>12.2</u>	<u>38.8</u>
	Total	60,080	100.0%	\$62,275	100.0%	3.7%
Durables (NAICS 441,442, 443, 444)		\$18,439	30.7%	\$18,203	29.2%	-1.3%
Nondurables (All Other NAICS)		\$41,641	69.3%	\$44,072	70.8%	5.8%

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 are expected to last three years or more and include items such as automobiles, furniture, and appliances. Durable goods are normally big-ticket items that are sensitive to the overall economic

## Economic Report of the Governor

climate. Purchases of such goods increase when interest rates decrease or when consumers' incomes grow, and consumer confidence increases. Essentially, these transactions occur primarily when consumers feel the economy is on the right track and when more disposable income is being spent as the result of the price of borrowing going down or when consumers' earnings go up. Durable goods and sales declined by 1.3% in FY 2020, a reduction after the state experienced significant growth of 8.7% in FY 2019. Nondurable goods have a shorter life span and include items such as food, gas, apparel, and other miscellaneous products. Sales of nondurable goods are typically less volatile as most items are deemed "necessities" and consumption is relatively insensitive to price variations. The previous table shows that Connecticut sales of nondurable goods grew by 5.8% in FY 2020.

In addition to the traditional transactions occurring in Connecticut-based "bricks and mortar" establishments, a significant amount of retail activity is also taking place over the internet. According to the U.S. Census Bureau's Retail Indicators Branch, in FY 2020 national retail e-commerce sales are estimated at \$681.8 billion, accounting for 12.6% of total retail sales of \$5,428.6 billion. Estimated e-commerce retail sales rose by 23.7% in FY 2020 compared to a decline of 1.0% for traditional retail sales. This divergence in growth rates was exacerbated by the COVID-19 pandemic, which resulted in the short-term temporary closure of traditional retail locations in many states across the nation during the March 2020 through June 2020 period.

Historically, the U.S. Supreme Court forbade states from forcing retailers to collect sales tax unless the seller had a physical presence in the state where the purchase was made (physical nexus). The U.S. Supreme Court overturned the prior ruling in June 2018 in *South Dakota v. Wayfair, Inc.*, where it ruled that vendors with more than 200 transactions or sales over \$100,000 to residents of South Dakota constituted an economic nexus. In anticipation of the *Wayfair* decision, Public Act 18-152 made remote sellers that make at least \$250,000 in sales and more than 200 retail transactions to Connecticut residents liable to collect sales tax effective December 1, 2018. Public Act 19-117, effective July 1, 2019, lowered the threshold for the sales tax physical nexus to match the *Wayfair* decision and broadened its application to include retail sales of services.

Retail trade as a percentage of disposable income in Connecticut remained relatively flat over FY 2020 and FY 2019 at 25.9%. The state's per capita disposable income of \$67,456 in FY 2020 was 30.8% above the national average of \$51,587. In FY 2019, Connecticut per capita retail trade was estimated at \$17,482.

Economic Report of the Governor

**TABLE 41**  
**RETAIL SALES IN CONNECTICUT BY EMPLOYEES AND ESTABLISHMENTS**

	<u>Sales</u> <u>(\$M)</u>	<u>Number</u> <u>of</u> <u>Employees</u>	<u>Per</u> <u>Employee</u> <u>Sales</u> <u>(\$ 000's)</u>	<u>Per</u> <u>Number</u> <u>of</u> <u>Establish.</u>	<u>Employees</u> <u>Per</u> <u>Establish.</u>	<u>Annual</u> <u>Payroll</u> <u>(\$M)</u>
2012	51,632.5	182,528	282.9	12,597	14.5	4,974.5
2017	55,404.5	186,297	297.4	12,391	15.0	5,560.8
Growth (%)	7.3	2.1	5.1	(1.6)	3.7	11.8

Source: U.S. Census Bureau, 2012 and 2017 Economic Census

According to the 2017 economic census on retail sales, a survey that is done once every five years by the U.S. Department of Commerce, Connecticut had \$55.4 billion of retail sales, up from \$51.6 billion in 2012. The retail trade sector is one of the major sources of jobs in the Connecticut economy and although the number of establishments has declined from 2012 to 2017, the number of employees has increased. In 2017, the sector had 12,391 establishments with 186,297 employees, compared to 12,597 establishments with 182,528 employees in 2012.

## Economic Report of the Governor

### **Nonfinancial Debt**

For many years, national attention has been focused 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.

The following table shows the 29-year history from 1990 to 2019 for total DNFD and each of its four components – households, businesses, federal government, and state and local governments. In 2019, the year-end total domestic nonfinancial debt outstanding was \$54,312.0 billion, approximately 2.5 times GDP. Total non-financial debt between 2000 and 2019 has grown 184.6%, outpacing the growth in GDP of 104.0%.

By 2019, of the total \$54.3 trillion nonfinancial debt outstanding, the federal government accounted for 35.1%, followed by nonfinancial business at 29.9%, households at 29.4%, and state and local governments at 5.7%. However, debt outstanding in the private sector accounted for 59.3% of the total in 2019, down from 72.3% in 2000. Due to the 2008 financial crisis, deficit spending has led the federal government to overtake the household sector in total outstanding nonfinancial debt. This trend is only expected to worsen with the additional federal deficit spending brought about by the Coronavirus Disease 2019 (COVID-19) pandemic.

### **Household Borrowing**

Household borrowing, which includes home mortgages, consumer credit, and other miscellaneous items, totaled \$16.0 trillion by the end of 2019. Of this sum, home mortgage loans accounted for \$10.5 trillion, or 65.5% of household borrowing, followed by consumer credit at \$4.2 trillion, or 26.2%, and the remainder in other miscellaneous items.



Economic Report of the Governor

**TABLE 42**  
**DOMESTIC NON-FINANCIAL DEBT (DNFD) OUTSTANDING BY SECTOR IN THE U.S.**  
**In Billions of Dollars at Yearend**

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	2019 % of <u>Total</u>	Growth <u>(1990 to 2000)</u> <u>(2000 to 2019)</u>	
Private Sector							
Households							
Home Mortgages	\$2,489.3	\$4,816.8	\$9,992.2	\$10,454.9	19.2%	93.5%	117.1%
Consumer Credit	824.4	1,741.3	2,646.8	4,180.6	7.7%	111.2%	140.1%
Other	<u>310.4</u>	<u>681.6</u>	<u>1,124.0</u>	<u>1,332.3</u>	2.5%	119.6%	95.5%
Total - Households	\$3,624.0	\$7,239.7	\$13,763.0	\$15,967.8	29.4%	99.8%	120.6%
Business							
Mortgages	\$1,213.0	\$1,737.0	\$3,526.2	\$5,050.2	9.3%	43.2%	190.7%
Corporate Bonds	1,008.2	2,265.1	3,374.4	5,783.2	10.6%	124.7%	155.3%
Other	<u>1,554.7</u>	<u>2,565.6</u>	<u>3,116.5</u>	<u>5,384.4</u>	9.9%	65.0%	109.9%
Total - Business	\$3,775.9	\$6,567.8	\$10,017.1	\$16,217.8	29.9%	73.9%	146.9%
Total - Private Sector	\$7,399.9	\$13,807.5	\$23,780.1	\$32,185.5	59.3%	86.6%	133.1%
Public Sector							
Federal Government*	\$2,830.8	\$4,090.0	\$10,528.6	\$19,055.7	35.1%	44.5%	365.9%
State & Local Gov't	<u>977.8</u>	<u>1,189.0</u>	<u>3,193.6</u>	<u>3,070.8</u>	5.7%	21.6%	158.3%
Total - Public Sector	\$3,808.5	\$5,279.1	\$13,722.2	\$22,126.5	40.7%	38.6%	319.1%
Total DNFD	\$11,208.5	\$19,086.5	\$37,502.3	\$54,312.0	100.0%	70.3%	184.6%
GDP, 4th Quarter	\$6,264.5	\$10,660.3	\$15,796.5	\$21,747.4		70.2%	104.0%
DNFD as a % of GDP	178.9%	179.0%	237.4%	249.7%			

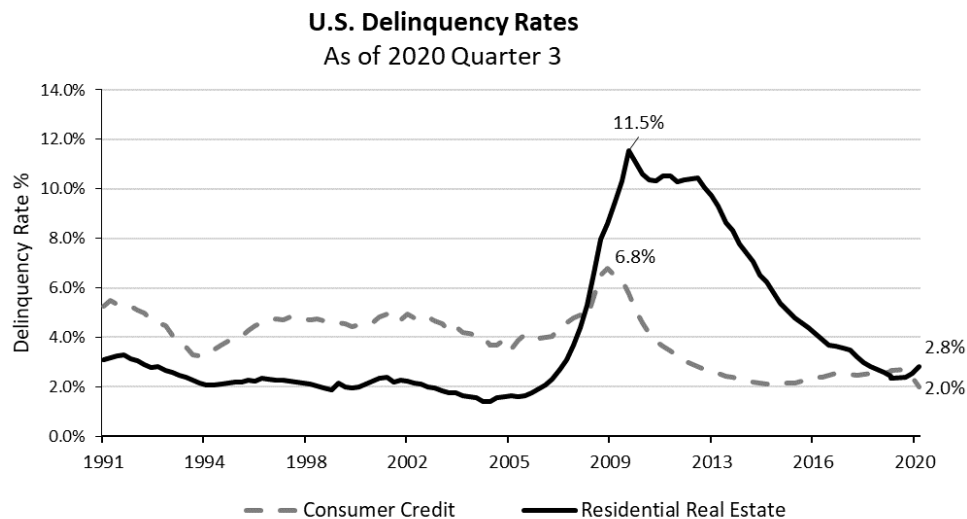
\*Excludes intra-governmental holdings of Treasury securities

Source: Board of Governors of the Federal Reserve System, IHS Markit

## Economic Report of the Governor

As shown in the chart below, delinquency rates on all residential real estate loans increased after the onset of the 2008 Great Recession as a correction related to sub-prime and Alt-A mortgages (mortgages that are riskier than prime, but less risky than subprime mortgages) engulfed consumers. From an average rate of 2.3% from 1991 to mid-2008, delinquency rates reached a high of 11.5% in the first quarter of 2010. The increase was due to plunging housing prices coupled with reset provisions on certain mortgages and a slowdown in the economy. By the third quarter of 2019, this figure fell to 2.5% as the national expansion from the 2008 Great Recession continued. In the third quarter of 2020, delinquency rates increased to 2.8% due to the economic impact of the COVID-19 pandemic.

Consumer credit, not secured by real estate, is comprised of non-revolving credit (such as automobile and personal loans) and revolving credit (which includes credit card debt and store charges). Over the years, consumer credit has helped finance a large expansion in spending for consumer non-durables as more consumers rely on credit cards for making purchases online. After averaging 4.4% from 1991 to mid-2008, delinquency rates on credit card loans have improved to 2.0% in the third quarter 2020 from 6.8% in mid-2009. Consumer credit delinquency rates also showed improvement over the previous year compared to 2.6% in the third quarter of 2019. The decline is partially due to economic relief programs that allowed consumers impacted by the COVID-19 pandemic to enter into loan forbearance agreements providing payment extensions.



Source: Federal Reserve Bank of St. Louis

### Business Borrowing

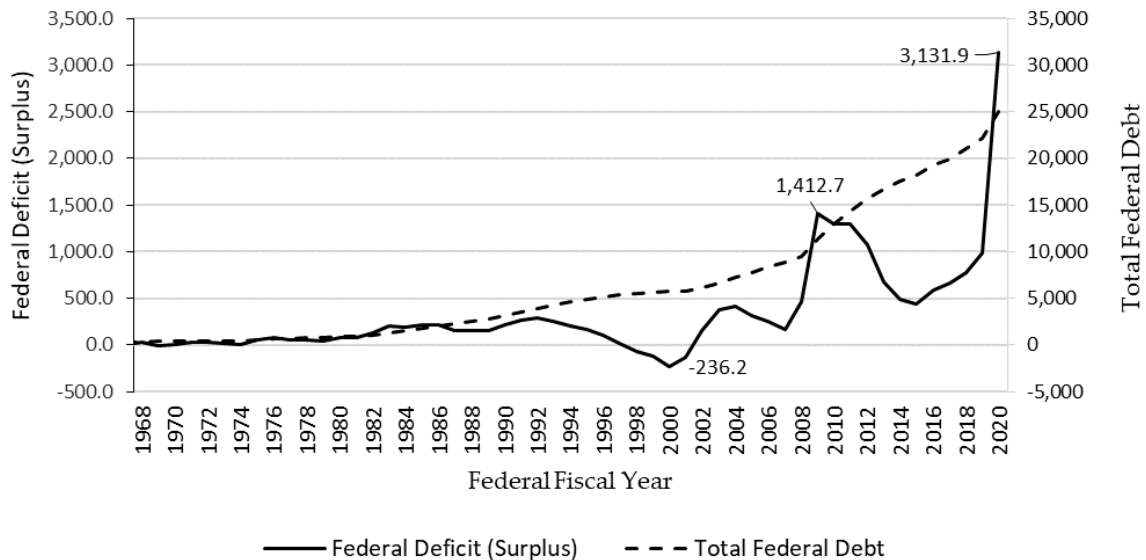
Business borrowings include debts owed by corporations, nonfarm corporations and farms. Total borrowings were \$16.2 trillion at the end of 2019. Borrowing instruments include corporate bonds, commercial paper, municipal securities, bank loans, and mortgages. Mortgages, corporate bonds, and others were divided almost evenly among the total. Prior to the 2008 Great Recession, growth in business borrowings were driven by mortgages which grew 109.1% between 2000 to 2007, compared to 39.0% since 2007. After the Great Recession, growth in business borrowings has been led by corporate bonds, which grew 101.5% between 2007 to 2019, compared to 26.7% between 2000 to 2007.

## Economic Report of the Governor

### Government Borrowing

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

Federal Deficit and Outstanding Debt  
(in Billions of dollars)



Note: For the purposes of the above graph, federal deficits are expressed as positive numbers.

Source: Federal Reserve Board of St. Louis

As shown in the graph above, after registering deficits in most of the 1990s, the federal budget on a unified basis, which includes all operating and trust funds such as Social Security and Medicare programs, turned to a surplus in 1998 and peaked at \$236.2 billion in federal fiscal year (FFY) 2000. Federal operations turned to deficits again in FFY 2002 reaching a high of \$412.7 billion in FFY 2004 before slightly recovering. The onset of the Great Recession boosted federal spending for FFY 2009 through FFY 2012. Contributing factors included the \$700 billion financial bailout known as the Troubled Asset Relief Program (TARP), and the \$787 billion economic stimulus program, per the American Recovery and Reinvestment Act (ARRA), along with increases in Medicare, Medicaid, unemployment insurance, Social Security, and defense spending. At the same time, tax receipts declined due to the effects of the recession and tax cuts from the ARRA program. The federal deficit reached a high of \$1,412.7 billion in FFY 2009 before dropping dramatically in FFY 2015 to \$438.5 billion. Unfortunately, the 2017 Tax Cuts and Jobs Act did not sufficiently stimulate economic growth nor reduce federal expenditures to match federal revenues thereby exacerbating the federal deficit. The federal government in FFY 2020 spent an estimated \$1.80 for every dollar it took in, an increase of 38.4% from \$1.30 in FFY 2019. The federal deficit rose to a record high of \$3,131.9 billion as of the end of FFY 2020. The record deficit is a direct result of the federal response to the COVID-19 pandemic, including the

## Economic Report of the Governor

Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a \$2.2 trillion spending package to provide enhanced benefits for unemployed workers, stimulus payments, and forgivable loans to large and small businesses.

As the federal operating budget continued to post a deficit, the national debt also increased. By the end of FFY 2020, gross debt outstanding registered \$25.0 trillion, up 12.5% from FFY 2019. The U.S.'s deficit of 9.8% of GDP in FFY 2009 had been a record high since WWII, declining to 2.4% in FFY 2015 but then increasing and currently standing at 14.9% in FFY 2020.

According to the U.S. Census Bureau's "State Government Finances," state government debt outstanding in Connecticut at the end of FY 2018, the latest available year, was \$40.3 billion, compared to \$38.8 billion in 2017 and \$37.0 billion in 2016. Connecticut per capita state government debt has increased over the past three years, from \$10,347 in FY 2016 to \$11,284 in FY 2018. The fifty-state average increased from \$3,750 in FY 2017 to \$3,830 in FY 2018.

Connecticut's overall credit rating is determined by four major rating agencies: Moody's Investors Service, Standard & Poor's Corporation, Fitch Investors Service, Inc., and Kroll Bond Ratings. The table below shows how Connecticut's General Obligation bonds are rated as of December 2020. The rating process provides information for investors about risk. High ratings generally result in lower borrowing costs.

<u>Agency</u>	<u>Rating</u>	<u>Outlook</u>
Moody's Investors Service	A1	Stable
Standard & Poor's Corporation	A	Stable
Fitch Investors Service	A+	Stable
Kroll Bond Ratings	AA-	Stable

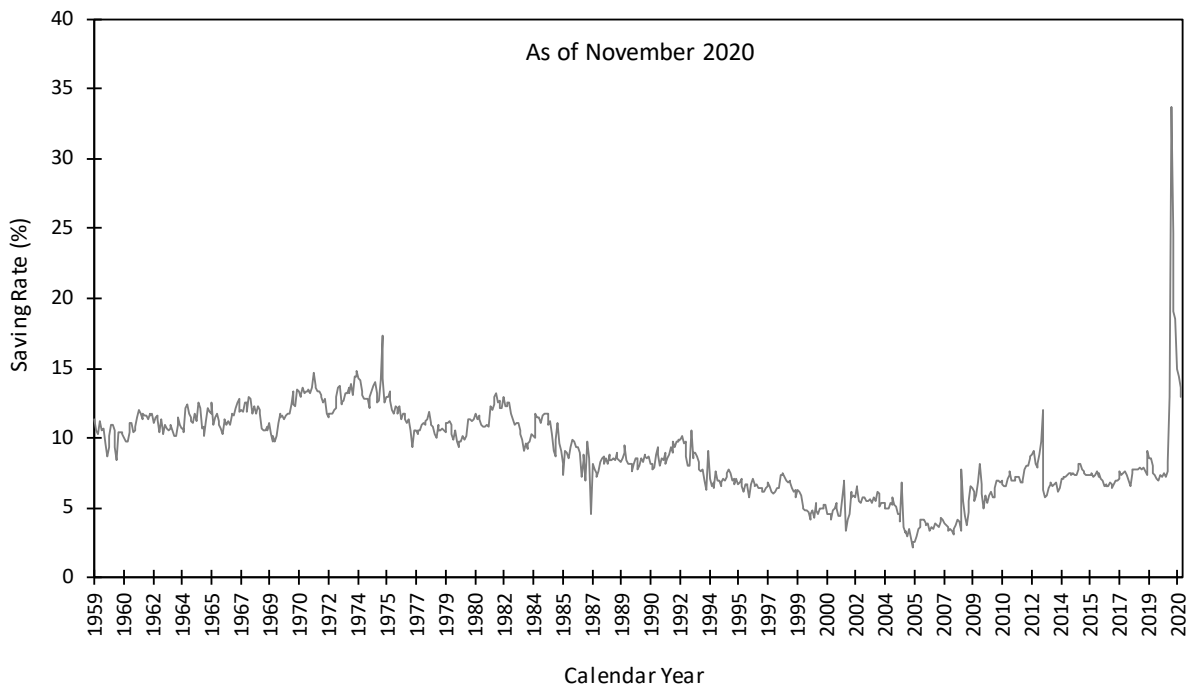
Note: Ratings as of December 2020

## Economic Report of the Governor

### Savings by U.S. Households

The chart below shows the national savings rate (personal income less personal outlays and personal current taxes) for U.S. consumers from 1959 through November 2020. After remaining at an average of 11.6% between 1959 and 1980, the U.S. savings rate began trending down from a high of 13.2% in late 1981 to a low of 2.2% in mid-2005. The savings rate then climbed back up to 12.0% by December 2012 before falling to 8.3% in February 2020 prior to the COVID-19 pandemic. During the pandemic the savings rate reached a peak of 33.7% in April 2020, the highest on record going back to 1959, and slowly declined to the current rate of 12.9% in November 2020. The average savings rate for the past five years is 9.0%.

### SAVINGS BY U.S. HOUSEHOLDS



Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis

### Household Balance Sheet

The Federal Reserve Bank's "Flow of Funds Accounts" maintains statistics on the assets, liabilities, and net worth for the household sector. The table below shows these three components that comprise a balance sheet for 1970, 2007, and 2020, to evaluate the financial position of the nation's households.

## Economic Report of the Governor

**TABLE 43**  
**Balance Sheet of Households and Non-profit Organizations**  
**In Billions of Dollars**

	1970	% of	2007	% of		% of	Average
	<u>In Real \$*</u>	<u>Total</u>	<u>In Real \$*</u>	<u>Total</u>	<u>2020 Q3</u>	<u>Total</u>	<u>Growth**</u>
<b>Assets</b>							
Real Estate	6,834.5	23.5%	32,127.6	30.2%	34,866.5	24.8%	3.4%
Stock related	9,188.6	31.7%	38,316.8	36.1%	60,783.8	43.3%	3.9%
Other	13,005.1	44.8%	35,816.2	33.7%	44,659.8	31.8%	2.5%
Time & Saving							
Deposits	3,612.0	12.4%	10,210.0	9.6%	15,894.9	11.3%	3.1%
Corporate Bonds	198.7	0.7%	1,479.0	1.4%	954.0	0.7%	3.3%
Gov't Securities***	<u>974.2</u>	<u>3.4%</u>	<u>2,908.3</u>	<u>2.7%</u>	<u>3,950.6</u>	<u>2.8%</u>	<u>2.9%</u>
<b>Total</b>	29,028.3	100.0%	106,260.6	100.0%	140,310.1	100.0%	3.3%
<b>Liabilities</b>							
Home Mortgages	1,906.7	59.7%	13,257.4	73.3%	10,787.5	64.2%	3.6%
Consumer Credit	891.0	27.9%	3,256.0	18.0%	4,136.2	24.6%	3.2%
Other	<u>393.8</u>	<u>12.3%</u>	<u>1,581.5</u>	<u>8.7%</u>	<u>1,866.6</u>	<u>11.1%</u>	<u>3.2%</u>
<b>Total</b>	3,191.5	100.0%	18,094.9	100.0%	16,790.3	100.0%	3.4%
<b>Net Worth</b>							
	25,836.7		88,165.7		123,519.7		3.2%
Net Home Equity	4,927.8		18,870.2		24,078.9		3.3%
As a % of Net Worth	19.1%		21.4%		19.5%		
Per Capita Net Worth (\$)	125,204.4		290,658.9		373,602.0		2.3%
<b>As a % of Total Assets</b>							
Home Mortgages	6.6%		12.5%		7.7%		
Liabilities	11.0%		17.0%		12.0%		
Net worth	89.0%		83.0%		88.0%		

**Note:**

\* Real dollar is calculated by using the estimated CPI-U for 2020

\*\* Compound annual growth rate from 1970 through 2020 Q3

\*\*\* Includes Treasury and Municipal securities

Source: Board of Governors of the Federal Reserve System

## Economic Report of the Governor

### Assets

Total assets can be categorized into three components: real estate assets, stock related assets, and other assets (including bank deposits, bonds, money market fund shares, and consumer durable goods). In the third quarter of 2020, household assets totaled \$140.3 trillion with real estate comprising 24.8% of total assets, stocks 43.3%, and the remaining 31.8% in other assets. In 1970, real estate comprised 23.5% of total assets, stocks 31.7%, and all other assets 44.8%. This reflects that stock related assets rose in importance over the past four and a half decades relative to real estate and other assets.

From 1955 to 1970, total assets grew at a compound annual growth rate of 3.7%. Total asset growth then slowed slightly in 1970 with a compound annual growth rate of 3.6% through 2007 when real assets reached a peak of \$106.3 trillion just prior to the onset of the Great Recession. During that recession total real assets declined sharply falling to \$90.0 trillion before recovering to \$140.3 trillion by 2020 Q3.

### Liabilities

Household liabilities totaled \$16.8 trillion in the third quarter of 2020. Home mortgages accounted for 64.2% of the total with consumer credit at 24.6% and other liabilities at 11.1%. This compared to 59.7%, 27.9%, and 12.3%, respectively, in 1970, reflecting a much faster growth in home mortgage borrowings. From 1970 to 2007 total liabilities grew at a compound annual growth rate of 4.8%, as financial vehicles such as home equity loans and credit cards became popular. Between 2002 and 2007, the compound annual growth rate in home mortgages, supported by extraordinarily favorable mortgage rates and an aggressive mortgage lending strategy, was 8.9%, outpacing growth in consumer credit (2.5%) and driving growth in total liabilities (7.4%). Consumer credit primarily includes auto loans, personal loans, and credit card balances. Since the Great Recession annual growth in total liabilities declined to -0.7%.

### Net Worth

Net worth (assets less liabilities) measures the resulting financial condition of consumers, which affects the overall economy through its wealth impact on consumers' spending and business activities. Net worth totaled \$123.5 trillion in the third quarter of 2020. When measured in 2020 dollars, real net worth grew from \$25.8 trillion in 1970 to a pre-recession peak of \$88.2 trillion in 2007, before declining to \$74.1 trillion in 2008. Per capita real net worth increased from \$125,204 in 1970 to \$373,602 in 2020, with an annual growth rate of 2.3%.

Over time, the growth in household net worth has coincided with the additional burden of greater liabilities. In 1970 liabilities accounted for 11.0% of total assets, yet by 2020 they had risen to 12.0% of assets. The primary driver of this change was an increase in home mortgage liability. Indeed, the ratio of home mortgages to total assets grew from 6.6% in 1970, to 12.5% in 2007, before falling to 7.7% in 2020. The increasing use of debt to finance American lifestyles has also increased the proportion of income that must be devoted to repaying that debt. Debt service, which consists of the required payments on outstanding mortgage and consumer debt, as a percentage of disposable personal income has gradually risen from 10.6% in 1980, the earliest available data, to 13.2% in the fourth quarter of 2007. Debt service has since declined to 8.7% as of second quarter 2020, a result of lower interest rates due to the onset of the Great Recession and the expansionary monetary policy implemented by the Federal Reserve.

## Economic Report of the Governor

### PERFORMANCE INDICATORS

This section examines trends in various economic performance indicators for the United States, the New England region and Connecticut. Statistics are provided demonstrating the economic performance of these areas and showing their strengths and weaknesses.

#### **Gross Product**

Gross Domestic Product (GDP) is a measure of domestic production produced by the Bureau of Economic Analysis (BEA). GDP is “the market value of the final goods and services produced by labor and property in the United States.” GDP is comprised of:

- personal consumption expenditures;
- government consumption expenditures and gross investment;
- gross private domestic investment; and
- net exports of goods and services.

While GDP measures economic activity in a geographical area, Gross National Product (GNP) measures the economic activity produced by residents of that area. Unlike Gross Domestic Product, GNP adjusts for income derived from domestic investments in foreign companies and foreign investments in domestic companies. GDP measures all economic activity within a territory and is consistent with other economic indicators such as employment and shipments of manufactured goods.

Because prices of goods and services change over time, nominal GDP will change even if there is no difference in physical output. To measure changes in real output, GDP is adjusted by an index of the general price level and expressed in constant dollars. The Bureau of Economic Analysis uses a chained dollars inflation index to provide an “apples-to-apples” comparison between years, currently based on calendar year 2012.

A state's economic activity is measured using Gross State Product (GSP). Like GDP, GSP is the current market value of all final goods and services produced by labor and property in a state. In FY 2020, the State of Connecticut produced an estimated \$282.6 billion in goods and services - \$244.5 billion in calendar year 2012 dollars. This was an estimated decrease of 0.5% in current dollars and an approximate 2.3% decrease in real dollars over FY 2019. The declines seen in FY 2020 were largely a result of the restrictions that occurred during the March through June period in order to address the COVID-19 public health crisis. Both the New England region and the nation experienced a pullback in economic activity during the same timeframe. However, overall growth in Connecticut GSP has lagged both the region and the nation since FY 2009, the nadir of the 2008 recession. From FY 2011 through FY 2020 nominal gross product has increased by 19.3% in Connecticut, compared to 31.4% in New England, and 38.1% in the nation. In real terms, Connecticut's GSP was 0.2% below its FY 2011 level in FY 2020, as growth in the state has been insufficient to keep up with inflation. The following table provides data on the recent ten year history of gross state product for the three regions.



Economic Report of the Governor

**TABLE 44  
GROSS PRODUCT**

**Millions of Current Dollars**

Fiscal Year	United States*		New England*		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	15,275,694	4.1	849,641	2.9	236,882	(0.2)
2012	15,890,081	4.0	875,549	3.0	240,789	1.6
2013	16,455,883	3.6	896,221	2.4	244,094	1.4
2014	17,117,337	4.0	914,056	2.0	244,828	0.3
2015	17,949,636	4.9	964,775	5.5	257,237	5.1
2016	18,463,148	2.9	999,483	3.6	264,645	2.9
2017	19,117,652	3.5	1,027,330	2.8	269,143	1.7
2018	20,087,530	5.1	1,070,129	4.2	276,129	2.6
2019	21,024,441	4.7	1,114,352	4.1	283,888	2.8
2020	21,092,243	0.3	1,116,482	0.2	282,568	(0.5)
% Increase ('11 to '20)		38.1			31.4	19.3

**Constant Dollars\*\***

Fiscal Year	United States*		New England*		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	15,740,111	2.3	876,192	1.7	244,901	(1.3)
2012	16,038,258	1.9	885,310	1.0	243,546	(0.6)
2013	16,311,487	1.7	886,879	0.2	241,443	(0.9)
2014	16,663,337	2.2	885,170	(0.2)	236,543	(2.0)
2015	17,229,683	3.4	913,685	3.2	242,881	2.7
2016	17,570,388	2.0	929,667	1.7	245,709	1.2
2017	17,917,980	2.0	941,919	1.3	246,632	0.4
2018	18,432,484	2.9	963,964	2.3	248,657	0.8
2019	18,884,306	2.5	982,160	1.9	250,231	0.6
2020	18,677,266	(1.1)	964,936	(1.8)	244,454	(2.3)
% Increase ('11 to '20)		18.7			10.1	(0.2)

\* Sum of States' Gross State Products.

\*\* Reported in calendar year 2012 chained dollars

Source: Bureau of Economic Analysis

As growth in some sectors in the economy will outpace other sectors, the composition of gross product will change over time. This is true of both the nation as well as Connecticut. Between FY 2011 and FY 2020, the contribution to Connecticut's GSP from construction & mining; information; finance, insurance, and real estate (FIRE); professional and business services; and healthcare and education; government; and other services increased, while agriculture, forest & fisheries; transportation, trade and utilities; leisure & hospitality; and manufacturing fell. The FIRE and manufacturing sectors have historically played an outsized role in Connecticut's economy. However, in FY 2020, professional and business services and transportation, trade, and utilities exceeded the manufacturing sector's contribution to Connecticut's GSP. Manufacturing's contribution to national gross domestic product also decreased between FY 2011 and FY 2020. Connecticut GSP as a portion of national GDP decreased between FY 2011 and FY 2020, from 1.6% to 1.3%.

## Economic Report of the Governor

**TABLE 45**  
**GROSS PRODUCT BY SOURCE**  
**(In Billions of Current Dollars)**

Industry	FY 2011				FY 2020			
	U.S.	%	CT	%	U.S.	%	CT	%
Agriculture, Forest & Fisheries	166.7	1.1	0.4	0.2	172.7	0.8	0.4	0.1
Construction & Mining	850.5	5.6	6.5	2.7	1,139.5	5.4	8.5	3.0
Manufacturing	1,837.7	12.0	28.7	12.1	2,279.7	10.8	29.0	10.2
Transportation, Trade & Utilities	2,502.9	16.4	34.4	14.5	3,377.8	16.0	38.5	13.6
Information	764.6	5.0	10.6	4.5	1,141.4	5.4	16.7	5.9
Finance, Insurance & Real Estate	2,972.5	19.5	70.5	29.8	4,586.4	21.7	85.0	30.1
Professional & Business Services	1,820.5	11.9	26.5	11.2	2,689.5	12.8	33.8	12.0
Health Care & Education	1,334.4	8.7	23.7	10.0	1,818.6	8.6	29.2	10.3
Leisure & Hospitality	568.9	3.7	7.0	3.0	794.8	3.8	8.1	2.9
Other Services	331.0	2.2	4.3	1.8	441.3	2.1	5.3	1.9
Government	<u>2,126.0</u>	<u>13.9</u>	<u>24.3</u>	<u>10.3</u>	<u>2,650.6</u>	<u>12.6</u>	<u>28.1</u>	<u>9.9</u>
Total	15,275.7	100.0	236.9	100.0	21,092.2	100.0	282.6	100.0
Broadly Defined Services*		51.0		60.2		54.4		63.1
CT as a % of U.S. Total GDP			1.6				1.3	

Source: Bureau of Economic Analysis

Services in the private sector, which include information, professional and technical services, health care and education, FIRE, leisure and hospitality, and other services, increased to 63.1% of Connecticut's total GSP in FY 2020, up from from 60.2% in FY 2011. During this period, the contribution to the United State's GDP from services increased to 54.4% of GDP in FY 2020 from 51.0% in FY 2011. Theoretically, Connecticut and the nation's increasingly service-based economies should smooth the business cycle, resulting in longer and shallower recessions and expansions. Activities in service sectors are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition than the manufacturing sector. Connecticut began moving toward services sooner than the nation as a whole.

## Economic Report of the Governor

### Productivity

Gains in gross product may or may not fully reflect a change in the livelihoods of a territory's residents. While gross product may rise, population growth may consume those gains. Therefore, real per capita gross product, which takes into account both increases in population and inflation, provides a better measure of the standard of living among differing economies and the productivity of their residents. The following table shows real per capita gross product, in chained 2012 dollars, for the United States, New England, and Connecticut. In FY 2020, Connecticut's productivity as measured by GSP per capita was 21.1% higher than the United States as a whole. This level has steadily declined since the 2008 recession; Connecticut was 41.7% higher than the nation as a whole in FY 2007 and 35.1% higher in FY 2011. Connecticut's decline in real GSP per capita from FY 2011 to 2020 is likely tied to the performance of two high value-added sectors, manufacturing and finance, insurance, and real estate. Manufacturing experienced a decline overall, while finance, insurance, and real estate remained relatively flat as a share of the entire state economy during this period.

**TABLE 46**  
**REAL PER CAPITA GROSS PRODUCT**  
**(In Chained 2012 Dollars)**

Fiscal Year	United States		New England		Connecticut		
	Real GSP Per Capita	% Change	Real GSP Per Capita	% Change	Real GSP Per Capita	% Change	As a % of the U.S.
2011	\$50,581.6	1.6%	\$60,393.6	1.4%	\$68,315.6	-1.4%	135.1%
2012	\$51,176.6	1.2%	\$60,770.7	0.6%	\$67,798.6	-0.8%	132.5%
2013	\$51,687.8	1.0%	\$60,646.0	-0.2%	\$67,165.8	-0.9%	129.9%
2014	\$52,439.3	1.5%	\$60,296.2	-0.6%	\$65,804.3	-2.0%	125.5%
2015	\$53,831.6	2.7%	\$62,080.2	3.0%	\$67,656.8	2.8%	125.7%
2016	\$54,506.7	1.3%	\$63,049.3	1.6%	\$68,604.9	1.4%	125.9%
2017	\$55,217.6	1.3%	\$63,723.9	1.1%	\$68,985.9	0.6%	124.9%
2018	\$56,483.9	2.3%	\$65,057.9	2.1%	\$69,609.1	0.9%	123.2%
2019	\$57,585.6	2.0%	\$66,187.0	1.7%	\$70,139.4	0.8%	121.8%
2020	\$56,676.7	-1.6%	\$64,961.2	-1.9%	\$68,622.5	-2.2%	121.1%

Source: Bureau of Economic Analysis, IHS

## Economic Report of the Governor

### **Total Personal Income**

Total personal income, defined as current income received by persons from all sources including public and private transfer payments but excluding transfers among persons, is a reliable measure of economic performance. Total personal income captures the manufacturing sector through manufacturing wages; the nonmanufacturing sector through wages in such areas as government, wholesale/retail trade, utilities, transportation, mining, and personal services; the private sector through proprietors' income; and a part of agricultural activity via farm properties' income. Personal income was approximately 91.0% of Gross Domestic Product in FY 2020; hence, the two are well correlated.

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

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

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

**Property Income** - income from dividends, interest and rents.

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

Interest is the monetary and imputed interest income of persons from all sources. Imputed interest represents the income received by financial intermediaries from funds entrusted to them by persons reduced by the original amount of funds that are disbursed back 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.

## Economic Report of the Governor

**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).

According to data recorded by the U.S. Bureau of Economic Analysis, personal income for Connecticut residents during FY 2020 was \$280.2 billion, a 2.8% increase over FY 2019. Total personal income in Connecticut increased 23.9% from FY 2011 to FY 2020. For the United States, total personal income increased 48.0%, and in the New England region, the increase for the same period was 38.6%.

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

**TABLE 47**  
**PERSONAL INCOME**  
**(In Millions)**

Fiscal Year	United States		New England		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	12,965,849	5.99	772,227	4.97	226,072	3.97
2012	13,653,513	5.30	799,069	3.48	231,022	2.19
2013	14,111,069	3.35	813,387	1.79	231,006	(0.01)
2014	14,529,557	2.97	827,208	1.70	232,676	0.72
2015	15,408,687	6.05	874,219	5.68	242,858	4.38
2016	15,933,852	3.41	906,256	3.66	248,454	2.30
2017	16,517,157	3.66	934,786	3.15	252,279	1.54
2018	17,407,762	5.39	979,256	4.76	261,572	3.68
2019	18,239,031	4.78	1,021,556	4.32	272,574	4.21
2020	19,191,667	5.22	1,070,653	4.81	280,207	2.80

Source: Bureau of Economic Analysis, IHS

Connecticut's sources of personal income vary slightly from those of the United States, with wages and employee salaries accounting for approximately 48.7% of total personal income compared to 48.4% for the nation in FY 2020. The following table shows the sources of personal income for the United States and Connecticut over a ten fiscal year period. The table indicates a shift from manufacturing wages to other sources of income including property income and transfer payments.

## Economic Report of the Governor

**TABLE 48**  
**SOURCES OF PERSONAL INCOME**  
**(In Billions of Dollars)**

	Fiscal Year 2011				Fiscal Year 2020			
	<u>U.S.</u>	<u>%</u>	<u>CT</u>	<u>%</u>	<u>U.S.</u>	<u>%</u>	<u>CT</u>	<u>%</u>
Manufacturing Salaries & Wages	695.3	5.4	14.0	6.2	898.3	4.7	15.7	5.6
Nonmanufacturing Salaries & Wages	5,824.8	44.9	96.7	42.8	8,393.9	43.7	120.9	43.1
Proprietors Income	1,166.8	9.0	34.9	15.4	1,648.2	8.6	30.1	10.8
Property Income	2,297.8	17.7	40.8	18.0	3,757.2	19.6	61.0	21.8
Other Labor Income	1,579.6	12.2	25.4	11.3	2,114.5	11.0	30.0	10.7
Transfer Payments (Less Social Insurance)	<u>1,401.6</u>	<u>10.8</u>	<u>14.3</u>	<u>6.3</u>	<u>2,379.7</u>	<u>12.4</u>	<u>22.5</u>	<u>8.0</u>
Total	12,965.9	100.0	226.1	100.0	19,191.7	100.0	280.2	100.0

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

Source: Bureau of Economic Analysis, IHS

## Economic Report of the Governor

### Per Capita Personal Income

One of the more important single indicators of a state's performance is the growth in per capita personal income. Per capita income is total personal income divided by the population. On a per capita basis, personal income growth in Connecticut increased 24.8% from FY 2011 to FY 2020, compared to a national increase of 39.7% and a New England region increase of 35.4%.

Per capita personal income in Connecticut for the most recent fiscal year was 9.2% higher than for the New England region and 34.9% 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 relatively high paying manufacturing industries, major corporate headquarters within the state, and the financial services sector.

The following table shows the growth in per capita personal income for ten fiscal years for the United States, the New England region and Connecticut.

**TABLE 49**  
**PER CAPITA PERSONAL INCOME**

Fiscal Year	United States		New England		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	41,726	5.19	53,223	4.48	63,059	3.60
2012	43,619	4.54	54,841	3.04	64,302	1.97
2013	44,763	2.62	55,604	1.39	64,247	(0.09)
2014	45,760	2.23	56,326	1.30	64,709	0.72
2015	48,174	5.27	59,369	5.40	67,625	4.51
2016	49,454	2.66	61,424	3.46	69,340	2.54
2017	50,923	2.97	63,199	2.89	70,528	1.71
2018	53,366	4.80	66,044	4.50	73,170	3.75
2019	55,646	4.27	68,811	4.19	76,368	4.37
2020	58,301	4.77	72,076	4.75	78,676	3.02

Source: Bureau of Economic Analysis, U.S. Census Bureau, IHS

## Economic Report of the Governor

The following table shows per capita income for each of the fifty states with their corresponding ranking for FY 2020. In FY 2020, Connecticut ranked number one in the nation based on per capita personal income. Connecticut's figure of \$78,676 for per capita personal income is approximately 34.9% higher than the national average.

**TABLE 50**  
**PER CAPITA PERSONAL INCOME BY STATE**  
**(Fiscal Year 2020)**

<u>State</u>	<u>Per Capita</u>		<u>State</u>	<u>Per Capita</u>	
	<u>Income</u>	<u>Rank</u>		<u>Income</u>	<u>Rank</u>
<b>Connecticut</b>	<b>\$78,676</b>	<b>1</b>	Texas	\$53,979	26
Massachusetts	77,176	2	Iowa	53,946	27
New York	74,074	3	Florida	53,723	28
New Jersey	73,004	4	Maine	52,773	29
California	69,107	5	Nevada	52,555	30
Washington	66,701	6	Ohio	51,962	31
Maryland	66,428	7	Montana	51,683	32
New Hampshire	65,123	8	Michigan	51,395	33
Alaska	64,271	9	Utah	50,829	34
Wyoming	63,143	10	Missouri	50,261	35
Colorado	62,643	11	Indiana	50,098	36
Virginia	61,082	12	Tennessee	49,782	37
Illinois	60,990	13	Georgia	49,586	38
Minnesota	60,717	14	North Carolina	49,024	39
Pennsylvania	60,335	15	Louisiana	49,010	40
Hawaii	59,600	16	Oklahoma	48,686	41
North Dakota	58,835	17	Arizona	47,454	42
Rhode Island	58,806	18	Idaho	47,389	43
Vermont	57,455	19	South Carolina	46,592	44
Nebraska	56,524	20	Arkansas	46,261	45
South Dakota	55,773	21	Alabama	45,722	46
Delaware	55,541	22	Kentucky	45,480	47
Oregon	55,244	23	New Mexico	44,872	48
Kansas	55,097	24	West Virginia	44,087	49
Wisconsin	54,708	25	Mississippi	40,636	50
U.S. Average	\$58,301				

Source: Bureau of Economic Analysis, U.S. Census Bureau, IHS



## Economic Report of the Governor

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

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

**TABLE 51**  
**THE U.S. CONSUMER PRICE INDEX**  
**(1982-84=100)**

<u>Fiscal Year</u>	<u>CPI</u>	<u>% Growth</u>
2011	221.1	1.98
2012	227.6	2.94
2013	231.4	1.69
2014	235.0	1.56
2015	236.7	0.72
2016	238.2	0.66
2017	242.6	1.85
2018	248.1	2.25
2019	253.3	2.07
2020	257.3	1.58

Source: U.S. Bureau of Labor Statistics, IHS Economics

The CPI is a weighted index that is based on prices of food (14.1%), apparel (2.8%), housing (33.3%), transportation (15.1%), medical care (8.9%), education (6.3%), and the other goods that people buy for day-to-day living (19.5%). 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 75 urban areas across the country are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data is then combined to obtain a U.S. city average. Movements of the indexes from one month to another are usually expressed as percentage changes rather than changes in index points, because index point changes are affected by the level of the index in relation to its base period while percentage changes are not.

## Economic Report of the Governor

### 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. The following table shows real personal income growth for the United States, the New England region, and Connecticut since the base period of 1982-84. These figures, because they take into account the effects of inflation, provide a better perspective on overall gains in personal income.

**TABLE 52**  
**REAL PERSONAL INCOME**  
**(In Millions)**

Fiscal Year	United States		New England		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	5,865,272	3.93	349,327	2.93	102,267	1.94
2012	6,000,133	2.30	351,157	0.52	101,524	(0.73)
2013	6,098,427	1.64	351,524	0.10	99,835	(1.66)
2014	6,183,080	1.39	352,020	0.14	99,016	(0.82)
2015	6,510,610	5.30	369,382	4.93	102,615	3.63
2016	6,688,278	2.73	380,404	2.98	104,289	1.63
2017	6,807,108	1.78	385,247	1.27	103,970	(0.31)
2018	7,016,184	3.07	394,688	2.45	105,426	1.40
2019	7,201,802	2.65	403,368	2.20	107,628	2.09
2020	7,459,887	3.58	416,168	3.17	108,918	1.20

Source: Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, IHS Economics

It is important to note that there are regional differences in prices. Local area CPI indexes are by-products of the national CPI program. Because each local index is a small subset of the national index, it has a smaller sample size and is therefore subject to substantially more sampling and other measurement error than the national index. For that reason, 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.

## Economic Report of the Governor

### 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 in a geographical entity have fared after adjusting for the effects of inflation. A comparison of the growth rates measures the relative economic performance of each entity as it adjusts personal income growth by population changes.

**TABLE 53  
REAL PER CAPITA PERSONAL INCOME**

Fiscal Year	United States		New England		Connecticut	
	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2011	18,875	3.15	24,076	2.44	28,526	1.58
2012	19,169	1.55	24,100	0.10	28,258	(0.94)
2013	19,345	0.92	24,031	(0.29)	27,766	(1.74)
2014	19,473	0.66	23,970	(0.25)	27,537	(0.82)
2015	20,355	4.53	25,085	4.65	28,574	3.76
2016	20,758	1.98	25,783	2.78	29,106	1.86
2017	20,987	1.10	26,046	1.02	29,066	(0.14)
2018	21,509	2.49	26,619	2.20	29,491	1.46
2019	21,972	2.15	27,170	2.07	30,154	2.25
2020	22,662	3.14	28,016	3.11	30,582	1.42

Source: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, IHS Economics

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

The previous table shows the growth in real per capita personal income for the United States, the New England region, and Connecticut.

**TABLE 54  
GROWTH IN REAL PER CAPITA PERSONAL INCOME  
(Base Year: 1982-1984)**

Fiscal Year	% Growth		% Cumulative Growth	
	United States	Connecticut	United States	Connecticut
1950-1960	30.5%	30.0%	30.5%	30.0%
1960-1970	37.7%	39.9%	79.7%	81.9%
1970-1980	15.7%	12.0%	107.9%	103.7%
1980-1990	21.1%	37.7%	151.8%	180.6%
1990-2000	16.0%	18.8%	192.2%	233.4%
2000-2010	4.5%	14.9%	205.5%	283.1%
2010-2020	23.9%	8.9%	278.5%	317.3%

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, IHS

## Economic Report of the Governor

The prior table highlights the cumulative growth in real per capita personal income over the past 70 years. During this 70-year period, Connecticut's cumulative growth in real per capita personal income exceeded that of the United States by 38.8 percentage points. However, since the global financial crisis in 2008, Connecticut's real personal income growth has been weak. Over the most current decade, Connecticut's real personal income growth has lagged behind the United States at only 8.9%. Even though job growth in the state has lagged that of the nation, Connecticut residents' income growth has out-performed that of the nation's over the long-term, but the gap between Connecticut and the nation is narrowing.

## Economic Report of the Governor

### Cost of Living Index

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

A widely used index to measure cost of living differences among urban areas is the *ACCRA Cost of Living Index*, which is produced by The Council for Community and Economic Research (C2ER). This report includes indices for approximately 255 Metropolitan Statistical Areas (MSAs), Metropolitan Statistical Divisions, and Micropolitan Statistical Areas as defined by the U.S. Office of Management and Budget. In Connecticut, the C2ER survey includes the three urban areas from the following MSAs: Stamford in the Bridgeport-Stamford-Norwalk MSA, Hartford in the Hartford-West Hartford-East Hartford MSA, and New Haven in the New Haven-Milford MSA.

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

**TABLE 55  
COMPARISON OF COST OF LIVING**

2020 Qtr. 3 Data MTA / MTD	Composite Index	Grocery			Trans- portation	Health	
		Items	Housing	Utilities		Care	Misc.*
Hartford, CT	113.2	104.3	111.3	122.0	107.3	107.3	117.9
Boston, MA	151.7	112.1	232.2	122.3	106.4	122.0	128.1
New York**, NY	248.6	151.7	561.1	95.2	131.6	108.6	132.8
Index Weights	100.00%	13.89%	27.53%	9.55%	9.20%	4.31%	35.52%

Note: \* Denotes miscellaneous goods and services  
\*\* Manhattan

Source: The Council for Community and Economic Research (C2ER), *"ACCRA Cost of Living Index,"* Data for Quarter 3, 2020

The Cost of Living Composite Index is weighted by a "market basket" of approximately 57 goods and services for the typical professional and executive household. It is further broken down into six categories including grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services to reflect the different categories of consumer expenditures. The index for the Hartford area, for example, was 113.2 according to data for the third quarter of 2020. Compared to the national index of 100, this shows that the overall living cost in the Hartford area was higher than the national average by 13.2% according to third quarter data for 2020. Among the six categories, the cost of utilities in the Hartford area was the most expensive item at 22.0% higher than the national average, followed by

## Economic Report of the Governor

miscellaneous items at 17.9%, housing at 11.3%, transportation and healthcare both at 7.3%, and grocery items at 4.3%. The index, updated quarterly with an annual report published in January of the succeeding year, does not account for differences in state and local government taxes.

Based on third quarter data for 2020, many cities had a relatively higher cost of living than the Hartford area. These include, for example, New York City (Manhattan) at 248.6; San Francisco, California at 194.5; and Washington, D.C. at 159.5. Living costs in most cities in the southern and mountain west states are relatively low; for example, Pueblo, Colorado at 91.8; Meridian, Mississippi at 87.0; and San Antonio, Texas at 91.1. The cost of living in the Hartford area was comparable to other cities in the northeast such as Philadelphia, Pennsylvania; Newark, New Jersey; and Providence, Rhode Island, which registered at 112.9, 121.2, and 120.8, respectively. The cost of living index can provide useful information for relocation decisions. Individuals contemplating a job offer in a certain area may use this index as a guide to evaluate the financial merits of the move. For example, Hartford residents considering a move to New York City (Manhattan) would need a 119.6% increase in after-tax income to maintain their current lifestyle. On the other hand, New York City residents contemplating a move to Hartford could have a 54.5% reduction in after-tax income and still maintain their current standard of living.

The cost of living for metropolitan statistical areas within Connecticut also varies. According to third quarter data for 2020, the ACCRA cost of living index was 135.8 in the Stamford area, 113.2 in the Hartford area, and 119.8 in the New Haven area. These three statistical areas accounted for about 84% of the state's total population. The following table demonstrates the relative index of the components for these three Connecticut regions.

**TABLE 56**  
**COMPARISON OF COST OF LIVING IN CONNECTICUT**  
**Hartford, New Haven, and Stamford MTAs**

2020 Qtr. 3 Data MSA	Composite Index	Grocery Items	Housing	Utilities	Trans- portation	Health Care	Misc.*
Hartford	113.2	104.3	111.3	122.0	107.3	107.3	117.9
New Haven	119.8	107.7	126.6	145.4	104.3	110.7	117.6
Stamford	135.8	107.5	179.3	129.4	116.4	116.2	122.2
Index Weights	100.00%	13.89%	27.53%	9.55%	9.20%	4.31%	35.52%

Source: The Council for Community and Economic Research (C2ER), "ACCRA Cost of Living Index," Data for Quarter 3, 2020

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

Economic Report of the Governor

**THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT**

In FY 2020, Connecticut’s General Fund derived 95 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 federal FY 2019. The table shows overall state tax collections as a percentage of personal income. In the table, note that Connecticut ranks 14th, signifying that in thirteen other states, a greater percentage of an individual's income is collected in state taxes than in Connecticut.

**TABLE 57  
STATE TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME  
FFY 2019\***

<u>State</u>	<u>Percentage</u>	<u>Rank</u>	<u>State</u>	<u>Percentage</u>	<u>Rank</u>
North Dakota	11.39%	1	Maryland	6.04%	26
Hawaii	10.17%	2	Montana	5.96%	27
Vermont	9.94%	3	Idaho	5.94%	28
Delaware	8.66%	4	Wyoming	5.86%	29
Minnesota	8.49%	5	North Carolina	5.85%	30
New Mexico	8.18%	6	Pennsylvania	5.81%	31
West Virginia	7.83%	7	Oklahoma	5.73%	32
Arkansas	7.59%	8	Illinois	5.71%	33
Mississippi	7.16%	9	Washington	5.68%	34
California	7.15%	10	Nebraska	5.46%	35
Maine	6.87%	11	Arizona	5.42%	36
Kentucky	6.59%	12	Alabama	5.35%	37
New York	6.57%	13	Louisiana	5.33%	38
<b><u>Connecticut</u></b>	<b><u>6.53%</u></b>	<b><u>14</u></b>	Virginia	5.16%	39
Iowa	6.47%	15	Ohio	5.14%	40
Wisconsin	6.47%	16	Georgia	4.83%	41
Kansas	6.44%	17	South Carolina	4.80%	42
Utah	6.35%	18	Colorado	4.51%	43
Rhode Island	6.24%	19	Tennessee	4.46%	44
Oregon	6.22%	20	Missouri	4.41%	45
Massachusetts	6.22%	21	Texas	4.14%	46
New Jersey	6.21%	22	South Dakota	4.06%	47
Nevada	6.18%	23	Florida	3.98%	48
Michigan	6.16%	24	Alaska	3.88%	49
Indiana	6.16%	25	New Hampshire	3.44%	50
U.S. Average	5.88%				

\*Based on federal fiscal year from October 2018 through September 2019.

Source: U.S. Census Bureau, “Annual Survey of State Government Tax Collections, 2019”; IHS Markit

## Economic Report of the Governor

### Personal Income Tax

For income years commencing on or after January 1, 1991, a personal income tax has been imposed upon income of residents of the state (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. For tax years commencing on or after January 1, 1991, and prior to January 1, 1992, the tax was imposed at the rate of 1.5% on Connecticut taxable income. For tax years commencing on or after January 1, 1992, the separate tax on capital gains, dividends and interest was repealed, and the tax was imposed at the rate of 4.5% of Connecticut taxable income. Beginning with tax years commencing on or after January 1, 1996, a second, lower tax rate of 3% was introduced for a certain portion of taxable income. Beginning with tax years commencing January 1, 2003 the 4.5% rate was increased to 5.0%. Beginning with tax years commencing January 1, 2009, a third higher bracket of 6.5% was introduced on incomes in excess of \$500,000 for single filers and \$1,000,000 for joint filers. Beginning with tax years commencing January 1, 2011, five new tax brackets replaced all previous brackets greater than the lowest rate. The lowest bracket remained unchanged while the highest bracket imposes a 6.7% tax on incomes in excess of \$250,000 for single filers and \$500,000 for joint filers. Beginning with tax year commencing January 1, 2015, the 6.7% rate was increased to 6.9% and a new seventh tax bracket was added at a 6.99% rate for incomes in excess of \$500,000 for single filers and \$1,000,000 for joint filers. The amount of taxable income subject to the lower tax rate has been expanded as set forth in the table below. Depending on federal income tax filing status and Connecticut adjusted gross income, personal exemptions ranging from \$15,000 to \$24,000 are available to taxpayers, with such exemptions phased out at certain higher income levels. Legislation enacted in 1999 increased the exemption amount for single filers over a certain number of years from \$12,000 to \$15,000. In addition, tax credits ranging from 75% to 1% of a taxpayer's Connecticut tax liability are also available, again dependent upon federal income tax filing status and Connecticut adjusted gross income (See Table 60 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 have been eligible for credit for property taxes paid on their primary residence or on their motor vehicle. The personal income tax generated \$9,397.8 million in FY 2020, and \$9,640.2 million in FY 2019. In FY 2020, this tax accounted for 49.0% of total General Fund revenue.

**TABLE 58  
TAXABLE INCOME AMOUNTS SUBJECT TO THE LOWER RATE  
WITH THE REMAINDER SUBJECT TO THE HIGHER RATE**

<u>Income Year</u>	<u>Low Rate</u>	<u>High Rate</u>	<u>Amount At Low Rate By Filing Status</u>		
			<u>Single</u>	<u>Joint</u>	<u>Head of Household</u>
1996	3.0%	4.5%	\$ 2,250	\$ 4,500	\$ 3,500
1997	3.0%	4.5%	\$ 6,250	\$12,500	\$10,000
1998	3.0%	4.5%	\$ 7,500	\$15,000	\$12,000
1999 - 2002	3.0%	4.5%	\$10,000	\$20,000	\$16,000
2003 - 2008	3.0%	5.0%	\$10,000	\$20,000	\$16,000
2009-2010	3.0%	5.0%-6.5%	\$10,000	\$20,000	\$16,000
2011-2014	3.0%	5.0%-6.7%	\$10,000	\$20,000	\$16,000
2015-Present	3.0%	5.0%-6.99%	\$10,000	\$20,000	\$16,000

The following table compares personal income tax collections as a percentage of personal income for the fifty states for FFY 2019.



Economic Report of the Governor

**TABLE 59**  
**STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME**  
**FFY 2019\***

<u>State</u>	<u>Percentage</u>	<u>Rank</u>	<u>State</u>	<u>Percentage</u>	<u>Rank</u>
Oregon	4.84%	1	Arkansas	2.65%	23
California	4.37%	2	Illinois	2.65%	24
Minnesota	4.28%	3	Georgia	2.65%	25
New York	4.24%	4	Rhode Island	2.62%	26
Massachusetts	3.96%	5	Colorado	2.57%	27
Delaware	3.86%	6	Idaho	2.41%	28
Utah	3.55%	7	Missouri	2.35%	29
Hawaii	3.44%	8	Michigan	2.31%	30
<b><u>Connecticut</u></b>	<b><u>3.42%</u></b>	<b><u>9</u></b>	Alabama	2.27%	31
Wisconsin	3.29%	10	Pennsylvania	2.23%	32
New Jersey	3.21%	11	South Carolina	2.23%	33
Virginia	3.13%	12	Mississippi	2.14%	34
Montana	3.04%	13	Indiana	2.09%	35
West Virginia	3.03%	14	Oklahoma	2.08%	36
Vermont	2.95%	15	New Mexico	1.99%	37
Maryland	2.93%	16	Louisiana	1.97%	38
Maine	2.91%	17	Arizona	1.77%	39
Iowa	2.85%	18	Ohio	1.60%	40
North Carolina	2.84%	19	North Dakota	1.29%	41
Nebraska	2.83%	20	New Hampshire	1.11%	42
Kansas	2.77%	21	Tennessee	0.58%	43
Kentucky	2.69%	22			
U.S. Average	2.56%				

Notes:

\* Based on federal fiscal year from October 2018 through September 2019.

\*\* The following states do not levy an income tax and are not included in the U.S. Average: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

Source: IHS Economics; Bureau of Economic Analysis; U.S. Census Bureau, "2019 Annual Survey of State Government Tax Collections"

The following table shows: A) Connecticut personal income tax exemptions; B) phase out of those exemptions; and C) tax credits available depending on adjusted gross income.

Economic Report of the Governor

**TABLE 60**  
**CONNECTICUT PERSONAL INCOME TAX EXEMPTIONS & CREDITS**  
**Income Year 2020**

<u>Single</u>			<u>Married Filing jointly</u>			<u>Head of Household</u>		
Exemption: \$15,000			Exemption: \$24,000			Exemption: \$19,000		
Phase Out: \$1K of exemption for each \$1K from \$30.0K to \$45.0K			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
\$15,000	\$18,800	75%	\$24,000	\$30,000	75%	\$19,000	\$24,000	75%
\$18,800	\$19,300	70%	\$30,000	\$30,500	70%	\$24,000	\$24,500	70%
\$19,300	\$19,800	65%	\$30,500	\$31,000	65%	\$24,500	\$25,000	65%
\$19,800	\$20,300	60%	\$31,000	\$31,500	60%	\$25,000	\$25,500	60%
\$20,300	\$20,800	55%	\$31,500	\$32,000	55%	\$25,500	\$26,000	55%
\$20,800	\$21,300	50%	\$32,000	\$32,500	50%	\$26,000	\$26,500	50%
\$21,300	\$21,800	45%	\$32,500	\$33,000	45%	\$26,500	\$27,000	45%
\$21,800	\$22,300	40%	\$33,000	\$33,500	40%	\$27,000	\$27,500	40%
\$22,300	\$25,000	35%	\$33,500	\$40,000	35%	\$27,500	\$34,000	35%
\$25,000	\$25,500	30%	\$40,000	\$40,500	30%	\$34,000	\$34,500	30%
\$25,500	\$26,000	25%	\$40,500	\$41,000	25%	\$34,500	\$35,000	25%
\$26,000	\$26,500	20%	\$41,000	\$41,500	20%	\$35,000	\$35,500	20%
\$26,500	\$31,300	15%	\$41,500	\$50,000	15%	\$35,500	\$44,000	15%
\$31,300	\$31,800	14%	\$50,000	\$50,500	14%	\$44,000	\$44,500	14%
\$31,800	\$32,300	13%	\$50,500	\$51,000	13%	\$44,500	\$45,000	13%
\$32,300	\$32,800	12%	\$51,000	\$51,500	12%	\$45,000	\$45,500	12%
\$32,800	\$33,300	11%	\$51,500	\$52,000	11%	\$45,500	\$46,000	11%
\$33,300	\$60,000	10%	\$52,000	\$96,000	10%	\$46,000	\$74,000	10%
\$60,000	\$60,500	9%	\$96,000	\$96,500	9%	\$74,000	\$74,500	9%
\$60,500	\$61,000	8%	\$96,500	\$97,000	8%	\$74,500	\$75,000	8%
\$61,000	\$61,500	7%	\$97,000	\$97,500	7%	\$75,000	\$75,500	7%
\$61,500	\$62,000	6%	\$97,500	\$98,000	6%	\$75,500	\$76,000	6%
\$62,000	\$62,500	5%	\$98,000	\$98,500	5%	\$76,000	\$76,500	5%
\$62,500	\$63,000	4%	\$98,500	\$99,000	4%	\$76,500	\$77,000	4%
\$63,000	\$63,500	3%	\$99,000	\$99,500	3%	\$77,000	\$77,500	3%
\$63,500	\$64,000	2%	\$99,500	\$100,000	2%	\$77,500	\$78,000	2%
\$64,000	\$64,500	1%	\$100,000	\$100,500	1%	\$78,000	\$78,500	1%

Source: General Statutes of the State of Connecticut

## Economic Report of the Governor

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

**TABLE 61**  
**STATE AND LOCAL GOVERNMENT OBLIGATIONS EXEMPTIONS**  
**FOR DETERMINING INDIVIDUAL'S STATE INCOME**

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

T = Taxable / E = Exempt

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

Source: State Taxation of Municipal Bonds for Individuals

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

## Economic Report of the Governor

**TABLE 62  
PERSONAL INCOME TAX BY STATE**

State	Low Bracket		High Bracket		State	Low Bracket		High Bracket	
	Rate	To Net	Rate	From Net		Rate	To Net	Rate	From Net
Alabama (3)	2.00	1,000	5.00	6,001	Missouri (1)	1.50	1,053	5.40	8,425
Arizona (1)	2.59	53,000	4.54	318,001	Montana (1,c)	1.00	3,100	6.90	18,401
Arkansas (3,c)	2.00	4,000	6.60	79,301	Nebraska (1)	2.46	6,570	6.84	63,501
California (1,c)	1.00	17,618	13.30	1,181,485	New Hampshire (b)				
Colorado (2)	4.63	All			New Jersey (3)	1.40	20,000	10.75	5,000,001
<b>Connecticut (1)</b>	<b>3.00</b>	<b>20,000</b>	<b>6.99</b>	<b>1,000,001</b>	New Mexico (1)	1.70	8,000	4.90	24,001
Delaware (1)	2.20	5,000	6.60	60,001	New York (1,c)	4.00	17,150	8.82	2,155,351
Georgia (1)	1.00	1,000	5.75	10,001	N. Carolina (1)	5.25	All		
Hawaii (1)	1.40	4,800	11.00	400,001	N. Dakota (2,c)	1.10	65,900	2.90	433,201
Idaho (1,c)	1.13	3,082	6.93	23,109	Ohio (1)	2.85	21,750	4.80	217,401
Illinois (1,d)	4.95	All			Oklahoma (1)	0.50	2,000	5.00	12,201
Indiana (1)	3.23	All			Oregon (2,c)	5.00	7,100	9.9	250,001
Iowa (1,c)	0.33	1,638	8.53	73,711	Pennsylvania (3)	3.07	All		
Kansas (1)	3.10	30,000	5.70	60,001	Rhode Island(1,c)	3.75	65,250	5.99	148,350
Kentucky (1)	5.00	All			S. Carolina (2,c)	1.10	3,000	7.00	15,401
Louisiana (1)	2.00	25,000	6.00	100,001	Tennessee (b)				
Maine (1,c)	5.80	44,450	7.15	105,201	Utah (1)	4.95	All		
Maryland (1)	2.00	1,000	5.75	300,001	Vermont (2,c)	3.35	66,150	8.75	243,751
Massachusetts (1)	5.00	All	(a)		Virginia (1)	2.00	3,000	5.75	17,001
Michigan (1)	4.25	All			W. Virginia (1)	3.00	10,000	6.5	60,001
Minnesota (2,c)	5.35	39,410	9.85	273,470	Wisconsin (1,c)	4.00	15,690	7.65	351,311
Mississippi (3)	3.00	5,000	5.00	10,001	Dist. of Col. (2)	4.00	10,000	8.95	1,000,001

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

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

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

(a) The rate is 12% for short-term capital gains and 5.10% for interests and dividends.

(b) Income taxes are limited to interest and dividends: 5.0% in NH and 1.0% in Tenn.

(c) Brackets are indexed for inflation annually. Oregon brackets \$125,000 and over are not indexed for inflation.

(d) Flat rate in Illinois is scheduled to decrease to 3.25% in income year 2024.

Source: Tax Foundation

## Economic Report of the Governor

### Sales and Use Tax

The sales tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the state of persons engaged in business in the state including: 1) retail sales of tangible personal property; 2) the sale of certain services; 3) the leasing or rental of tangible personal property; 4) the producing, fabricating, processing, printing, or imprinting of tangible personal property to special order or with material furnished by the consumer; 5) the furnishing, preparing or serving of food, meals or drinks; and 6) the occupancy of hotels or lodging house rooms for a period not exceeding thirty consecutive calendar days.

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

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

The sales and use tax is an important source of revenue for the State of Connecticut. On an all funds basis, the tax generated \$4,813.1 million in FY 2020, \$4,806.4 million in FY 2019, \$4,615.6 million in FY 2018, \$4,465.5 million in FY 2017, and \$4,422.2 million in FY 2016. In FY 2020, sales and use taxes accounted for 22.5% of the total revenue in the General Fund, compared to 22.1% in FY 2019 and 23.1% in FY 2018.

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 undertaken to provide a more meaningful comparison.

To provide a relevant comparison of sales tax burden, two studies are presented. The first study shows sales tax collections as a percentage of personal income. The larger the percentage of personal income going to sales tax collections, the heavier the burden of that tax. The table on the following page shows sales tax collections as a percentage of personal income and the corresponding ranking of the states. Note that Connecticut's tax burden is less than 28 other states. The comparison is based on FY 2019 data. From FY 1991 to FY 2019, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% to 1.70%, declining from 9<sup>th</sup> in the nation to 29<sup>th</sup>, and compared to the national average of 1.82%. This change was primarily due to the reduction in Connecticut's sales tax rate from 8% to 6.35% and an expansion of the exemptions on certain services and goods.

The second study provides an analysis of major sales tax exemptions by state. Connecticut excludes from its sales tax such major items as food products for human consumption, drugs and medicines used by humans, machinery, professional services, residential utilities and motor fuels. Table 64 shows the comparison for major sales tax exemptions.

## Economic Report of the Governor

**TABLE 63**  
**SALES TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME**  
**Fiscal 2019\***

State	Tax Rate			State	Tax Rate		
	(%)	Percentage	Rank		(%)	Percentage	Rank
Hawaii	4.000**	4.75%	1	Kentucky	6.000**	1.88%	24
Washington	6.500**	3.52%	2	Minnesota	6.875**	1.88%	25
Nevada	6.850**	3.42%	3	Wisconsin	5.000**	1.85%	26
Mississippi	7.000**	3.24%	4	Illinois	6.250	1.83%	27
Arkansas	6.500	3.18%	5	North Carolina	4.750**	1.75%	28
Florida	6.000**	2.67%	6	<b>Connecticut</b>	<b>6.350</b>	<b>1.70%</b>	<b>29</b>
New Mexico	5.125**	2.52%	7	Pennsylvania	6.000**	1.70%	30
Indiana	7.000**	2.51%	8	South Carolina	6.000**	1.68%	31
Maine	5.500	2.51%	9	California	7.250	1.65%	32
Texas	6.250**	2.49%	10	New Jersey	6.625**	1.62%	33
Arizona	5.600**	2.42%	11	West Virginia	6.000**	1.60%	34
North Dakota	5.000**	2.41%	12	Oklahoma	4.500**	1.59%	35
Ohio	5.750	2.40%	13	Utah	6.100	1.50%	36
South Dakota	4.500**	2.38%	14	Massachusetts	6.250**	1.36%	37
Idaho	6.000**	2.35%	15	Alabama	4.000**	1.35%	38
Tennessee	7.000**	2.18%	16	Maryland	6.000	1.26%	39
Kansas	6.500**	2.16%	17	Missouri	4.225**	1.26%	40
Louisiana	4.450**	2.15%	18	Georgia	4.000**	1.23%	41
Iowa	6.000**	2.09%	19	Vermont	6.000**	1.20%	42
Wyoming	4.000**	2.05%	20	New York	4.000**	1.11%	43
Nebraska	5.500**	1.97%	21	Virginia	5.300**	1.08%	44
Michigan	6.000**	1.97%	22	Colorado	2.900**	0.97%	45
Rhode Island	7.000**	1.89%	23				
U.S. Average**		1.82%					

**Notes:**

\* Based on federal fiscal year from October 2018 through September 2019.

\*\* Local tax rates are additional

\*\*\* The following states do not levy a sales tax and are not included in the U.S. Average: Alaska, Delaware, Montana, New Hampshire, and Oregon

Tax rates are effective as of January 1, 2020

Source: Bureau of Economic Analysis, U.S. Census Bureau, "Annual Survey of State Government Tax Collections, 2019"; IHS Markit

Economic Report of the Governor

**TABLE 64**  
**MAJOR SALES TAX EXEMPTIONS BY STATE**

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

Note: These states do not levy a sales tax: Alaska, Delaware, Montana, New Hampshire & Oregon.

T = Taxable under the sales tax, E = Exempt from the sales tax (1) Taxed at a reduced rate. (2) Up to a sales price of \$175 per item. (3) Up to a sales price of \$110 per item. (4) Up to a sales price of \$250 per item. (5) Sales of majority blended ethanol fuel are exempt. (6) Unless used by railroad locomotives or vessels to transport persons or property in interstate or foreign commerce.

Source: Federation of Tax Administrators

## Economic Report of the Governor

### 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. Corporations must calculate their liability under three methods: the net income base method, the capital base method, and a minimum tax of \$250. The taxpayer's liability is the greatest among these three methods. The corporation business tax generated \$934.5 million in FY 2020, \$1,060.9 million in FY 2019, and \$920.7 million in FY 2018. In FY 2020, this tax accounted for 4.9% of total General Fund revenue, compared to 5.4% in FY 2019.

The first method, under which most corporation business tax revenue is derived, is the net income base. 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. If a corporation is taxable solely within the state, the tax is based upon its entire net income. If a corporation is taxable in another state in which it conducts business, the net income is apportioned to the state based on the percentage of the company's sales within the state. Currently, the income base method is levied at the rate of 7.5%. Public Act 15-244 maintained an existing 20% surcharge for income year 2016 and 2017, declining to 10% in income year 2018. Public Act 19-117 extended the 10% surcharge through income year 2020. The surcharge does not apply to companies with less than \$100 million in annual gross revenue or whose tax liability does not exceed the minimum tax of \$250. The surcharge is calculated prior to the application of any credits.

Corporations must also compute their tax under the capital base method. The capital base is the total value of the taxpayer's capital stock, surplus and undivided profits, and surplus reserves, less deficits and stockholdings in private corporations. If a taxpayer is also taxable in another state in which it conducts business, the defined base is apportioned to the state of Connecticut based on the company's economic activity. For income year 2020, the capital base was taxed at a rate of 3.1 mils (\$0.0031) per dollar and section 340 of public act 19-117 began a phase-out of the capital base method.

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.



Economic Report of the Governor

**TABLE 65  
CORPORATION TAX BY STATE  
FOR TAX YEAR 2020**

State	Low Bracket		High Bracket		State	Low Bracket		High Bracket	
	Rate	To Net Income \$	Rate	From Net Income \$		Rate	To Net Income \$	Rate	From Net Income \$
Alabama	6.50	All			Nebraska	5.58	100,000	7.81	100,001
Alaska	0.00	25,000	9.40	222,000	Nevada (9)				
Arizona	4.90	All			New Hampshire (10)	7.70	All		
Arkansas	1.00	3,000	6.50	100,001	New Jersey (11)	9.00	All		
California	8.84	All			New Mexico	4.80	500,000	5.90	500,001
Colorado	4.63	All			New York (12)	6.50	All		
<b>Connecticut (1)</b>	<b>7.50</b>	<b>All</b>			North Carolina	2.50	All		
Delaware	8.70	All			North Dakota (13)	1.41	25,000	4.31	50,001
Florida (2)	4.46	All			Ohio (14)				
Georgia	5.75	All			Oklahoma	6.00	All		
Hawaii (3)	4.40	25,000	6.40	100,001	Oregon	6.60	1.0M	7.60	1.0M+
Idaho	6.925	All			Pennsylvania	9.99	All		
Illinois (4)	9.50	All			Rhode Island	7.00	All		
Indiana (5)	5.50	All			South Carolina	5.00	All		
Iowa	6.00	25,000	12.00	250,001	South Dakota (9)				
Kansas (6)	4.00	All			Tennessee	6.50	All		
Kentucky	5.00	All			Texas (15)				
Louisiana	4.00	25,000	8.00	200,001	Utah	4.95	All		
Maine	3.50	350,000	8.93	3,500,000	Vermont	6.00	10,000	8.50	25,000
Maryland	8.25	All			Virginia	6.00	All		
Massachusetts (7)	8.00	All			Washington (9)				
Michigan	6.00	All			West Virginia	6.50	All		
Minnesota (8)	9.80	All			Wisconsin	7.90	All		
Mississippi	0.00	2,000	5.00	10,001	Wyoming (9)				
Missouri	4.00	All			District of Col.	8.25	All		
Montana	6.75	All							

Note: The table does not include corporate income taxes levied at the local level. These states do not levy a corporate income tax: SD, NV, WA & WY. The following states require a minimum tax: AZ \$50; CA \$800; CT \$250; ID \$20; MA \$456; MT \$50; NJ \$500; NY \$25; OR \$150; RI \$400; UT \$100; VT \$300; District of Columbia \$250

- (1) Corporate tax liability is the greater of the 7.5% tax on net income, 3.1 mills per dollar tax rate on capital base (phasing out completely by income year 2024), or the minimum tax of \$250. A 10% surcharge is imposed for tax years 2018 – 2020 on companies with more than \$100 million in annual gross revenue. The surcharge phases out completely in income year 2021.
- (2) The FL tax rate may be adjusted downward if certain revenue targets are met.
- (3) HI taxes capital gains at 4%.
- (4) Sum of corporation income tax rate of 7.00% and a replacement tax of 2.5%.
- (5) Rate reduced to 5.50% on 7/1/19, 5.25% on 7/1/20, and phasing down to 4.90% after 6/30/21.
- (6) A surtax of 3.0% is imposed on income over \$50,000.
- (7) Business and manufacturing corporations pay an additional tax of \$2.60 per \$1,000 on either taxable MA tangible property or taxable net worth allocable to the state (for intangible property corporations).
- (8) MN levies a 5.8% tentative min. tax on Alternative Minimum Taxable Income; also imposes a surtax ranging up to \$10,380.
- (9) These states do not have a corporate income tax, but they levy a gross receipts tax on varying levels. NV 0.051%-0.331% depending on industry; SD N/A; WA 0.471%; WY N/A.
- (10) NH levies a Business Enterprise Tax of 0.675% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross receipts over \$208,000 or enterprise base over \$104,000, adjusted every biennium for CPI. The Business Profits Tax is scheduled to decrease to 7.5% for tax year 2021.
- (11) A surtax of 2.5% imposed on income over \$1M in 2019. Surtax reduced to 1.5% in 2020 and 2021. Rate of 7.5% on income less than \$100,000 and 6.5% on income less than \$50,000.
- (12) Rate of 0.0% for qualified manufactures and certain corporations may be subject to a capital stocks tax that is being phased out through 2021.
- (13) ND imposes a 3.5% surtax for filers electing to use the water's edge method to apportion income.
- (14) No corporate income tax; Commercial Activity Tax of \$150 for gross receipts sitused to Ohio of between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million.
- (15) A franchise tax of 0.75% (0.375% for qualifying wholesalers and retailers) is imposed on entities with \$1,130,000 of total revenues.

Source: Federation of Tax Administrators. Rates as of January 2020.

## Economic Report of the Governor

### Motor Fuels Tax

The state imposes a tax, subject to certain limitations, on (1) 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) all combustible gases and liquids which are suitable and used for generation of power to propel motor vehicles (primarily diesel fuel which is referred to as "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 of Connecticut, and its municipalities.

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

The Gasoline Tax is 25 cents per gallon. Effective July 1, 2020, the Special Fuels and Motor Carrier Taxes decreased by 1.9 cents per gallon from 46.5 cents per gallon in FY 20 to 44.6 cents per gallon in FY 21. The 1983 session of the General Assembly enacted a Special Transportation Fund for highway construction and maintenance and 1 cent per gallon of the motor fuels tax was dedicated to this fund. Beginning July 1, 1984, the Special Transportation Fund was expanded to include all collections from the motor fuels tax.

The table on the following page shows the comparative rates for motor fuel taxes for the 50 states.

Economic Report of the Governor

**TABLE 66**  
**GASOLINE MOTOR FUEL TAXES BY STATE**

State	Excise	Other	Total	State	Excise	Other	Total
	Tax	Taxes/ Fees (a)	Tax (b)		Tax	Taxes/ Fees (a)	Tax (b)
Alabama	24.00¢	3.21¢	27.21¢	Montana	32.00¢	0.75¢	32.00¢
Alaska	8.95	5.40	14.35	Nebraska (d)	29.30	0.90	30.20
Arizona	18.00	1.00	19.00	Nevada	23.00	10.78	33.78
Arkansas	24.50	0.30	24.80	New Hampshire	22.20	1.63	23.83
California	47.30	13.30	60.60	New Jersey	10.50	30.90	41.40
Colorado	22.00	0.00	22.00	New Mexico	17.00	1.88	18.88
<b>Connecticut</b>	<b>25.00</b>	<b>15.13</b>	<b>40.13</b>	New York	8.05	36.98	45.03
Delaware	23.00	0.00	23.00	North Carolina	36.10	0.25	36.35
Florida	4.00	38.29	42.29	North Dakota	23.00	0.00	23.00
Georgia	27.90	6.57	34.47	Ohio	38.50	0.01	38.51
Hawaii	16.00	32.37	48.37	Oklahoma	19.00	1.00	20.00
Idaho	32.00	1.00	33.00	Oregon	34.00	2.82	36.82
Illinois	38.00	15.65	53.65	Pennsylvania (e)	0.00	58.70	58.70
Indiana	30.00	16.62	46.62	Rhode Island	34.00	1.00	35.00
Iowa	30.50	0.00	30.50	South Carolina	22.00	0.75	22.75
Kansas	24.00	0.03	24.03	South Dakota	28.00	2.00	30.00
Kentucky	24.60	1.40	26.00	Tennessee	26.00	1.40	27.40
Louisiana	20.00	0.01	20.01	Texas	20.00	0.00	20.00
Maine	30.00	0.01	30.01	Utah	31.10	0.01	31.11
Maryland (c)	26.20	10.50	36.70	Vermont	12.10	18.71	30.81
Massachusetts	24.00	2.54	26.54	Virginia	16.20	5.75	21.95
Michigan	26.30	15.68	41.98	Washington	49.40	0.00	49.40
Minnesota	28.50	0.10	28.60	West Virginia	20.50	15.20	35.70
Mississippi	18.00	0.79	18.79	Wisconsin	30.90	2.00	32.90
Missouri	17.00	0.42	17.42	Wyoming	23.00	1.00	24.00

Notes:

- (a) Other taxes/fees can include, but is not limited to: State/county/local sales tax, petroleum gross receipts tax, wholesale tax, underground storage tank (UST) fee, environmental fees, surcharges, delivery fees, inspection fees, etc. (varies by state)
- (b) The total column in the above table is the sum of the excise taxes and other state taxes/fees represented as cents per gallon. The total tax column does not include the federal excise tax of 18.4 cents per gallon.
- (c) Excise tax is indexed to annual change of CPI
- (d) Excise tax rate is variable, adjusted every 6 months
- (e) No fixed excise tax, the rate is variable and is currently at 57.6 cpg

Source: American Petroleum Institute; Rates effective 1/1/2020

## Economic Report of the Governor

### 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 67  
CIGARETTE TAXES BY STATE**

<u>State</u>	<u>Rate</u>	<u>State</u>	<u>Rate</u>
Alabama (a)	\$0.675	Montana	\$1.70
Alaska	\$2.00	Nebraska	\$0.64
Arizona	\$2.00	Nevada	\$1.80
Arkansas	\$1.15	New Hampshire	\$1.78
California	\$2.87	New Jersey	\$2.70
Colorado	\$0.84	New Mexico	\$2.00
<b><u>Connecticut</u></b>	<b><u>\$4.35</u></b>	New York (a)	\$4.35
Delaware	\$2.10	North Carolina	\$0.45
Florida (b)	\$1.339	North Dakota	\$0.44
Georgia	\$0.37	Ohio	\$1.60
Hawaii	\$3.20	Oklahoma	\$2.03
Idaho	\$0.57	Oregon	\$1.33
Illinois (a)	\$2.98	Pennsylvania	\$2.60
Indiana	\$0.995	Rhode Island	\$4.25
Iowa	\$1.36	South Carolina	\$0.57
Kansas	\$1.29	South Dakota	\$1.53
Kentucky	\$1.10	Tennessee (a)	\$0.62
Louisiana	\$1.08	Texas	\$1.41
Maine	\$2.00	Utah	\$1.70
Maryland	\$2.00	Vermont	\$3.08
Massachusetts	\$3.51	Virginia (a)	\$0.30
Michigan	\$2.00	Washington	\$3.025
Minnesota (c)	\$3.04	West Virginia	\$1.20
Mississippi	\$0.68	Wisconsin	\$2.52
Missouri (a)	\$0.17	Wyoming	\$0.60

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

- (a) Optional county and city sales tax per pack: AL-\$0.01-\$0.25; IL-\$0.10-\$4.18; MO-\$0.04-\$0.07; NYC-\$1.50; TN-\$0.01; VA-\$0.02-\$0.15
- (b) Includes surcharge of \$1 per pack
- (c) In addition, MN imposes an in lieu cigarette sales tax determined annually by the Department. The current rate is \$0.61 through 12/31/20.

Source: Federation of Tax Administrators, rates as of January 1, 2020.

Economic Report of the Governor

**TABLE 68  
INSURANCE COMPANIES TAX BY STATE**

<u>State</u>	<u>Domestic Tax Rate % (1)</u>	<u>Foreign Tax Rate % (1)</u>	<u>State</u>	<u>Domestic Tax Rate % (1)</u>	<u>Foreign Tax Rate % (1)</u>
Alabama	0.50-6.00	0.50-6.00	Montana (3)	2.75	2.75
Alaska	0.75-6.00	0.75-6.00	Nebraska (3)	0.25-3.00	0.25-3.00
Arizona (2)	0.66-3.00	0.66-3.00	Nevada	3.50	2.00-3.50
Arkansas	0.75-4.00	0.75-4.00	New Hampshire (4)	1.25-4.00	1.25-4.00
California	0.50-5.00	0.50-5.00	New Jersey	1.05-5.25	1.05-5.25
Colorado	1.00-3.00	1.00-3.00	New Mexico	3.003-4.003	3.003-4.003
<b>Connecticut</b>	<b>1.50-4.00</b>	<b>1.50-4.00</b>	New York (3,9)	0.70-3.60	0.70-3.60
Delaware (2)	1.75-5.00	1.75-5.00	North Carolina	1.90-5.00	1.90-5.00
Florida (3)	0.75-5.00	0.75-5.00	North Dakota (4)	1.75-2.00	1.75-2.00
Georgia (3)	2.25-4.00	2.25-4.00	Ohio (3,4)	1.00-5.00	1.00-5.00
Hawaii	0.8775-4.68	0.8775-4.68	Oklahoma (3)	2.25-6.00	2.25-6.00
Idaho	1.50	1.50	Oregon (3)	(6)	(6)
Illinois (3)	0.40-3.50	0.40-3.50	Pennsylvania	1.25-5.00	2.00-5.00
Indiana	1.30-2.50	1.30-2.50	Rhode Island	2.00-4.00	2.00-4.00
Iowa	1.00-6.50	1.00-6.50	South Carolina (3)	0.75-6.00	0.75-6.00
Kansas (3)	2.00-6.00	2.00-6.00	South Dakota (3)	1.25-2.50	1.25-2.50
Kentucky (3)	1.50-3.00	1.50-3.00	Tennessee (3,4)	1.75-6.00	1.75-6.00
Louisiana (3)	(5)	(5)	Texas	0.875-4.85	0.875-4.85
Maine (3)	1.00-3.00	1.00-3.00	Utah	0.45-4.25	0.45-4.25
Maryland	2.00-3.00	2.00-3.00	Vermont	2.00-3.00	2.00-3.00
Massachusetts	2.00-5.70	2.00-5.70	Virginia (3,8)	1.00-2.70	1.00-2.70
Michigan (7)	1.25-2.00	1.25-2.00	Washington	0.95-2.00	0.95-2.00
Minnesota (3)	1.00-3.00	1.00-3.00	West Virginia (3)	1.00-4.00	1.00-4.00
Mississippi (3)	3.00-4.00	3.00-4.00	Wisconsin (3)	2.00-3.50	2.00-3.00
Missouri	1.00-5.00	1.00-5.00	Wyoming	0.75-3.00	0.75-3.00

Note: The tax is based on the net premiums of authorized insurers, including surplus line rates, captive rates, and marine underwriting profits.

- (1) Depending upon the type of insurance issued or the type of organization formed.
- (2) Plus a surtax of 0.4312% on vehicles in AZ and 0.25% in DE.
- (3) Plus a fire marshal's tax not to exceed 1%; 0.3125% in OK; 0.50% in IN, MN, SD, WV; 0.75% in KY, OH, TN; 1.15% in OR; 1.4% in ME; 1.25% & 2% in KS; 2% in WI (foreign only), NY (foreign only), & LA; 2.35% in SC; 2.5% in MO; and 0.375% (Domestic) & 0.75% (Foreign) in NE.
- (4) With minimum tax of \$150 in TN; \$200 in NH & ND; \$250 in OH; and \$300 in VA.
- (5) Life, health, accident, or service insurers—premiums of \$7,000 or less, \$140; over \$7,000, \$140 plus \$225 per each add'l \$10,000 over \$7,000; fire, marine, transportation, casualty, surety, workers' comp.—\$6,000 or less, \$185; over \$6,000, \$185 plus \$300 per each add'l \$10,000 over \$6,000.
- (6) After 2001, foreign and alien insurers are no longer subject to gross premium tax but are subject to the corporate excise tax.
- (7) Rate is the greater of single business tax, income tax, or retaliatory tax.
- (8) With minimum tax of \$100 on fire, misc. property, marine, homeowners, & farm owners.
- (9) 17% MTA surcharge applies in a metropolitan commuter transportation district.

Source: National Association of Insurance Commissioners & The Center for Insurance Policy and Research, Retaliation Guide December 2019

Economic Report of the Governor

**TABLE 69**  
**ALCOHOLIC BEVERAGE EXCISE TAXES BY STATE**  
**(Dollars per Gallon)**

<u>State</u>	<u>Distilled</u> <u>Spirits</u>	<u>Wine</u> <u>14%</u> <u>or Less</u>	<u>Wine</u> <u>14%</u> <u>to 21%</u>	<u>Beer</u>	<u>State</u>	<u>Distilled</u> <u>Spirits</u>	<u>Wine</u> <u>14%</u> <u>or Less</u>	<u>Wine</u> <u>14%</u> <u>to 21%</u>	<u>Beer</u>
Alabama (2)	(1)	1.70	9.16	0.53	Montana	(1)	1.02	(1)	0.14
Alaska	12.80	2.50	2.50	1.07	Nebraska	3.75	0.95	1.35	0.31
Arizona	3.00	0.84	0.84	0.16	Nevada	3.60	0.70	1.30	0.16
Arkansas	2.50	0.75	0.75	0.23	New Hampshire	(1)	0.30	0.30	0.30
California	3.30	0.20	0.20	0.20	New Jersey	5.50	0.88	0.88	0.12
Colorado	2.28	0.28	0.28	0.08	New Mexico	6.06	1.70	1.70	0.41
<b>Connecticut</b>	<b>5.94</b>	<b>0.79</b>	<b>0.79</b>	<b>0.24</b>	New York (2)	6.44	0.30	0.30	0.14
Delaware	4.50	1.63	1.63	0.26	North Carolina	(1)	1.00	1.11	0.62
Florida	6.50	2.25	3.00	0.48	North Dakota	2.50	0.50	0.60	0.16
Georgia (2)	3.79	1.51	2.54	0.32	Ohio	(1)	0.30	0.98	0.18
Hawaii	5.98	1.38	1.38	0.93	Oklahoma	5.56	0.72	0.72	0.40
Idaho	(1)	0.45	0.45	0.15	Oregon	(1)	0.67	0.77	0.08
Illinois (2)	8.55	1.39	1.39	0.23	Pennsylvania	(1)	(1)	(1)	0.08
Indiana	2.68	0.47	0.47	0.12	Rhode Island	5.40	1.40	1.40	0.11
Iowa	(1)	1.75	1.75	0.19	South Carolina (3)	2.72	1.08	1.08	0.77
Kansas	2.50	0.30	0.75	0.18	South Dakota	3.93	0.93	1.45	0.27
Kentucky	1.92	0.50	0.50	0.08	Tennessee	4.40	1.21	1.21	1.29
Louisiana (2)	3.03	0.76	1.32	0.40	Texas	2.40	0.20	0.41	0.19
Maine	(1)	0.60	(1)	0.35	Utah	(1)	(1)	(1)	0.42
Maryland	1.50	0.40	0.40	0.09	Vermont	(1)	0.55	(1)	0.27
Massachusetts	4.05	0.55	0.55	0.11	Virginia	(1)	1.51	(1)	0.26
Michigan	(1)	0.51	0.76	0.20	Washington	14.27	0.87	1.75	0.26
Minnesota	5.03	0.30	0.95	0.15	West Virginia	(1)	1.00	1.00	0.18
Mississippi	(1)	0.35	0.35	0.43	Wisconsin (4)	3.25	0.25	0.45	0.06
Missouri	2.00	0.42	0.42	0.06	Wyoming	(1)	(1)	(1)	0.02

- (1) Government directly controls sales, revenue generates through markup, store profits, and additional taxes & fees.
- (2) Plus additional excise taxes on beer at the local level. Additional local taxes in NYC.
- (3) Rates include surtax of \$0.18 per gallon for wine.
- (4) Distilled spirits rate includes additional \$0.03 per gallon for administrative fees.

Source: Federation of Tax Administrators, rates as of January 1, 2020.

## Economic Report of the Governor

**TABLE 70  
GENERAL FUND REVENUES**

TAXES (\$K)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Income	\$9,181,648	\$8,988,667	\$10,770,150	\$9,640,164	\$9,397,779
Sales and Use	4,181,852	4,192,203	4,202,246	4,338,061	4,317,730
Corporation	880,449	1,037,565	920,746	1,060,877	934,499
Pass-through Entity Tax	-	-	-	1,172,080	1,241,949
Public Service Corporation	289,894	271,504	250,631	262,141	254,076
Inheritance & Estate	221,821	218,660	223,839	225,230	159,538
Insurance Companies	238,843	222,804	230,605	193,803	228,350
Cigarettes	373,518	381,455	376,448	357,494	346,300
Real Estate Conveyance	196,498	209,982	202,526	213,224	176,578
Oil Companies	170	-	-	-	-
Alcoholic Beverages	63,113	63,155	63,211	64,145	73,080
Admissions, Dues, Cabaret	39,331	39,509	40,272	42,834	39,939
Miscellaneous	718,850	699,331	1,059,928	1,100,087	1,023,041
<b>Total - Taxes</b>	<b>\$16,385,988</b>	<b>\$16,324,835</b>	<b>\$18,340,602</b>	<b>\$18,670,140</b>	<b>\$18,192,858</b>
Less Refunds of Taxes	(1,223,198)	(1,263,824)	(1,269,667)	(1,465,368)	(1,491,413)
Less Refunds of R&D Credit	(7,623)	(5,485)	(5,664)	(5,370)	(8,628)
<b>Total - Taxes Less Refunds</b>	<b>\$15,155,167</b>	<b>\$15,055,526</b>	<b>\$17,065,271</b>	<b>\$17,199,401</b>	<b>\$16,692,816</b>
<b>OTHER REVENUE</b>					
Transfer-Special Revenue	\$339,961	\$328,716	\$339,512	\$364,082	\$340,090
Indian Gaming Payments	265,907	269,906	272,957	255,239	164,141
Licenses, Permits & Fees	296,502	275,386	306,165	291,171	307,524
Sales of Commodities & Services	43,454	39,143	33,238	27,105	26,136
Rents, Fines & Escheats	141,741	151,402	189,428	165,875	154,288
Investment Income	910	2,371	15,911	48,950	48,690
Miscellaneous	179,820	330,388	177,307	214,700	256,341
Less Refunds of Payments	(64,281)	(44,199)	(61,058)	(59,139)	(69,306)
<b>Total - Other Revenue</b>	<b>\$1,207,958</b>	<b>\$1,353,113</b>	<b>\$1,273,461</b>	<b>\$1,307,982</b>	<b>\$1,227,906</b>
<b>OTHER SOURCES</b>					
Federal Grants	\$1,301,532	\$1,325,237	1,143,075	2,083,774	\$1,796,754
Transfer from Tobacco Fund	110,600	118,299	109,700	110,200	136,000
Transfer From/(To) Other Funds	5,565	(149,207)	78,376	(101,814)	(129,620)
Transfers to BRF – Volatility	-	-	(1,471,333)	(949,681)	(530,316)
<b>Total - Other Sources</b>	<b>\$1,417,697</b>	<b>\$1,294,328</b>	<b>\$(140,182)</b>	<b>\$1,142,479</b>	<b>\$1,272,819</b>
<b>GRAND TOTAL</b>	<b>\$17,780,822</b>	<b>\$17,702,968</b>	<b>\$18,198,550</b>	<b>\$19,649,862</b>	<b>\$19,649,862</b>
<b>TAXES % of Total</b>					
Personal Income	51.64	50.77	59.18	49.06	47.83
Sales and Use	23.52	23.68	23.09	22.08	21.97
Corporation	4.95	5.86	5.06	5.40	4.76
Pass-through Entity Tax	-	-	-	5.96	6.32
Public Service Corporation	1.63	1.53	1.38	1.33	1.29
Inheritance & Estate	1.25	1.24	1.23	1.15	0.81
Insurance Companies	1.34	1.26	1.27	0.99	1.16
Cigarettes	2.10	2.15	2.07	1.82	1.76
Real Estate Conveyance	1.11	1.19	1.11	1.09	0.90
Oil Companies	-	-	-	-	-
Alcoholic Beverages	0.35	0.36	0.35	0.33	0.37
Admissions, Dues, Cabaret	0.22	0.22	0.22	0.22	0.20
Miscellaneous	4.04	3.95	5.82	5.60	5.21
<b>Total - Taxes</b>	<b>92.16</b>	<b>92.22</b>	<b>100.78</b>	<b>95.01</b>	<b>92.59</b>
Less Refunds of Taxes	(6.88)	(7.14)	(6.98)	(7.46)	(7.59)
Less Refunds of R&D Credit	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)
<b>Total – Taxes Less Refunds</b>	<b>85.23</b>	<b>85.05</b>	<b>93.77</b>	<b>87.53</b>	<b>84.95</b>
<b>OTHER REVENUE % of Total</b>					
Transfer-Special Revenue	1.91	1.86	1.87	1.85	1.73
Indian Gaming Payments	1.50	1.52	1.50	1.30	0.84
Licenses, Permits & Fees	1.67	1.56	1.68	1.48	1.57
Sales of Commodities & Services	0.24	0.22	0.18	0.14	0.13
Rents, Fines & Escheats	0.80	0.86	1.04	0.84	0.79
Investment Income	0.01	0.01	0.09	0.25	0.25
Miscellaneous	1.01	1.87	0.97	1.09	1.30
Less Refunds of Payments	(0.36)	(0.25)	(0.34)	(0.30)	(0.35)
<b>Total - Other Revenue</b>	<b>6.79</b>	<b>7.64</b>	<b>7.00</b>	<b>6.66</b>	<b>6.25</b>
<b>OTHER SOURCES % of Total</b>					
Federal Grants	7.32	7.49	6.28	10.60	9.14
Transfer from Tobacco Fund	0.62	0.67	0.60	0.56	0.69
Transfer From/(To) Other Funds	0.03	(0.84)	0.43	(0.52)	(0.66)
Transfers to BRF – Volatility	-	-	(8.08)	(4.83)	(2.70)
<b>Total - Other Sources</b>	<b>7.97</b>	<b>7.31</b>	<b>(0.77)</b>	<b>5.81</b>	<b>6.48</b>
<b>GRAND TOTAL % of Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Economic Report of the Governor

**TABLE 71**  
**SPECIAL TRANSPORTATION FUND REVENUES**

<u>TAXES (\$K)</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Motor Fuels	\$518,230	\$498,455	\$499,833	\$509,701	\$478,193
Oil Companies	250,000	238,354	312,506	313,050	230,356
Sales and Use Tax	109,002	188,380	327,458	370,580	400,908
DMV Sales	87,161	84,951	85,906	87,263	73,126
Less Refunds of Taxes	(17,409)	(13,236)	(10,050)	(32,149)	(30,398)
Total – Taxes Less Refunds	\$946,984	\$996,904	\$1,215,653	\$1,248,446	\$1,152,186
<u>OTHER REVENUE</u>					
Motor Vehicle Receipts	\$251,506	\$242,912	\$253,074	\$250,361	\$241,643
Licenses, Permits & Fees	143,867	144,028	141,866	150,144	128,707
Interest Income	8,159	8,995	17,673	37,375	21,754
Federal Grants	12,181	12,168	12,196	12,259	12,315
Transfer to Other Funds	(6,500)	(6,500)	(5,500)	(5,500)	(35,500)
Less Refunds of Payments	(3,384)	(4,103)	(4,891)	(4,941)	(4,520)
Total – Other Revenue	\$405,829	\$397,499	\$414,418	\$439,698	\$364,399
<b>GRAND TOTAL</b>	<b>\$1,352,813</b>	<b>\$1,394,403</b>	<b>\$1,630,071</b>	<b>\$1,688,144</b>	<b>\$1,516,585</b>
<u>TAXES</u>	<u>% of Total</u>	<u>% of Total</u>	<u>% of Total</u>	<u>% of Total</u>	<u>% of Total</u>
Motor Fuels	38.31	35.75	30.66	30.19	31.53
Oil Companies	18.48	17.09	19.17	18.54	15.19
Sales and Use Tax	8.06	13.51	20.09	21.95	26.43
DMV Sales	6.44	6.09	5.27	5.17	4.82
Less Refunds of Taxes	(1.29)	(0.95)	(0.62)	(1.90)	(2.00)
Total – Taxes Less Refunds	70.00	71.49	74.58	73.95	75.97
<u>OTHER REVENUE</u>					
Motor Vehicle Receipts	18.59	17.42	15.53	14.83	15.93
Licenses, Permits & Fees	10.63	10.33	8.70	8.89	8.49
Interest Income	0.60	0.65	1.08	2.21	1.43
Federal Grants	0.90	0.87	0.75	0.73	0.81
Transfer to Other Funds	(0.48)	(0.47)	(0.34)	(0.33)	(2.34)
Less Refunds of Payments	(0.25)	(0.29)	(0.30)	(0.29)	(0.30)
Total - Other Revenue	30.00	28.51	25.42	26.05	24.03
<b>GRAND TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>



# **A P P E N D I X**

## Economic Report of the Governor

This page has been intentionally left blank.

## Economic Report of the Governor

### Connecticut Resident Population Census Counts

	Population		Population		2000-2010 Change	%	2019 DPH* Est.
	<u>2000</u>	<u>Rank</u>	<u>2010</u>	<u>Rank</u>			
Total	3,405,565		3,574,097		168,532	4.9	3,565,287
Andover	3,036	147	3,303	147	267	8.8	3,236
Ansonia	18,554	57	19,249	60	695	3.7	18,654
Ashford	4,098	135	4,317	136	219	5.3	4,255
Avon	15,832	68	18,098	65	2,266	14.3	18,276
Barkhamsted	3,494	143	3,799	141	305	8.7	3,606
Beacon Falls	5,246	125	6,049	123	803	15.3	6,222
Berlin	18,215	59	19,866	54	1,651	9.1	20,436
Bethany	5,040	126	5,563	126	523	10.4	5,548
Bethel	18,067	61	18,584	62	517	2.9	19,800
Bethlehem	3,422	144	3,607	143	185	5.4	3,402
Bloomfield	19,587	52	20,486	52	899	4.6	21,211
Bolton	5,017	127	4,980	131	-37	-0.7	4,884
Bozrah	2,357	153	2,627	152	270	11.5	2,726
Branford	28,683	32	28,026	37	-657	-2.3	27,900
Bridgeport	139,529	1	144,229	1	4,700	3.4	144,399
Bridgewater	1,824	160	1,727	162	-97	-5.3	1,635
Bristol	60,062	11	60,477	13	415	0.7	59,947
Brookfield	15,664	69	16,452	71	788	5.0	16,973
Brooklyn	7,173	113	8,210	110	1,037	14.5	8,272
Burlington	8,190	108	9,301	104	1,111	13.6	9,704
Canaan	1,081	168	1,234	168	153	14.2	1,053
Canterbury	4,692	131	5,132	130	440	9.4	5,079
Canton	8,840	101	10,292	95	1,452	16.4	10,254
Chaplin	2,250	155	2,305	156	55	2.4	2,239
Cheshire	28,543	33	29,261	32	718	2.5	28,937
Chester	3,743	141	3,994	139	251	6.7	4,213
Clinton	13,094	81	13,260	82	166	1.3	12,925
Colchester	14,551	74	16,068	72	1,517	10.4	15,809
Colebrook	1,471	165	1,485	165	14	1.0	1,400
Columbia	4,971	129	5,485	127	514	10.3	5,379
Cornwall	1,434	166	1,420	167	-14	-1.0	1,362
Coventry	11,504	87	12,435	87	931	8.1	12,407
Cromwell	12,871	83	14,005	79	1,134	8.8	13,839
Danbury	74,848	7	80,893	7	6,045	8.1	84,694
Darien	19,607	51	20,732	51	1,125	5.7	21,728
Deep River	4,610	133	4,629	133	19	0.4	4,443
Derby	12,391	84	12,902	84	511	4.1	12,339
Durham	6,627	116	7,388	116	761	11.5	7,165
East Granby	4,745	130	5,148	129	403	8.5	5,140
East Haddam	8,333	105	9,126	106	793	9.5	8,997
East Hampton	13,352	78	12,959	83	-393	-2.9	12,800
East Hartford	49,575	19	51,252	19	1,677	3.4	49,872
East Haven	28,189	35	29,257	33	1,068	3.8	28,569

## Economic Report of the Governor

### Connecticut Resident Population Census Counts

	Population		Population		2000-2010	%	2019
	<u>2000</u>	<u>Rank</u>	<u>2010</u>	<u>Rank</u>	<u>Change</u>	<u>Change</u>	<u>DPH* Est.</u>
East Lyme	18,118	60	19,159	61	1,041	5.7	18,462
East Windsor	9,818	96	11,162	94	1,344	13.7	11,668
Eastford	1,618	163	1,749	161	131	8.1	1,790
Easton	7,272	111	7,490	115	218	3.0	7,521
Ellington	12,921	82	15,602	74	2,681	20.7	16,467
Enfield	45,212	20	44,654	22	-558	-1.2	43,659
Essex	6,505	117	6,683	120	178	2.7	6,668
Fairfield	57,340	13	59,404	14	2,064	3.6	62,045
Farmington	23,641	44	25,340	44	1,699	7.2	25,497
Franklin	1,835	159	1,922	159	87	4.7	1,920
Glastonbury	31,876	29	34,427	29	2,551	8.0	34,482
Goshen	2,697	151	2,976	150	279	10.3	2,863
Granby	10,347	93	11,282	92	935	9.0	11,507
Greenwich	61,101	10	61,171	10	70	0.1	62,840
Griswold	10,807	89	11,951	90	1,144	10.6	11,534
Groton	39,907	23	40,115	25	208	0.5	38,436
Guilford	21,398	49	22,375	50	977	4.6	22,133
Haddam	7,157	114	8,346	109	1,189	16.6	8,193
Hamden	56,913	14	60,960	11	4,047	7.1	60,556
Hampton	1,758	161	1,863	160	105	6.0	1,842
Hartford	121,578	3	124,775	3	3,197	2.6	122,105
Hartland	2,012	158	2,114	158	102	5.1	2,120
Harwinton	5,283	124	5,642	125	359	6.8	5,420
Hebron	8,610	104	9,686	99	1,076	12.5	9,504
Kent	2,858	150	2,979	149	121	4.2	2,777
Killingly	16,472	67	17,370	68	898	5.5	17,336
Killingworth	6,018	121	6,525	121	507	8.4	6,364
Lebanon	6,907	115	7,308	117	401	5.8	7,144
Ledyard	14,687	72	15,051	77	364	2.5	14,621
Lisbon	4,069	136	4,338	135	269	6.6	4,220
Litchfield	8,316	106	8,466	108	150	1.8	8,094
Lyme	2,016	157	2,406	154	390	19.3	2,316
Madison	17,858	64	18,269	64	411	2.3	18,030
Manchester	54,740	15	58,241	15	3,501	6.4	57,584
Mansfield	20,720	50	26,543	41	5,823	28.1	25,487
Marlborough	5,709	123	6,404	122	695	12.2	6,335
Meriden	58,244	12	60,868	12	2,624	4.5	59,395
Middlebury	6,451	118	7,575	114	1,124	17.4	7,798
Middlefield	4,203	134	4,425	134	222	5.3	4,374
Middletown	43,167	21	47,648	20	4,481	10.4	46,258
Milford	52,305	17	52,759	17	454	0.9	54,747
Monroe	19,247	54	19,479	59	232	1.2	19,434
Montville	18,546	58	19,571	57	1,025	5.5	18,508
Morris	2,301	154	2,388	155	87	3.8	2,254

## Economic Report of the Governor

### Connecticut Resident Population Census Counts

	Population		Population		2000-2010 Change	%	2019 DPH* Est.
	<u>2000</u>	<u>Rank</u>	<u>2010</u>	<u>Rank</u>			
Naugatuck	30,989	30	31,862	30	873	2.8	31,108
New Britain	71,538	8	73,206	8	1,668	2.3	72,495
New Canaan	19,395	53	19,738	55	343	1.8	20,233
New Fairfield	13,953	75	13,881	81	-72	-0.5	13,878
New Hartford	6,088	120	6,970	118	882	14.5	6,656
New Haven	123,626	2	129,779	2	6,153	5.0	130,250
New London	25,671	40	27,620	38	1,949	7.6	26,858
New Milford	27,121	37	28,142	36	1,021	3.8	26,805
Newington	29,306	31	30,562	31	1,256	4.3	30,014
Newtown	25,031	41	27,560	39	2,529	10.1	27,891
Norfolk	1,660	162	1,709	164	49	3.0	1,630
North Branford	13,906	76	14,407	78	501	3.6	14,146
North Canaan	3,350	145	3,315	146	-35	-1.0	3,251
North Haven	23,035	46	24,093	47	1,058	4.6	23,683
North Stonington	4,991	128	5,297	128	306	6.1	5,196
Norwalk	82,951	6	85,603	6	2,652	3.2	88,816
Norwich	36,117	26	40,493	24	4,376	12.1	38,768
Old Lyme	7,406	110	7,603	113	197	2.7	7,306
Old Saybrook	10,367	92	10,242	96	-125	-1.2	10,061
Orange	13,233	79	13,956	80	723	5.5	13,926
Oxford	9,821	95	12,683	85	2,862	29.1	13,255
Plainfield	14,619	73	15,405	75	786	5.4	15,125
Plainville	17,328	66	17,716	67	388	2.2	17,534
Plymouth	11,634	86	12,243	88	609	5.2	11,598
Pomfret	3,798	140	4,247	137	449	11.8	4,203
Portland	8,732	102	9,508	101	776	8.9	9,267
Preston	4,688	132	4,726	132	38	0.8	4,625
Prospect	8,707	103	9,405	103	698	8.0	9,702
Putnam	9,002	98	9,584	100	582	6.5	9,389
Redding	8,270	107	9,158	105	888	10.7	9,116
Ridgefield	23,643	43	24,638	46	995	4.2	24,959
Rocky Hill	17,966	62	19,709	56	1,743	9.7	20,115
Roxbury	2,136	156	2,262	157	126	5.9	2,152
Salem	3,858	138	4,151	138	293	7.6	4,083
Salisbury	3,977	137	3,741	142	-236	-5.9	3,600
Scotland	1,556	164	1,726	163	170	10.9	1,672
Seymour	15,454	70	16,540	70	1,086	7.0	16,437
Sharon	2,968	149	2,782	151	-186	-6.3	2,689
Shelton	38,101	25	39,559	26	1,458	3.8	41,129
Sherman	3,827	139	3,581	144	-246	-6.4	3,630
Simsbury	23,234	45	23,511	48	277	1.2	25,395
Somers	10,417	91	11,444	91	1,027	9.9	10,784
South Windsor	24,412	42	25,709	43	1,297	5.3	26,162
Southbury	18,567	56	19,904	53	1,337	7.2	19,571

## Economic Report of the Governor

### Connecticut Resident Population Census Counts

	Population		Population		2000-2010 Change	% Change	2019 DPH* Est.
	<u>2000</u>	<u>Rank</u>	<u>2010</u>	<u>Rank</u>			
Southington	39,728	24	43,069	23	3,341	8.4	43,834
Sprague	2,971	148	2,984	148	13	0.4	2,859
Stafford	11,307	88	12,087	89	780	6.9	11,893
Stamford	117,083	4	122,643	4	5,560	4.7	129,638
Sterling	3,099	146	3,830	140	731	23.6	3,782
Stonington	17,906	63	18,545	63	639	3.6	18,559
Stratford	49,976	18	51,384	18	1,408	2.8	51,849
Suffield	13,552	77	15,735	73	2,183	16.1	15,814
Thomaston	7,503	109	7,887	112	384	5.1	7,535
Thompson	8,878	100	9,458	102	580	6.5	9,379
Tolland	13,146	80	15,052	76	1,906	14.5	14,618
Torrington	35,202	27	36,383	27	1,181	3.4	34,044
Trumbull	34,243	28	36,018	28	1,775	5.2	35,673
Union	693	169	854	169	161	23.2	839
Vernon	28,063	36	29,179	34	1,116	4.0	29,359
Voluntown	2,528	152	2,603	153	75	3.0	2,510
Wallingford	43,026	22	45,135	21	2,109	4.9	44,326
Warren	1,254	167	1,461	166	207	16.5	1,395
Washington	3,596	142	3,578	145	-18	-0.5	3,428
Waterbury	107,271	5	110,366	5	3,095	2.9	107,568
Waterford	19,152	55	19,517	58	365	1.9	18,746
Watertown	21,661	48	22,514	49	853	3.9	21,578
West Hartford	63,589	9	63,268	9	-321	-0.5	62,965
West Haven	52,360	16	55,564	16	3,204	6.1	54,620
Westbrook	6,292	119	6,938	119	646	10.3	6,869
Weston	10,037	94	10,179	97	142	1.4	10,252
Westport	25,749	39	26,391	42	642	2.5	28,491
Wethersfield	26,271	38	26,668	40	397	1.5	26,008
Willington	5,959	122	6,041	124	82	1.4	5,864
Wilton	17,633	65	18,062	66	429	2.4	18,343
Winchester	10,664	90	11,242	93	578	5.4	10,604
Windham	22,857	47	25,268	45	2,411	10.5	24,561
Windsor	28,237	34	29,044	35	807	2.9	28,733
Windsor Locks	12,043	85	12,498	86	455	3.8	12,854
Wolcott	15,215	71	16,680	69	1,465	9.6	16,587
Woodbridge	8,983	99	8,990	107	7	0.1	8,750
Woodbury	9,198	97	9,975	98	777	8.4	9,502
Woodstock	7,221	112	7,964	111	743	10.3	7,858

\* Connecticut Department of Public Health

Source: U.S. Bureau of the Census, April 1, 2000 & 2010  
 Department of Public Health, "Est. Population in Connecticut as of July 1, 2019"

## Economic Report of the Governor

### MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 1  
U.S. ECONOMIC VARIABLES**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Gross Domestic Product (\$B)	15,275.7	15,890.1	16,455.9	17,117.3	17,949.6	18,463.1	19,117.7	20,087.5	21,024.4	21,092.2
Percent Change	4.1%	4.0%	3.6%	4.0%	4.9%	2.9%	3.5%	5.1%	4.7%	0.3%
Real GDP (2012=100)	15,740.1	16,038.3	16,311.5	16,663.3	17,229.7	17,570.4	17,918.0	18,432.5	18,884.3	18,677.3
Percent Change	3.0%	1.9%	1.7%	2.2%	3.4%	2.0%	2.0%	2.9%	2.5%	-1.1%
GDP Deflator (2012=100)	97.0	99.1	100.9	102.7	104.2	105.1	106.7	109.0	111.3	112.9
Percent Change	1.7%	2.1%	1.8%	1.8%	1.4%	0.9%	1.5%	2.1%	2.2%	1.4%
Housing Starts (K)	569.7	684.4	877.4	953.1	1,053.8	1,148.8	1,200.0	1,252.4	1,219.3	1,320.9
Percent Change	-4.1%	20.1%	28.2%	8.6%	10.6%	9.0%	4.5%	4.4%	-2.6%	8.3%
Unemployment Rate	9.3%	8.5%	7.8%	6.8%	5.7%	5.0%	4.7%	4.1%	3.8%	6.0%
New Vehicle Sales (M)	12.2	13.6	15.1	15.9	16.9	17.5	17.3	17.2	17.1	15.0
Percent Change	9.3%	11.4%	10.6%	5.5%	6.0%	4.0%	-1.4%	-0.2%	-0.9%	-12.0%
Consumer Price Index ('82-'84=100)	221.1	227.6	231.4	235.0	236.7	238.2	242.6	248.1	253.3	257.3
Percent Change	2.0%	2.9%	1.7%	1.6%	0.7%	0.7%	1.9%	2.3%	2.1%	1.6%
Industrial Production Index ('07=100)	95.7	98.8	100.9	103.4	105.4	102.7	103.0	106.2	109.6	105.1
Percent Change	4.8%	3.3%	2.1%	2.5%	1.9%	-2.6%	0.3%	3.2%	3.2%	-4.1%
Personal Income (\$B)	12,965.8	13,653.5	14,111.1	14,529.6	15,408.7	15,933.9	16,517.2	17,407.8	18,239.0	19,191.7
Percent Change	6.0%	5.3%	3.4%	3.0%	6.1%	3.4%	3.7%	5.4%	4.8%	5.2%
Real Personal Income (\$B in 2012=100)	13,398.1	13,766.4	14,015.6	14,224.6	14,970.2	15,401.1	15,719.2	16,251.8	16,726.6	17,369.8
Percent Change	4.1%	2.7%	1.8%	1.5%	5.2%	2.9%	2.1%	3.4%	2.9%	3.8%
Disposable Personal Income (\$B)	11,611.4	12,178.9	12,507.4	12,810.5	13,538.0	13,988.2	14,525.1	15,325.2	16,093.0	16,999.9
Percent Change	5.0%	4.9%	2.7%	2.4%	5.7%	3.3%	3.8%	5.5%	5.0%	5.6%
Disposable Personal Income (\$B in 2012=100)	11,999.2	12,279.7	12,423.2	12,542.0	13,153.1	13,520.9	13,823.8	14,307.9	14,759.1	15,386.7
Percent Change	3.1%	2.3%	1.2%	1.0%	4.9%	2.8%	2.2%	3.5%	3.2%	4.3%

## Economic Report of the Governor

### MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Personal Income	12,965.9	13,653.5	14,111.1	14,529.6	15,408.7	15,933.9	16,517.2	17,407.8	18,239.0	19,191.7
Percent Change	6.0%	5.3%	3.4%	3.0%	6.1%	3.4%	3.7%	5.4%	4.8%	5.2%
Wages & Salaries	6,520.1	6,757.4	7,036.0	7,268.3	7,678.1	7,972.5	8,259.1	8,692.5	9,122.0	9,292.2
Percent Change	3.9%	3.6%	4.1%	3.3%	5.6%	3.8%	3.6%	5.2%	4.9%	1.9%
Manufacturing Income	695.3	719.3	739.0	761.5	796.1	809.8	827.1	866.0	900.5	898.3
Percent Change	5.7%	3.5%	2.7%	3.0%	4.5%	1.7%	2.1%	4.7%	4.0%	-0.2%
Nonmanufacturing Inc.	5,824.8	6,038.1	6,297.0	6,506.8	6,882.0	7,162.7	7,432.0	7,826.4	8,221.5	8,393.9
Percent Change	3.7%	3.7%	4.3%	3.3%	5.8%	4.1%	3.8%	5.3%	5.0%	2.1%
Other Labor Income	1,579.6	1,614.2	1,678.5	1,749.4	1,807.4	1,857.9	1,906.0	2,005.1	2,095.3	2,114.5
Percent Change	3.4%	2.2%	4.0%	4.2%	3.3%	2.8%	2.6%	5.2%	4.5%	0.9%
Proprietor's Income	1,166.8	1,300.8	1,377.5	1,420.1	1,443.9	1,416.3	1,467.8	1,542.1	1,617.9	1,648.2
Percent Change	13.9%	11.5%	5.9%	3.1%	1.7%	-1.9%	3.6%	5.1%	4.9%	1.9%
Farm Income	54.3	62.9	78.3	77.8	61.4	47.1	39.8	39.3	42.5	53.2
Percent Change	66.1%	15.8%	24.5%	-0.6%	-21.1%	-23.2%	-15.5%	-1.3%	8.2%	25.2%
Nonfarm Income	1,112.5	1,238.0	1,299.3	1,342.2	1,382.5	1,369.2	1,428.0	1,502.8	1,575.4	1,594.9
Percent Change	12.2%	11.3%	5.0%	3.3%	3.0%	-1.0%	4.3%	5.2%	4.8%	1.2%
Rental Income	435.5	504.3	533.2	581.9	625.5	669.5	700.0	740.8	775.7	795.9
Percent Change	20.4%	15.8%	5.7%	9.1%	7.5%	7.0%	4.6%	5.8%	4.7%	2.6%
Personal Dividend Inc.	611.1	742.9	834.0	863.8	1,015.6	1,046.4	1,111.2	1,235.5	1,312.8	1,288.3
Percent Change	21.4%	21.6%	12.3%	3.6%	17.6%	3.0%	6.2%	11.2%	6.3%	-1.9%
Personal Interest Income	1,251.2	1,311.7	1,287.4	1,303.5	1,395.3	1,460.9	1,523.2	1,610.0	1,661.8	1,673.0
Percent Change	-1.1%	4.8%	-1.9%	1.2%	7.0%	4.7%	4.3%	5.7%	3.2%	0.7%
Transfer Payments	2,352.4	2,353.7	2,392.2	2,469.7	2,622.9	2,732.0	2,816.1	2,912.8	3,046.0	3,802.7
Percent Change	4.8%	0.1%	1.6%	3.2%	6.2%	4.2%	3.1%	3.4%	4.6%	24.8%



## Economic Report of the Governor

### MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Less:										
Contributions to Social Insurance	950.8	931.3	1,027.7	1,127.0	1,179.9	1,221.6	1,266.3	1,330.9	1,392.3	1,423.0
Percent Change	-2.2%	-2.0%	10.3%	9.7%	4.7%	3.5%	3.7%	5.1%	4.6%	2.2%
Equals:										
Personal Income	12,965.9	13,653.5	14,111.1	14,529.6	15,408.7	15,933.9	16,517.2	17,407.8	18,239.0	19,191.7
Percent Change	6.0%	5.3%	3.4%	3.0%	6.1%	3.4%	3.7%	5.4%	4.8%	5.2%
Less:										
Personal Taxes	1,354.5	1,474.6	1,603.6	1,719.1	1,870.7	1,945.6	1,992.0	2,082.6	2,146.1	2,191.8
Percent Change	15.7%	8.9%	8.8%	7.2%	8.8%	4.0%	2.4%	4.5%	3.1%	2.1%
Equals:										
Disposable Income (\$B)	11,611.4	12,178.9	12,507.4	12,810.5	13,538.0	13,988.3	14,525.1	15,325.2	16,092.9	16,999.9
Percent Change	5.0%	4.9%	2.7%	2.4%	5.7%	3.3%	3.8%	5.5%	5.0%	5.6%
Less:										
Personal Outlays	10,800.4	11,224.4	11,537.5	11,931.0	12,510.5	12,977.1	13,525.3	14,178.1	14,822.2	14,812.3
Percent Change	3.8%	3.9%	2.8%	3.4%	4.9%	3.7%	4.2%	4.8%	4.5%	-0.1%
Equals:										
Personal Savings	811.0	954.6	969.9	879.5	1,027.5	1,011.2	999.8	1,147.1	1,270.7	2,187.6
Percent Change	22.5%	17.7%	1.6%	-9.3%	16.8%	-1.6%	-1.1%	14.7%	10.8%	72.2%
Personal Savings Rate	7.0%	7.8%	7.8%	6.9%	7.6%	7.2%	6.9%	7.5%	7.9%	12.9%

## Economic Report of the Governor

### MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Establishment Employ.	131.0	133.1	135.2	137.5	140.4	143.1	145.5	147.7	149.9	147.1
Percent Change	0.6%	1.6%	1.6%	1.7%	2.1%	1.9%	1.7%	1.5%	1.5%	-1.9%
Manufacturing	11.6	11.8	12.0	12.1	12.3	12.4	12.4	12.6	12.8	12.6
Percent Change	0.9%	1.8%	1.2%	0.9%	1.6%	0.6%	0.2%	1.4%	1.9%	-1.7%
Nonmanufacturing	119.4	121.2	123.2	125.5	128.1	130.7	133.1	135.2	137.1	134.6
Percent Change	0.6%	1.6%	1.6%	1.8%	2.1%	2.0%	1.8%	1.5%	1.5%	-1.9%
Construction & Mining	6.2	6.4	6.6	6.9	7.2	7.3	7.5	7.8	8.1	8.1
Percent Change	-1.5%	3.2%	2.4%	4.1%	4.7%	2.1%	2.2%	4.3%	4.2%	-0.7%
Information	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8
Percent Change	-2.0%	-0.5%	0.4%	1.2%	0.7%	1.1%	1.5%	0.4%	1.0%	-1.6%
Public Utility, Trade & Transportation	24.8	25.2	25.6	26.0	26.6	27.0	27.3	27.5	27.7	27.1
Percent Change	0.8%	1.9%	1.3%	1.9%	2.1%	1.6%	1.2%	0.6%	0.6%	-2.1%
Finance, Insurance & Real Estate	7.7	7.7	7.8	7.9	8.0	8.2	8.4	8.5	8.7	8.7
Percent Change	-0.7%	0.7%	1.3%	1.1%	1.6%	1.9%	2.1%	1.6%	1.9%	0.9%
Services	55.7	57.2	58.7	60.1	61.6	63.3	64.8	66.1	67.3	65.5
Percent Change	1.9%	2.7%	2.5%	2.4%	2.6%	2.7%	2.4%	2.0%	1.7%	-2.7%
Professional & Business	17.1	17.7	18.3	18.8	19.4	19.9	20.3	20.7	21.1	21.0
Percent Change	3.1%	3.6%	3.3%	3.1%	3.0%	2.6%	1.9%	2.1%	2.0%	-0.8%
Education & Health	20.1	20.6	20.9	21.2	21.7	22.3	22.9	23.4	23.9	23.9
Percent Change	1.7%	2.1%	1.8%	1.4%	2.3%	2.8%	2.7%	2.1%	1.9%	-0.1%
Leisure & Hospitality	13.2	13.6	14.0	14.5	14.9	15.4	15.9	16.2	16.4	15.0
Percent Change	1.5%	2.9%	3.2%	3.4%	2.9%	3.4%	2.9%	2.0%	1.5%	-8.6%
Other Services	5.3	5.4	5.5	5.5	5.6	5.7	5.7	5.8	5.9	5.6
Percent Change	0.1%	1.2%	1.0%	1.4%	1.2%	1.0%	1.4%	1.3%	0.9%	-3.6%
Government	22.3	22.0	21.9	21.8	21.9	22.1	22.3	22.4	22.5	22.4
Percent Change	-1.3%	-1.4%	-0.4%	-0.2%	0.5%	0.8%	0.9%	0.4%	0.5%	-0.6%
Civilian Labor Force	153.6	154.3	155.3	155.5	156.6	158.0	159.8	161.2	162.7	162.6
Percent Change	-0.2%	0.4%	0.7%	0.1%	0.7%	0.9%	1.1%	0.9%	0.9%	0.0%
Unemployment Rate	9.3%	8.5%	7.8%	6.8%	5.7%	5.0%	4.7%	4.1%	3.8%	6.0%

## Economic Report of the Governor

### MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 5**  
**PRICE INDICES FOR URBAN CONSUMERS**  
**(1982-1984 = 100)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
All Items	221.1	227.6	231.4	235.0	236.7	238.2	242.6	248.1	253.3	257.3
Percent Change	2.0%	2.9%	1.7%	1.6%	0.7%	0.7%	1.9%	2.3%	2.1%	1.6%
Food & Beverages	223.0	231.5	235.4	239.1	245.1	247.7	248.2	251.6	255.7	261.7
Percent Change	2.0%	3.8%	1.7%	1.6%	2.5%	1.1%	0.2%	1.3%	1.6%	2.3%
Housing	217.2	221.0	224.9	230.2	235.6	240.7	247.7	254.8	262.2	269.1
Percent Change	0.3%	1.8%	1.8%	2.4%	2.3%	2.1%	2.9%	2.9%	2.9%	2.6%
Energy	227.9	245.8	246.0	246.7	221.2	192.4	197.8	213.3	217.5	207.0
Percent Change	10.4%	7.9%	0.1%	0.3%	-10.3%	-13.0%	2.8%	7.8%	2.0%	-4.9%
Commodities	178.7	186.3	187.9	188.1	184.5	180.2	180.2	182.9	184.8	184.7
Percent Change	3.2%	4.3%	0.8%	0.1%	-1.9%	-2.4%	0.0%	1.5%	1.0%	-0.1%
Apparel	119.8	124.9	127.0	127.6	126.8	125.9	126.1	125.9	124.6	121.5
Percent Change	-0.3%	4.3%	1.7%	0.5%	-0.6%	-0.7%	0.2%	-0.2%	-1.1%	-2.4%
Transportation	202.9	215.4	217.9	217.9	206.2	195.9	198.3	206.2	210.5	205.4
Percent Change	7.4%	6.2%	1.2%	0.0%	-5.4%	-5.0%	1.2%	4.0%	2.1%	-2.4%
Services	263.2	268.5	274.6	281.5	288.3	295.6	304.2	312.3	320.7	328.9
Percent Change	1.2%	2.0%	2.3%	2.5%	2.4%	2.5%	2.9%	2.7%	2.7%	2.6%
Medical Care	394.0	407.4	420.6	430.2	441.0	453.9	471.0	480.4	489.3	510.2
Percent Change	3.1%	3.4%	3.3%	2.3%	2.5%	2.9%	3.8%	2.0%	1.9%	4.3%
Other Goods & Services	384.6	390.7	397.8	404.7	411.2	418.9	427.7	437.8	446.2	457.4
Percent Change	2.0%	1.6%	1.8%	1.7%	1.6%	1.9%	2.1%	2.3%	1.9%	2.5%

## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 6**  
**PERSONAL INCOME**  
**(BILLIONS OF DOLLARS)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Personal Income	226.07	231.02	231.01	232.68	242.86	248.45	252.28	261.57	272.57	280.21
Percent Change	4.0%	2.2%	0.0%	0.7%	4.4%	2.3%	1.5%	3.7%	4.2%	2.8%
Disposable										
Personal Income	195.99	198.81	196.09	195.60	203.92	209.55	213.84	221.79	232.38	240.15
Percent Change	2.6%	1.4%	-1.4%	-0.3%	4.3%	2.8%	2.0%	3.7%	4.8%	3.3%
Total Wages	110.72	113.25	117.01	118.83	123.01	125.21	126.18	130.71	135.92	136.53
Percent Change	4.9%	2.3%	3.3%	1.6%	3.5%	1.8%	0.8%	3.6%	4.0%	0.5%
Manufacturing Wages	14.01	14.31	14.69	14.67	14.35	13.90	14.08	14.90	15.48	15.67
Percent Change	7.7%	2.1%	2.7%	-0.1%	-2.2%	-3.2%	1.4%	5.8%	3.9%	1.3%
Nonmanufacturing Wages	96.71	98.95	102.32	104.16	108.66	111.31	112.09	115.81	120.44	120.85
Percent Change	4.5%	2.3%	3.4%	1.8%	4.3%	2.4%	0.7%	3.3%	4.0%	0.3%
Other Labor Income	25.44	25.47	26.05	26.51	27.30	28.13	28.31	29.36	30.37	30.03
Percent Change	4.1%	0.1%	2.3%	1.8%	3.0%	3.0%	0.6%	3.7%	3.4%	-1.1%
Proprietor's Income	34.85	32.84	28.10	26.60	27.12	27.26	28.37	29.03	29.81	30.14
Percent Change	-4.4%	-5.8%	-14.4%	-5.3%	1.9%	0.5%	4.1%	2.3%	2.7%	1.1%
Property Income	40.76	44.69	46.14	48.05	52.06	53.94	55.29	57.89	60.82	60.97
Percent Change	7.4%	9.6%	3.2%	4.2%	8.3%	3.6%	2.5%	4.7%	5.1%	0.3%
Transfer Payments										
Less Social Insurance	14.30	14.77	13.70	12.67	13.37	13.91	14.13	14.58	15.65	22.54
Percent Change	10.0%	3.3%	-7.2%	-7.5%	5.5%	4.0%	1.6%	3.2%	7.4%	44.0%
Transfer Payments	29.24	29.24	29.74	30.08	31.31	32.27	32.86	34.21	36.10	43.13
Percent Change	3.4%	0.0%	1.7%	1.2%	4.1%	3.1%	1.8%	4.1%	5.5%	19.5%
Social Insurance	14.94	14.47	16.03	17.41	17.94	18.36	18.73	19.63	20.45	20.60
Percent Change	-2.2%	-3.1%	10.8%	8.6%	3.1%	2.4%	2.0%	4.8%	4.2%	0.7%
Residence Adjustment	11.09	12.17	12.90	12.70	13.12	13.00	13.72	16.00	17.92	18.78
Percent Change	11.5%	9.7%	6.1%	-1.5%	3.2%	-0.9%	5.5%	16.6%	12.0%	4.8%

## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 7  
DEFLATED PERSONAL INCOME  
(BILLIONS OF DOLLARS)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Personal Income	233.63	232.95	229.44	227.81	235.94	240.15	240.10	244.22	249.98	253.61
Percent Change	2.2%	-0.3%	-1.5%	-0.7%	3.6%	1.8%	0.0%	1.7%	2.4%	1.5%
Disposable										
Personal Income	202.54	200.46	194.76	191.50	198.11	202.54	203.52	207.07	213.11	217.36
Percent Change	0.8%	-1.0%	-2.8%	-1.7%	3.5%	2.2%	0.5%	1.7%	2.9%	2.0%
Total Wages	114.42	114.20	116.22	116.35	119.51	121.02	120.09	122.04	124.65	123.57
Percent Change	3.0%	-0.2%	1.8%	0.1%	2.7%	1.3%	-0.8%	1.6%	2.1%	-0.9%
Manufacturing Wages	14.48	14.43	14.59	14.36	13.94	13.43	13.40	13.91	14.20	14.19
Percent Change	5.8%	-0.4%	1.1%	-1.5%	-2.9%	-3.7%	-0.2%	3.8%	2.1%	-0.1%
Nonmanufacturing Wages	99.94	99.77	101.63	101.98	105.57	107.59	106.68	108.13	110.45	109.38
Percent Change	2.7%	-0.2%	1.9%	0.3%	3.5%	1.9%	-0.8%	1.4%	2.1%	-1.0%
Other Labor Income	26.29	25.68	25.88	25.96	26.53	27.19	26.94	27.42	27.86	27.18
Percent Change	2.3%	-2.3%	0.8%	0.3%	2.2%	2.5%	-0.9%	1.8%	1.6%	-2.4%
Proprietor's Income	36.02	33.11	27.91	26.05	26.34	26.35	27.00	27.10	27.34	27.28
Percent Change	-6.1%	-8.1%	-15.7%	-6.7%	1.1%	0.0%	2.5%	0.4%	0.9%	-0.2%
Property Income	42.12	45.06	45.83	47.05	50.58	52.14	52.62	54.05	55.78	55.19
Percent Change	5.5%	7.0%	1.7%	2.7%	7.5%	3.1%	0.9%	2.7%	3.2%	-1.1%
Transfer Payments										
Less Social Insurance	14.78	14.89	13.61	12.41	12.99	13.44	13.45	13.61	14.35	20.40
Percent Change	8.0%	0.8%	-8.6%	-8.8%	4.7%	3.5%	0.0%	1.2%	5.5%	42.1%
Transfer Payments	30.22	29.48	29.54	29.45	30.42	31.20	31.27	31.94	33.11	39.04
Percent Change	1.6%	-2.4%	0.2%	-0.3%	3.3%	2.6%	0.2%	2.1%	3.7%	17.9%
Social Insurance	15.44	14.59	15.92	17.04	17.43	17.75	17.83	18.33	18.76	18.64
Percent Change	-3.9%	-5.5%	9.1%	7.0%	2.3%	1.9%	0.4%	2.8%	2.3%	-0.6%
Residence Adjustment	11.46	12.27	12.82	12.44	12.74	12.56	13.06	14.94	16.44	17.00
Percent Change	9.5%	7.0%	4.5%	-2.9%	2.4%	-1.4%	3.9%	14.4%	10.0%	3.4%

Note: All categories are deflated by consumer price index, 2012=100

## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 8**  
**MANUFACTURING EMPLOYMENT**  
**(THOUSANDS -Seasonally Adjusted)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Manufacturing	163.39	162.93	161.11	158.60	156.87	156.56	157.44	159.66	161.67	159.85
Percent Change	0.0%	-0.3%	-1.1%	-1.6%	-1.1%	-0.2%	0.6%	1.4%	1.3%	-1.1%
Transportation Equip.	42.13	42.32	41.75	40.61	40.17	41.13	42.75	45.01	46.37	46.62
Percent Change	-0.7%	0.4%	-1.3%	-2.7%	-1.1%	2.4%	4.0%	5.3%	3.0%	0.5%
Fabricated Metals	28.41	28.80	29.65	30.05	29.37	29.15	29.32	29.47	29.88	29.98
Percent Change	0.8%	1.4%	2.9%	1.3%	-2.2%	-0.8%	0.6%	0.5%	1.4%	0.3%
Electrical Equip. & Appl.	9.88	9.85	9.72	9.30	8.79	8.40	8.06	8.10	7.99	7.55
Percent Change	1.9%	-0.3%	-1.3%	-4.3%	-5.5%	-4.4%	-4.0%	0.4%	-1.4%	-5.4%
Chemicals	9.63	8.77	8.05	7.94	7.82	7.66	7.67	7.88	7.90	7.99
Percent Change	-2.1%	-8.9%	-8.2%	-1.4%	-1.5%	-2.1%	0.2%	2.7%	0.3%	1.2%
Printing & Support	5.68	5.58	5.26	5.11	5.12	5.22	5.39	5.32	5.15	5.00
Percent Change	-2.4%	-1.7%	-5.7%	-3.0%	0.2%	1.9%	3.4%	-1.4%	-3.1%	-3.0%
Industrial Machinery	14.89	14.71	14.27	13.99	14.13	13.84	13.44	13.10	13.13	13.14
Percent Change	-2.9%	-1.2%	-3.0%	-2.0%	1.0%	-2.1%	-2.9%	-2.5%	0.2%	0.1%
All Other	52.78	52.90	52.41	51.61	51.46	51.16	50.80	50.79	51.25	49.58
Percent Change	1.3%	0.2%	-0.9%	-1.5%	-0.3%	-0.6%	-0.7%	0.0%	0.9%	-3.3%

## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 9**  
**NONMANUFACTURING EMPLOYMENT**  
**(THOUSANDS -Seasonally Adjusted)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Nonmanufacturing	1,459.3	1,472.6	1,487.4	1,500.8	1,516.8	1,525.3	1,528.5	1,527.6	1,527.7	1,470.9
Percent Change	0.9%	0.9%	1.0%	0.9%	1.1%	0.6%	0.2%	-0.1%	0.0%	-3.7%
Construction & Mining	51.4	52.3	52.8	54.7	57.5	59.6	59.2	58.8	60.3	58.9
Percent Change	-0.7%	1.8%	1.1%	3.5%	5.2%	3.6%	-0.8%	-0.6%	2.5%	-2.4%
Information	31.7	31.3	31.8	32.1	32.3	32.5	32.1	31.6	31.5	30.9
Percent Change	-2.5%	-1.3%	1.7%	1.0%	0.6%	0.5%	-1.3%	-1.7%	-0.1%	-1.9%
Utilities	6.2	6.0	6.0	6.0	5.7	5.6	5.5	5.3	5.2	5.1
Percent Change	-1.7%	-3.8%	-0.3%	0.3%	-5.0%	-1.3%	-2.5%	-4.4%	-1.5%	-1.0%
Transportation	39.3	40.0	41.3	42.3	43.5	45.2	45.7	48.1	50.2	53.1
Percent Change	2.2%	1.6%	3.4%	2.3%	2.9%	3.9%	1.1%	5.2%	4.4%	5.9%
Wholesale Trade	62.1	62.2	62.1	62.0	61.8	61.4	61.6	61.5	60.5	58.8
Percent Change	-0.4%	0.2%	-0.2%	-0.1%	-0.4%	-0.5%	0.2%	-0.1%	-1.6%	-2.9%
Retail Trade	179.6	181.0	182.1	184.0	184.4	185.1	184.3	182.2	178.2	165.5
Percent Change	1.2%	0.8%	0.6%	1.0%	0.2%	0.4%	-0.4%	-1.2%	-2.2%	-7.2%
Finance & Insurance	116.7	115.3	113.2	110.1	110.0	110.1	108.8	106.8	104.4	102.7
Percent Change	0.1%	-1.2%	-1.8%	-2.7%	-0.1%	0.1%	-1.2%	-1.8%	-2.2%	-1.7%
Real Estate	18.8	18.7	18.9	19.0	19.5	19.9	19.8	19.9	20.0	19.9
Percent Change	-0.7%	-0.8%	1.1%	0.8%	2.8%	2.0%	-0.5%	0.0%	0.8%	-0.5%
Professional & Business	198.2	204.4	208.2	213.0	217.6	219.2	219.1	220.2	220.2	215.9
Percent Change	2.8%	3.1%	1.9%	2.3%	2.2%	0.7%	0.0%	0.5%	0.0%	-1.9%
Education & Health	310.8	314.8	318.8	321.9	325.9	327.3	332.5	334.0	336.9	331.4
Percent Change	2.2%	1.3%	1.3%	1.0%	1.2%	0.4%	1.6%	0.4%	0.9%	-1.6%
Leisure & Hospitality	135.3	140.1	144.3	148.8	150.7	152.1	155.5	157.0	158.4	138.2
Percent Change	2.0%	3.5%	3.0%	3.1%	1.3%	1.0%	2.2%	1.0%	0.9%	-12.8%
Other Services	60.6	60.6	62.0	62.2	63.5	64.4	64.9	65.3	65.6	60.0
Percent Change	-0.1%	0.0%	2.3%	0.4%	2.0%	1.4%	0.8%	0.7%	0.4%	-8.5%
Federal Government	18.3	17.8	17.4	17.3	17.6	17.7	18.0	18.1	18.1	18.3
Percent Change	-7.2%	-2.8%	-2.2%	-0.8%	1.9%	0.4%	1.4%	0.6%	0.0%	1.5%
State & Local Gov't.	230.1	228.2	228.4	227.3	226.7	225.1	221.6	219.0	218.2	212.2
Percent Change	-0.9%	-0.8%	0.1%	-0.5%	-0.3%	-0.7%	-1.5%	-1.2%	-0.4%	-2.7%

## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Labor Force	1,919.3	1,903.0	1,870.7	1,872.0	1,897.3	1,883.8	1,900.6	1,892.3	1,905.5	1,896.4
Percent Change	1.0%	-0.8%	-1.7%	0.1%	1.3%	-0.7%	0.9%	-0.4%	0.7%	-0.5%
Nonfarm Employment	1,622.7	1,635.5	1,648.5	1,659.4	1,673.7	1,681.8	1,685.9	1,687.3	1,689.3	1,630.7
Percent Change	0.8%	0.8%	0.8%	0.7%	0.9%	0.5%	0.2%	0.1%	0.1%	-3.5%
Residential Employment	1,743.8	1,742.6	1,717.2	1,736.7	1,781.2	1,780.9	1,807.9	1,807.4	1,832.5	1,800.7
Percent Change	0.6%	-0.1%	-1.5%	1.1%	2.6%	0.0%	1.5%	0.0%	1.4%	-1.7%
Unemployed	175.4	160.4	153.5	135.3	116.1	102.8	92.7	84.9	73.0	95.7
Percent Change	5.5%	-8.5%	-4.3%	-11.9%	-14.2%	-11.4%	-9.8%	-8.5%	-13.9%	31.0%
Unemployment Rate	9.1%	8.4%	8.2%	7.2%	6.1%	5.5%	4.9%	4.5%	3.8%	5.1%
Households	1,366.1	1,367.2	1,358.3	1,361.5	1,359.9	1,363.9	1,368.6	1,381.8	1,389.2	1,382.1
Percent Change	-0.3%	0.1%	-0.7%	0.2%	-0.1%	0.3%	0.3%	1.0%	0.5%	-0.5%
Housing Starts	3,538.8	3,632.5	5,334.6	4,668.9	4,732.6	5,974.4	4,878.9	4,679.4	4,774.6	5,913.7
Percent Change	-8.2%	2.6%	46.9%	-12.5%	1.4%	26.2%	-18.3%	-4.1%	2.0%	23.9%
Single Family	2,469.6	2,386.8	3,051.1	2,769.9	2,384.8	2,741.7	2,750.3	2,900.1	3,150.7	2,696.8
Percent Change	-13.3%	-3.4%	27.8%	-9.2%	-13.9%	15.0%	0.3%	5.4%	8.6%	-14.4%
Multi Family	1,069.1	1,245.7	2,283.5	1,898.9	2,347.8	3,232.7	2,128.6	1,779.3	1,623.9	3,217.0
Percent Change	6.4%	16.5%	83.3%	-16.8%	23.6%	37.7%	-34.2%	-16.4%	-8.7%	98.1%
New Car Registrations	148.1	152.1	161.8	175.1	176.4	182.4	179.2	173.6	169.2	147.7
Percent Change	11.0%	2.7%	6.4%	8.2%	0.7%	3.4%	-1.7%	-3.2%	-2.5%	-12.7%

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



## Economic Report of the Governor

### MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

**TABLE 11  
ANALYTICS**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Wages/Total Income	49.0%	49.0%	50.7%	51.1%	50.7%	50.4%	50.0%	50.0%	49.9%	48.7%
Other Labor Income /Total Income	11.3%	11.0%	11.3%	11.4%	11.2%	11.3%	11.2%	11.2%	11.1%	10.7%
Social Insurance /Total Income	6.6%	6.3%	6.9%	7.5%	7.4%	7.4%	7.4%	7.5%	7.5%	7.4%
Transfer Payments /Total Income	12.9%	12.7%	12.9%	12.9%	12.9%	13.0%	13.0%	13.1%	13.2%	15.4%
Proprietor's Income /Total Income	15.4%	14.2%	12.2%	11.4%	11.2%	11.0%	11.2%	11.1%	10.9%	10.8%
Property Income /Total Income	18.0%	19.3%	20.0%	20.7%	21.4%	21.7%	21.9%	22.1%	22.3%	21.8%
Average Wages (Thousands)	67.73	68.75	70.46	71.11	73.04	73.99	74.39	77.01	79.98	83.42
Average Mfg. Wages (Thousands)	85.76	87.81	91.16	92.50	91.49	88.75	89.45	93.31	95.75	98.05
Manufacturing Share of Nonfarm Employment	10.1%	10.0%	9.8%	9.6%	9.4%	9.3%	9.3%	9.5%	9.6%	9.8%
Residential Employment /Total Nonfarm Employment	1.075	1.065	1.042	1.047	1.064	1.059	1.072	1.071	1.085	1.104

## Economic Report of the Governor

### MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - CALENDAR YEAR BASIS

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

#### BRIDGEPORT-STAMFORD-NORWALK

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Income	95,357.6	96,568.8	96,923.7	91,395.6	96,898.1	98,833.5	101,595.9	105,037.7	110,851.3	114,516.3
Percent Change	6.5%	1.3%	0.4%	-5.7%	6.0%	2.0%	2.8%	3.4%	5.5%	3.3%
Total Wages	33,937.3	35,507.9	36,230.9	36,293.0	37,405.7	38,602.1	38,727.9	38,319.6	38,730.6	39,659.4
Percent Change	3.5%	4.6%	2.0%	0.2%	3.1%	3.2%	0.3%	-1.1%	1.1%	2.4%

#### HARTFORD-WEST HARTFORD-EAST HARTFORD

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Income	61,475.1	64,204.4	66,187.7	66,618.4	69,423.9	71,517.5	72,582.2	73,903.7	76,527.0	78,478.7
Percent Change	2.5%	4.4%	3.1%	0.7%	4.2%	3.0%	1.5%	1.8%	3.5%	2.6%
Total Wages	34,739.8	36,201.6	37,426.9	38,180.5	39,789.4	41,119.4	41,299.2	42,336.0	43,493.8	44,914.3
Percent Change	1.1%	4.2%	3.4%	2.0%	4.2%	3.3%	0.4%	2.5%	2.7%	3.3%

#### NEW HAVEN-MILFORD

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Income	38,786.5	40,417.6	41,578.9	41,929.1	43,403.7	44,614.1	45,208.0	45,959.0	47,800.1	49,359.2
Percent Change	2.2%	4.2%	2.9%	0.8%	3.5%	2.8%	1.3%	1.7%	4.0%	3.3%
Total Wages	18,389.2	18,868.8	19,491.9	19,857.4	20,420.5	21,049.5	21,417.7	21,930.7	22,340.5	23,061.2
Percent Change	0.7%	2.6%	3.3%	1.9%	2.8%	3.1%	1.7%	2.4%	1.9%	3.2%

#### NEW LONDON-NORWICH, CT-RI

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Income	12,716.6	13,226.9	13,546.1	13,511.8	13,908.5	14,511.3	14,765.3	15,120.1	15,421.0	15,837.1
Percent Change	1.2%	4.0%	2.4%	-0.3%	2.9%	4.3%	1.8%	2.4%	2.0%	2.7%
Total Wages	6,652.6	6,736.9	6,793.2	6,755.4	6,882.1	6,968.8	7,159.8	7,415.6	7,574.5	7,693.6
Percent Change	-0.8%	1.3%	0.8%	-0.6%	1.9%	1.3%	2.7%	3.6%	2.1%	1.6%