

FISCAL ACCOUNTABILITY REPORT

FISCAL YEARS 2024 – 2028



**A REPORT TO
THE APPROPRIATIONS COMMITTEE AND
THE FINANCE, REVENUE AND BONDING COMMITTEE
PURSUANT TO SECTION 2-36b OF THE CONNECTICUT GENERAL STATUTES**

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NOVEMBER 20, 2023



OFFICE OF POLICY AND MANAGEMENT
FISCAL ACCOUNTABILITY REPORT
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TABLE OF CONTENTS

	<u>Page</u>
Overview	1
Current Fiscal Year Outlook	3
General Fund.....	3
Special Transportation Fund	5
Budget Reserve Fund	6
Outlook for FY 2025 Through FY 2028	7
General Fund.....	8
Special Transportation Fund	14
Connecticut's Economy.....	18
Special Topics	25
Fiscal Guardrails	25
Spending Cap	25
Revenue Cap	26
Revenue Volatility Cap.....	26
Long-Term Liabilities.....	27
Pensions	28
State Employees Retirement System (SERS)	28
Teachers' Retirement System (TRS).....	30
Pension Stress Test and Outlook	31
Other Post-Employment Benefits (OPEB).....	33
Debt Service	34
Medicaid	34
Municipal Aid	37
State Workforce.....	39
Federal Funds.....	40

Bonding	42
Projected Bond Authorizations, Allocations, and Issuances.....	42
Statutory General Obligation Bond Debt Limit.....	43
Bonding Caps	44
Budget Reserve Fund	45
Projected Tax Credits	50
Appendix – Coronavirus State Fiscal Recovery Fund Allocations	51

OVERVIEW

Section 2-36b of the Connecticut General Statutes requires the Office of Policy and Management and the Office of Fiscal Analysis to annually analyze issues affecting spending and revenue for the current biennium and the three succeeding fiscal years, and to report those analyses to the Appropriations Committee and to the Finance, Revenue and Bonding Committee. By statute, there are seven components of the report:

1. A comparison of the consensus revenue estimate to annual growth in “fixed costs;”
2. Projected tax credits;
3. Estimated deficiencies for the current fiscal year;
4. Projected balance in the Budget Reserve Fund;
5. Projected bond authorizations, allocations and issuances;
6. An analysis of revenue and expenditure trends and of the major cost drivers affecting state spending; and
7. An analysis of possible uses of surplus funds.

The information in this report outlines the challenges identified by the Office of Policy and Management that will confront decision-makers when developing future budgets. A summary of findings is below, and more detail can be found in the pages that follow.

FY 2024

The General Fund is projected to finish the year with a \$153.9 million operating surplus, \$245.8 million less than the originally budgeted figure. Excluding a budget-neutral accounting adjustment affecting both revenues and expenditures, the reduction in surplus is due to expenditure projections which are \$188.7 million above the level in the adopted budget and forecast revenue collections, which are \$57.1 million below the level in the adopted budget.

In addition to the forecast surplus, we also forecast a volatility cap deposit to the Budget Reserve Fund (BRF) of \$478.5 million, resulting in a combined transfer to the BRF of \$632.4 million. Based on the enacted FY 2025 budget, \$105.0 million of this total would be necessary to bring the balance up to 15 percent of FY 2025 General Fund appropriations and the remaining \$527.3 million would be split evenly, with \$263.7 million being deposited to the State Employees’ or Teachers’ Retirement System and the remaining \$263.7 million remaining in the BRF to bring the total to approximately 16.2 percent of FY 2025 appropriations.

The Special Transportation Fund is expected to finish the year with a \$208.4 million operating surplus. The fund balance on June 30, 2024, is projected to be \$878.4 million.

FY 2025 Through FY 2028

General Fund revenues in FY 2025 are projected to increase by \$559.4 million over FY 2024, with annual outyear growth estimated at \$393.4 million, \$549.9 million, and \$638.3 million for FY 2026 through FY 2028.

As depicted in the table below, “fixed” costs in the General Fund are anticipated to rise by \$196.9 million (1.6 percent) in FY 2025. The largest contributors to this projected increase are Medicaid (\$84.6 million), Retiree Healthcare (\$82.5 million), and OEC’s Care4Kids program (\$39.1 million). FY 2026-2028 are anticipated to experience similarly modest growth rates ranging from 1.9 to 3.3 percent. As noted in last year’s report, growth in pension costs is not anticipated to be a significant driver of future General Fund

spending. This is mainly attributable to changes in funding methodologies adopted since 2017 as well as additional contributions made possible as a result of recent budget surpluses and volatility cap deposits.

Revenue growth is anticipated to exceed growth in fixed costs over the entire FY 2025 – FY 2028 period covered by this report. Nevertheless, we note that expenditure growth in areas of the budget that are not considered “fixed” will continue to drive the need to prioritize resources in the short-term. Significant drivers of FY 2025 growth among costs not categorized as fixed include Education Finance Reform, Education Cost Sharing, and support for private human services providers.

In the Special Transportation Fund, “fixed” cost growth from FY 2024 through FY 2028 is driven by growth in debt service costs, while changes in state employee health and pension costs are modest by comparison. Unlike the General Fund, Special Transportation Fund revenue growth will not keep up with increasing debt service costs. Without additional revenue or reductions in needed transportation investments, the expected increase in costs will outpace the growth in revenues in the long term, impacting fund solvency.

GENERAL FUND

(in millions)

	FY 2025 vs. FY 2024	FY 2026 vs. FY 2025	FY 2027 vs. FY 2026	FY 2028 vs. FY 2027
Revenue Growth	\$ 559.4	\$ 393.4	\$ 549.9	\$ 638.3
Fixed Cost Growth				
Debt Service	\$ (47.6)	\$ 36.8	\$ 132.8	\$ 50.9
State Employee Pensions	(24.2)	15.1	16.9	17.1
Teacher Pensions	46.9	86.9	80.8	6.3
State and Teacher OPEB	86.2	22.3	21.3	22.7
Medicaid	84.6	109.7	139.2	127.8
Other Entitlements	51.0	35.0	23.0	25.4
Total Fixed Cost Growth	\$ 196.9	\$ 306.0	\$ 413.9	\$ 250.3
Difference	\$ 362.5	\$ 87.4	\$ 136.0	\$ 388.0

SPECIAL TRANSPORTATION FUND

(in millions)

	FY 2025 vs. FY 2024	FY 2026 vs. FY 2025	FY 2027 vs. FY 2026	FY 2028 vs. FY 2027
Revenue Growth	\$ 24.7	\$ 11.1	\$ 20.1	\$ 26.7
Fixed Cost Growth				
Debt Service	\$ 71.6	\$ 60.1	\$ 85.0	\$ 76.3
State Employee Pensions	(8.7)	1.0	1.1	1.1
Total Fixed Cost Growth	\$ 63.0	\$ 61.1	\$ 86.2	\$ 77.4
Difference	\$ (38.3)	\$ (50.0)	\$ (66.1)	\$ (50.7)

CURRENT FISCAL YEAR OUTLOOK

FY 2024 - GENERAL FUND

The adopted FY 2024 budget anticipated a \$399.7 million balance at year end. The Office of Policy and Management is projecting an operating surplus of \$153.9 million, 0.7 percent of the General Fund. Revenues are \$24.4 million above the budget plan, while estimated expenditures are \$270.2 million above the budgeted level.

FY 2024 - GENERAL FUND			
(in millions)			
	Budget Plan	OPM Estimate 11/20/2023	Variance from Budget
Revenues	\$ 22,505.3	\$ 22,529.7	\$ 24.4
Expenditures	<u>22,105.6</u>	<u>22,375.8</u>	<u>270.2</u>
Operating Results - Surplus/(Deficit)	\$ 399.7	\$ 153.9	\$ (245.8)

Revenue

Projected revenues are \$24.4 million above the level envisioned in the enacted budget for FY 2024 and are reflective of the November 13, 2023 consensus revenue forecast. The largest variances from budget are in the Estimates and Finals component of the Personal Income Tax, down \$144.9 million, as the trend in estimated payments portends a weaker than anticipated fourth estimated payment due January 15th; Sales and Use Tax, which is down \$125.0 million as collections slowed toward the end of FY 2023 necessitating a downward adjustment to FY 2024 projections; Refunds of Taxes, which is up \$100 million because of higher than anticipated refunds for taxpayers who recently finalized their income year 2022 returns; and Health Provider Taxes, which is down \$55.4 million due to reduced collections in FY 2023 and the expectation that such trends will continue this fiscal year. Partially offsetting these areas of weakness are Federal Grants, which is projected to be up \$138.5 million due largely to final reconciliation of federal funds received to those earned for medical services during the second half of FY 2023 and Investment Income, which is up \$60.0 million as rising interest rates and greater assets under management boost collections. In addition, we note that both revenue and expenditure projections have been revised upward by \$81.5 million to reflect that a change in accounting affecting the Higher Education Alternative Retirement Plan will impact expenditures rather than revenues as was assumed in the adopted budget.

We also note that, as a result of the projected variance from budget for Estimates & Finals and the Pass-through Entity Tax collections, the transfer to the Budget Reserve Fund pursuant to the volatility cap will be \$478.5 million: \$204.7 million below the amount assumed in the adopted budget.

Expenditures and Discussion of Projected Deficiencies

The Office of Policy and Management forecasts that FY 2024 net expenditures will, in aggregate, be \$270.2 million above the level anticipated in the adopted budget as explained further below.

Deficiencies: Shortfalls totaling \$270.2 million are forecast in the following agencies.

- Department of Mental Health and Addiction Services. A \$9.0 million shortfall is projected, with \$6.0 million in the Other Expenses account as a result of higher than anticipated food, utilities and

maintenance costs and \$4.0 million in the Professional Services account due to the cost of contracted doctors and nurses needed to cover staffing vacancies. Partially offsetting these deficits is a \$1.0 million lapse in the Home and Community Based Services account as a result of delays in the Money Follows the Person program.

- Department of Social Services. A net shortfall of \$115.5 million is anticipated. A \$120.0 million deficit is forecast in the Medicaid account as a result of several factors including the cost of Medicare Part D clawback billing by the federal government pursuant to the *Carr v. Becerra* federal court decision as well as costs associated with the transition to a new fiscal intermediary and a shift in costs for undocumented individuals from the HUSKY B account to the Medicaid account which results in a forecast surplus in the HUSKY B account of \$13.4 million. We also project shortfalls of \$4.0 million in Aid to the Disabled and \$2.8 million in State Administered General Assistance due to higher caseload and costs per case than had been budgeted, \$1.4 million in the Connecticut Home Care Program primarily due to higher caseloads, and \$700,000 in Temporary Family Assistance primarily due to higher costs per case.
- Department of Correction. A net shortfall of \$18.0 million is forecast, with \$15.0 million in the Other Expenses account and \$5.0 million in the Inmate Medical Services account primarily due to inflationary increases in fixed costs and pharmaceuticals. Partially offsetting those shortfalls are forecast lapses of \$1.0 million in both the Board of Pardons and Paroles and Community Support Services accounts.
- State Comptroller – Miscellaneous. We estimate \$36.7 million in expenditures for Adjudicated Claims including the anticipated settlement of two claims against the State for wrongful conviction totaling \$25.2 million, assuming approval by the General Assembly. No appropriation was made in the enacted budget for payment of these claims.
- State Comptroller – Fringe Benefits. A net shortfall of \$91.0 million is anticipated, with \$75.0 million forecast in the Higher Education Alternative Retirement System account primarily due to a change in the accounting treatment for these expenditures, which were originally budgeted as revenue reimbursements but instead will be reflected as expenditures. In addition, an \$18.0 million shortfall is forecast in the Other Post Employment Benefits account as a result of a decrease in the ARP and SERS recovery rates. Partially offsetting those amounts are forecast lapses of \$1.0 million in the Unemployment Compensation account and \$1.5 million in the SERS Defined Contribution Match account.

Lapses: Public Act 23-204 included bottom-line savings targets totaling \$133.7 million. We project that aggregate lapses will remain in line with that budgeted amount; in addition to funds withheld from agencies as part of the rollout of the FY 2024 budget, the lapses identified below are anticipated to satisfy the majority of the budgeted unallocated lapse.

- Office of Legislative Management. A \$2.0 million lapse is projected in the Personal Services account.
- Auditors of Public Accounts. A \$300,000 lapse is forecast in the Personal Services account.
- Department of Revenue Services. A \$350,000 lapse is forecast in the Personal Services account.
- Department of Consumer Protection. A \$500,000 lapse is forecast in the Other Expenses account, as funding provided for an expansion of the Prescription Drug Monitoring Program will not be needed as a result of legislation required for the expansion not passing.
- Department of Agriculture. A \$300,000 lapse is forecast in the Personal Services account.
- Department of Developmental Services. A combined lapse of \$33.6 million is forecast, including \$24.2 million in the Employment and Day Services account and \$7.8 million in the Community Residential Services account due to a combination of three years of cost settlements together with timing impacts of graduation and age-out changes related to P.A. 23-137 and the impact of

reduced utilization on the provider wage increases. In addition, the Behavioral Services Program is anticipated to lapse \$1.5 million as a result of delays in developing new programs and the Supplemental Payments for Medical Services account is forecast to lapse \$100,000 as a result of updated census estimates.

- Office of Higher Education. A \$300,000 lapse is forecast in the Other Expenses account as a result of the transfer of responsibility for certain Information Technology contracts to the Department of Administrative Services.
- Teachers' Retirement Board. A \$700,000 lapse is forecast in the Municipal Retiree Health Insurance account due to enrollment.
- Workers' Compensation Claims – Department of Administrative Services. A net lapse of \$2.0 million is forecast, with lapses in the DDS, DCF, DMHAS and general Workers' Compensation Claims accounts more than offsetting a projected \$5.0 million shortfall in the DOC account.

FY 2024 - SPECIAL TRANSPORTATION FUND

The adopted budget anticipated a \$204.2 million balance from operations. OPM estimates that the Special Transportation Fund will end the year with an operating surplus of \$208.4 million, and that the Transportation Fund balance on June 30, 2024, will be \$878.4 million.

Projected revenues are \$11.5 million below the level anticipated in the enacted budget for FY 2024, reflective of the November 13, 2023 consensus revenue forecast. Highway Use Tax is anticipated to be \$25.0 million below budget as a result of current trends in collections. Interest income is \$8.2 million above budget, reflective of higher interest earnings in the Fund. All other changes net to a positive \$5.3 million.

Projected expenditures are anticipated to be \$15.7 million below the level in the adopted budget as described below.

Deficiencies:

- Department of Administrative Services. A net shortfall of \$3.6 million is forecast, including a \$4.0 million deficit in the State Insurance and Risk Management Operations account in anticipation of a large claim payout. Partially offsetting that deficit is a projected \$400,000 lapse in the Personal Services account.

Lapses: We project the following lapses, totaling \$31.3 million, will more than satisfy the budgeted bottom-line savings target of \$12.0 million.

- Department of Motor Vehicles. A \$5.0 million lapse is projected in the Personal Services account.
- Department of Transportation. A \$6.5 million lapse is projected in the Personal Services account.
- Debt Service – State Treasurer. A \$19.8 million lapse is forecast as a result of lower than anticipated issuance costs together with a one-month delay in the timing of the Fall bond sale.

FY 2024 - SPECIAL TRANSPORTATION FUND			
(in millions)			
	Budget	OPM	Variance
	Plan	Estimate	from
		11/20/2023	Budget
Revenues	\$ 2,352.6	\$ 2,341.1	\$ (11.5)
Expenditures	<u>2,148.4</u>	<u>2,132.7</u>	<u>(15.7)</u>
Operating Results - Surplus/(Deficit)	\$ 204.2	\$ 208.4	\$ 4.2

FY 2024 - BUDGET RESERVE FUND

The state's reserves at the close of FY 2023 were \$5.19 billion, or 23.5 percent of FY 2024 net General Fund appropriations. We project that, after transfers out of the fund and into the State Employees and Teachers' Retirement Systems totaling \$1.87 billion pursuant to the close-out of FY 2023 and transfers into the fund pursuant to the statutory volatility cap and the estimated FY 2024 operating surplus, the fund balance at the end of FY 2024 will be approximately \$3.95 billion, or 17.3 percent of net General Fund appropriations for FY 2025. Since this projected balance would exceed the statutory 15 percent floor for the Budget Reserve Fund by \$527.4 million during FY 2025, the excess funds would be split evenly between additional transfers to the Budget Reserve Fund and transfers to the State Employees Retirement Fund and/or the Teachers' Retirement Fund during the close-out period for FY 2024, prior to reaching the 18 percent BRF cap per Public Act 23-1.

Budget Reserve Fund	
	(in millions)
Estimated BRF Starting Balance - FY 2024 (OSC 9/30/23 Est.)	\$ 5,186.3
Deposit to SERS/TRS pursuant to Sec. 4-30a, C.G.S. (OSC 9/30/23 Est.)	\$ (1,870.5)
Projected Operating Surplus - FY 2024 (OPM 11/20/23 Est.)	\$ 153.9
Volatility Cap Deposit - FY 2024 (OPM 11/20/23 Est.)	<u>\$ 478.5</u>
Estimated BRF Ending Balance - FY 2024	\$ 3,948.3
BRF as % of current year GF appropriations	17.9%

The long-term outlook for the Budget Reserve Fund is discussed on page 45.

OUTLOOK FOR FISCAL YEAR 2025 THROUGH FISCAL YEAR 2028

BACKGROUND AND METHODOLOGY

Section 2-36b of the Connecticut General Statutes requires the Office of Policy and Management and the Office of Fiscal Analysis to annually analyze the state's expenditure and revenue situation for the current biennium and the three succeeding fiscal years, and to report those analyses to the Appropriations Committee and to the Finance, Revenue and Bonding Committee. By statute, there are seven components of the report:

1. The level of spending changes from current year spending allowed by consensus revenue estimates in each fund, any changes to current year spending necessary because of "fixed cost drivers," and the total change to current year spending required to accommodate fixed cost drivers without exceeding current revenue estimates. The law specifies that "fixed cost drivers" may include debt service, pension contributions, retiree health care, entitlement programs, and federal mandate costs;
2. Projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based;
3. A summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based;
4. Projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years;
5. Projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the state;
6. An analysis of revenue and expenditure trends and of the major cost drivers affecting state spending, including identification of any areas of concern and efforts undertaken to address such areas, including, but not limited to, efforts to obtain federal funds; and
7. An analysis of possible uses of surplus funds, including, but not limited to, the Budget Reserve Fund, debt retirement and funding of pension liabilities.

Each of the topic areas identified in statute is addressed in the pages that follow.

FY 2025 TO FY 2028 - GENERAL FUND OUTLOOK

Pursuant to Section 2-36b of the Connecticut General Statutes, this report compares year-over-year revenue growth to growth in fixed costs. Revenues are derived from the November 13, 2023 consensus forecast, and are explained later in this document. OPM’s approach for estimating “fixed costs” is explained in more detail below. Zero denotes no change in estimated cost during the period shown.

OPM’s estimates of “fixed cost drivers” in the General Fund are as follows:

PROJECTED GROWTH IN EXPENDITURES

FIXED COST DRIVERS

(Amounts Represent Year Over Year Change)

	FY 2025 Increase over FY 2024	FY 2026 Increase over FY 2025	FY 2027 Increase over FY 2026	FY 2028 Increase over FY 2027
DDS - Community Residential Services	11,964,963	9,314,722	9,280,170	11,151,050
DMHAS - Behavioral Health Recovery Services	86,599	521,326	531,752	555,055
DMHAS - Medicaid Adult Rehabilitation Option	-	-	-	-
DSS - HUSKY B Program	7,680,000	1,390,000	1,470,000	1,530,000
DSS - Medicaid	84,611,000	109,734,569	139,150,000	127,770,000
DSS - Old Age Assistance	4,396,541	1,183,459	1,180,000	1,320,000
DSS - Aid To The Blind	50,921	14,379	14,500	16,400
DSS - Aid To The Disabled	2,498,338	1,261,662	810,000	950,000
DSS - Temporary Family Assistance - TANF	12,351,000	7,239,000	6,220,000	5,830,000
DSS - Connecticut Home Care Program	4,080,000	(4,790,000)	1,830,000	1,900,000
DSS - State Administered General Assistance	2,010,000	590,000	510,000	520,000
DSS - Hospital Supplemental Payments	-	-	-	-
OEC - Birth to Three	(500,000)	-	-	-
OEC - Care4Kids TANF/CCDF	39,100,000	17,200,000	-	-
TRB - Retirement Contributions	46,865,000	86,942,000	80,767,000	6,281,000
TRB - Retirees Health Service Cost	2,989,111	448,862	428,471	456,520
TRB - Municipal Retiree Health Insurance Costs	700,000	-	-	-
DCF - No Nexus Special Education	68,622	-	-	-
DCF - Board and Care for Children - Adoption	2,500,000	1,093,845	1,104,784	1,372,472
DCF - Board and Care for Children - Foster	1,440,000	-	-	184,260
DCF - Board and Care for Children - Short-term and Residential	-	-	-	103,283
DCF - Individualized Family Supports	-	-	-	-
OTT - Debt Service	(59,001,154)	89,198,746	124,525,322	44,345,647
OTT - UConn 2000 - Debt Service	1,650,069	9,965,649	(9,485,125)	(6,363,369)
OTT - CHEFA Day Care Security	-	-	-	-
OTT - Pension Obligation Bonds - TRB	14,519,000	(61,939,150)	16,112,688	16,895,384
OTT - Municipal Restructuring	(4,732,930)	(392,647)	1,652,796	(3,953,203)
OSC - Adjudicated Claims	(36,700,000)	-	-	-
OSC - Higher Education Alternative Retirement System	3,737,261	2,333,836	2,392,182	2,451,986
OSC - Pensions and Retirements - Other Statutory	63,227	65,668	67,638	69,668
OSC - Judges and Compensation Commissioners Retirement	2,184,648	1,185,804	1,223,738	1,262,900
OSC - Retired State Employees Health Service Cost	82,475,331	21,892,599	20,898,050	22,266,068
OSC - SERS Defined Contribution Match	7,659,656	6,125,120	7,656,400	7,656,400
OSC - State Employees Retirement Contributions - Normal Cost	4,794,185	5,384,502	5,543,799	5,707,807
OSC - State Employees Retirement Contributions - UAL	<u>(42,647,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL - GENERAL FUND	196,893,419	305,963,951	413,884,165	250,279,328

Assumptions Used to Develop Growth Estimates for Fixed Costs

The FY 2025 through FY 2028 columns in the table above represent the anticipated increase in spending versus the estimated amounts for the immediately preceding fiscal year. Note that amounts estimated for FY 2024 exclude any appropriations carried forward from prior fiscal years. Explanations of assumptions used to develop the forecast follow.

DEPARTMENT OF DEVELOPMENTAL SERVICES

- *Community Residential Services*: Reflects new and annualized costs for individuals aging out of services provided by the Department of Children and Families, local education agencies or the Behavioral Services Program, or transitioning under the Money Follows the Person program. Reflects the FY 2026 annualization of the ARPA HCBS initiative as well as the initiative to reduce the Waiting List giving priority to individuals who have caregivers aged 65 and older. FY 2028 also reflects leap year costs.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

- *Behavioral Health Recovery Services*: Reflects anticipated cost and caseload changes. FY 2028 also reflects leap year costs.

DEPARTMENT OF SOCIAL SERVICES

- *HUSKY B Program, Substance Use Disorder Waiver Reserve, Medicaid, Old Age Assistance, Aid to the Blind, Aid to the Disabled, Temporary Family Assistance, Connecticut Home Care Program, and State Administered General Assistance*: Reflects anticipated cost and caseload changes based on current trends, statutorily required COLAs for cash assistance programs, as well as annualization of adjustments.
- *Medicaid*: Reflects pickup of infant and early childhood mental health services due to expiring ARPA funding.

OFFICE OF EARLY CHILDHOOD

- *Care4Kids* - Continues implementation of Family Child Care provider contract in FY 2026.

TEACHERS' RETIREMENT BOARD

- *Retirement Contributions*: Reflects the estimated actuarially determined employer contributions. FY 2028 growth reflects completion of the phase-in to level dollar amortization in FY 2027.
- *Retirees Health Service Cost*: Reflects medical inflation.

DEPARTMENT OF CHILDREN AND FAMILIES

- *Board and Care for Children - Adoption*: Reflects anticipated growth in the number of children in subsidized adoption and guardianship homes and additional post-secondary costs for children adopted after January 1, 2005.

DEBT SERVICE - STATE TREASURER

- *Debt Service*: Reflects the Issuance of \$1.6 billion in General Obligation bonds in each year. All years have been adjusted to reflect savings attributed to bond premium in the current biennium.
- *UConn 2000*: Reflects current Office of the Treasurer schedule for the issuance of UConn 2000 General Obligation bonds.
- *Pension Obligation Bonds*: Reflect the debt service schedule for the Pension Obligation Bonds.
- *Municipal Restructuring*: Reflects the revised debt service payment for the City of Hartford municipal restructuring program.

STATE COMPTROLLER - FRINGE BENEFITS

- *Higher Education Alternate Retirement System*: Reflects wage inflation.
- *Pensions and Retirements - Other Statutory*: Reflects statutory increases in pensions.

- *Judges and Compensation Commissioners Retirement*: Reflects the estimated actuarially determined employer contribution.
- *Retired State Employees Health Service Cost*: Reflects medical inflation.
- *State Employees Retirement Contributions - Normal Cost*: Reflects the estimated normal cost portions of the actuarially determined employer contributions (ADEC).
- *State Employees Retirement Contributions - UAL*: Reflects the estimated unfunded actuarial liability portions of the ADEC under level dollar amortization.

General Fund Revenue

The November 13, 2023, consensus revenue estimate shows General Fund revenues at \$22.53 billion in FY 2024. The table below portrays detailed revenue estimates for each year covered by the consensus forecast.

PROJECTED REVENUES

Consensus Revenue Forecast - November 13, 2023

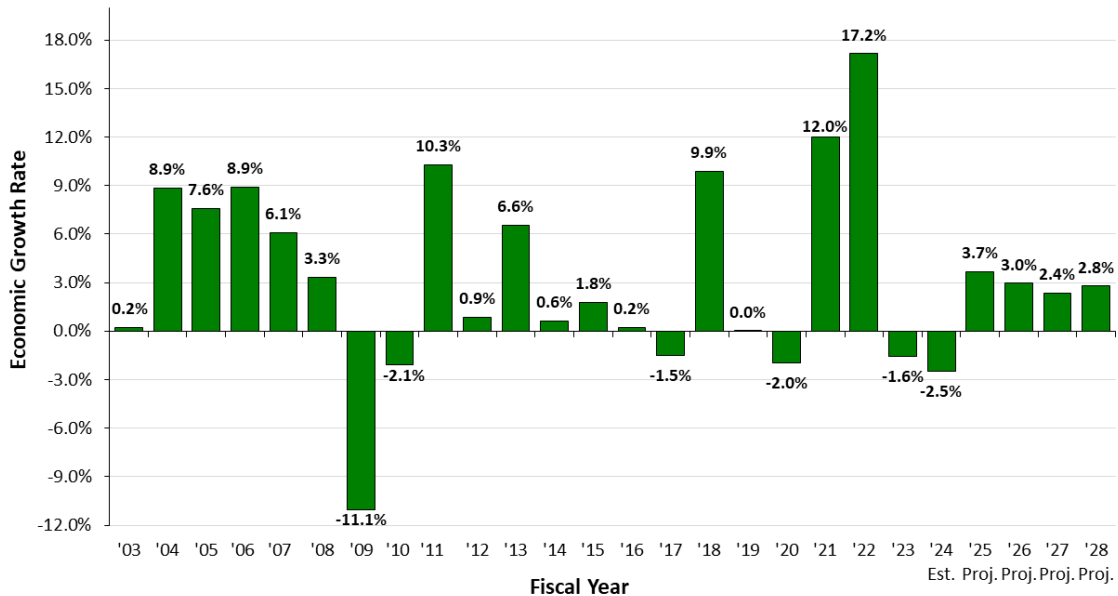
(In millions)

	General Fund				
<u>Taxes</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Personal Income - Withholding	\$ 8,375.8	\$ 8,517.1	\$ 8,793.6	\$ 9,073.0	\$ 9,381.4
Personal Income - Estimates & Finals	2,497.5	2,562.1	2,665.2	2,771.8	2,882.7
Sales & Use Tax	5,174.5	5,302.0	5,433.1	5,565.5	5,703.9
Corporation Tax	1,514.5	1,529.5	1,544.6	1,561.6	1,594.5
Pass-through Entity Tax	1,760.9	1,819.4	1,889.0	1,963.2	2,040.0
Public Service Tax	323.9	296.8	299.2	301.9	304.6
Inheritance & Estate Tax	178.1	182.2	186.3	246.1	251.0
Insurance Companies Tax	291.3	295.6	299.9	304.3	308.9
Cigarettes Tax	266.4	252.0	239.4	227.4	216.1
Real Estate Conveyance Tax	287.7	292.6	297.0	301.5	306.0
Alcoholic Beverages Tax	78.4	78.8	79.1	79.5	79.8
Admissions & Dues Tax	35.5	35.5	36.0	36.5	36.9
Health Provider Tax	901.0	956.9	928.0	929.5	931.0
Miscellaneous Tax	25.4	69.2	70.8	70.4	70.2
Total Taxes	\$ 21,710.9	\$ 22,189.7	\$ 22,761.2	\$ 23,432.2	\$ 24,107.0
Less Refunds of Tax	(1,979.5)	(1,971.9)	(2,028.4)	(2,098.3)	(2,172.0)
Less Earned Income Tax Credit	(191.6)	(196.2)	(199.9)	(205.0)	(210.3)
Less R&D Credit Exchange	(7.5)	(7.8)	(8.0)	(8.3)	(8.5)
Total - Taxes Less Refunds	\$ 19,532.3	\$ 20,013.8	\$ 20,524.9	\$ 21,120.6	\$ 21,716.2
 Other Revenue					
Transfers-Special Revenue	\$ 406.5	\$ 411.9	\$ 421.6	\$ 431.6	\$ 443.3
Indian Gaming Payments	283.7	286.0	290.4	294.7	299.1
Licenses, Permits, Fees	356.5	330.7	365.9	339.6	375.0
Sales of Commodities	16.9	17.8	18.3	18.8	19.2
Rents, Fines, Escheats	172.9	175.2	164.8	158.9	162.3
Investment Income	258.9	227.8	220.4	185.1	175.8
Miscellaneous	234.7	239.5	244.5	249.6	254.9
Less Refunds of Payments	(95.7)	(77.2)	(78.6)	(80.8)	(83.1)
Total - Other Revenue	\$ 1,634.4	\$ 1,611.7	\$ 1,647.3	\$ 1,597.5	\$ 1,646.5
 Other Sources					
Federal Grants	\$ 2,006.3	\$ 1,879.6	\$ 1,806.8	\$ 1,824.3	\$ 1,844.6
Transfer From Tobacco Settlement	108.4	106.7	105.0	103.3	101.7
Transfers From (To) Other Funds	(273.2)	(70.9)	(143.1)	(143.1)	(143.1)
Transfers to BRF - Volatility Adjustment	(478.5)	(451.8)	(458.4)	(470.2)	(495.2)
Transfer to Housing Trust Fund	-	-	-	-	-
Total - Other Sources	\$ 1,363.0	\$ 1,463.6	\$ 1,310.3	\$ 1,314.3	\$ 1,308.0
 Total - General Fund Revenues	 \$ 22,529.7	 \$ 23,089.1	 \$ 23,482.5	 \$ 24,032.4	 \$ 24,670.7

Economic Growth Rates for General Fund Tax Revenues

The November 13, 2023, consensus revenue forecast assumes that General Fund revenues will experience economic growth rates ranging from -2.5 percent in FY 2024 to 2.8 percent in FY 2028. Economic growth rates are defined as baseline revenue growth prior to any state policy changes. Absent a recession, these growth rates remain conservative and well below growth experienced in prior economic expansions. The -1.6 percent growth in FY 2023 and the -2.5 percent growth projected for FY 2024 are driven by the exceptional results of FY 2022 revenues that may have been fueled by the aid to consumers from the federal government as well as state and local governments as a result of the COVID-19 pandemic along with robust performance of the financial markets.

General Fund Revenue - Economic Growth Rates



The table at right shows estimated growth rates in each tax type implied by the November 13, 2023, consensus revenue forecast. The growth rates represent changes over prior year collections. Declines in FY 2024 reflect projections in tax collections returning to more normal, pre-pandemic trends and stabilizing at those levels in FY 2025 and beyond.

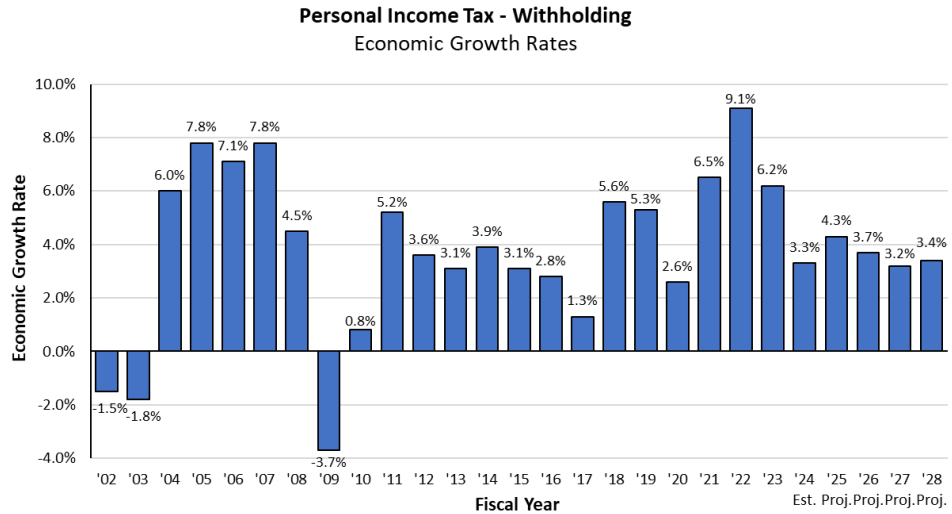
ECONOMIC GROWTH RATES OF PROJECTED TAX REVENUES

As estimated by OPM based upon the November 13, 2023 consensus revenue forecast
(Percentage Change Over Prior Year)

Taxes	General Fund					
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Income Tax - Withholding	6.2	3.3	4.3	3.7	3.2	3.4
Personal Income Tax - Estimates & Finals	-31.5	-13.4	3.5	4.0	4.0	4.0
Sales & Use Tax	5.0	4.5	2.5	2.5	2.5	2.5
Corporation Tax	8.1	0.3	4.1	4.1	2.9	2.9
Pass-Through Entity	-11.2	-14.0	3.3	3.8	3.9	3.9
Public Service Tax	6.2	-7.3	1.5	0.8	0.9	0.9
Inheritance & Estate Tax	0.1	-16.8	2.3	2.3	2.3	2.3
Insurance Companies Tax	19.6	1.0	1.5	1.5	1.5	1.5
Cigarettes Tax	-11.1	-8.3	-5.2	-5.0	-5.2	-4.9
Real Estate Conveyance Tax	-25.3	0.2	1.7	1.5	1.5	1.5
Alcoholic Beverages Tax	1.7	0.2	0.5	0.4	0.5	0.4
Admissions & Dues Tax	4.0	-4.8	0.0	0.9	0.9	0.7
Health Provider	-3.6	0.1	5.8	0.2	0.2	0.2

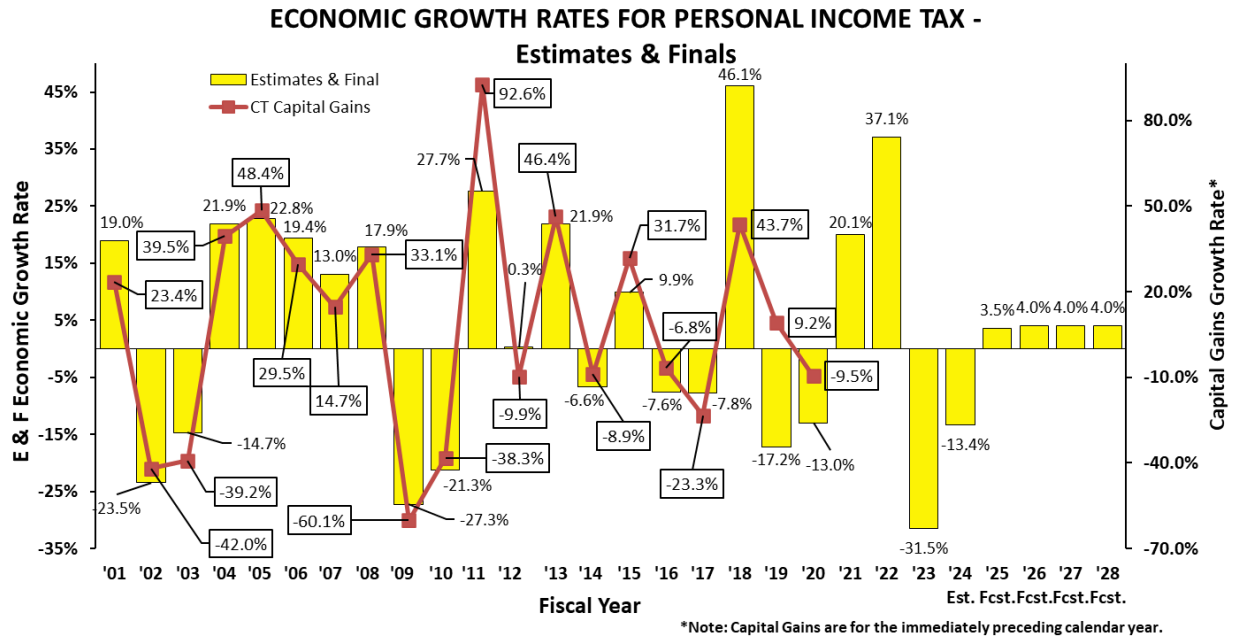
Personal Income Tax – Withholding

Personal Income Tax collections from paycheck withholding tend to be relatively stable in non-recessionary periods, reflecting changes in revenue as wages rise. Modest wage growth is projected during the upcoming biennium, and revenues are, in turn, expected to increase.

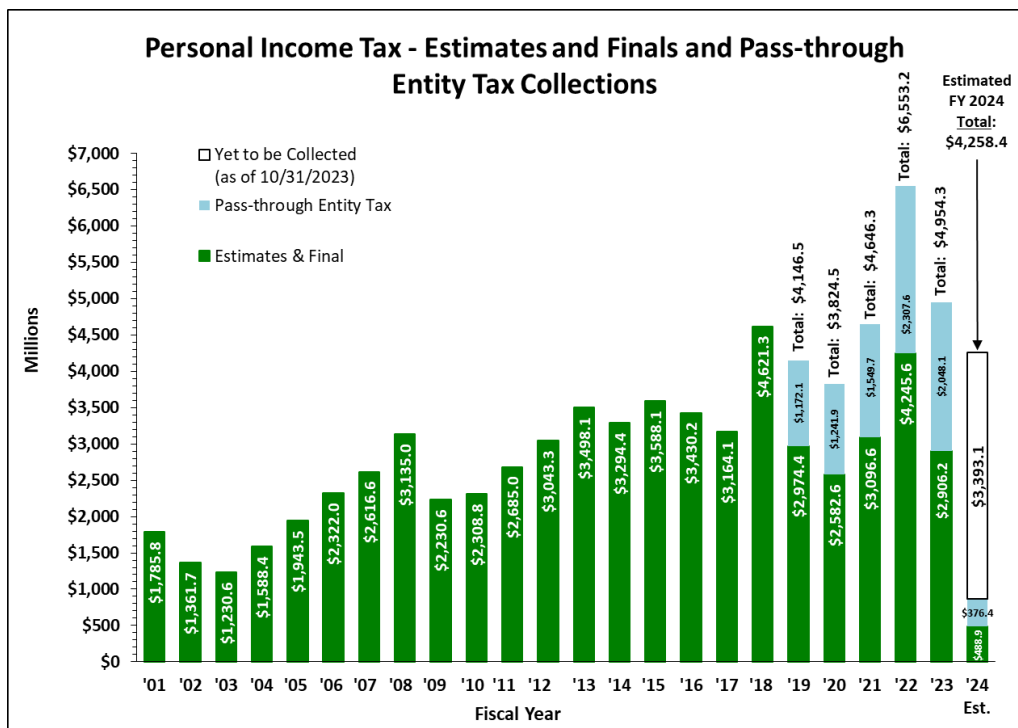


Personal Income Tax – Estimates and Finals Collections

The volatile estimates and finals component of the Personal Income Tax typically represents approximately twenty-three percent of total income tax collections. Receipts from this revenue source are highly correlated with capital gains and, as a result, collections experience wide fluctuations year-to-year in response to market conditions and changes in federal tax policy. The graph below depicts this correlation.



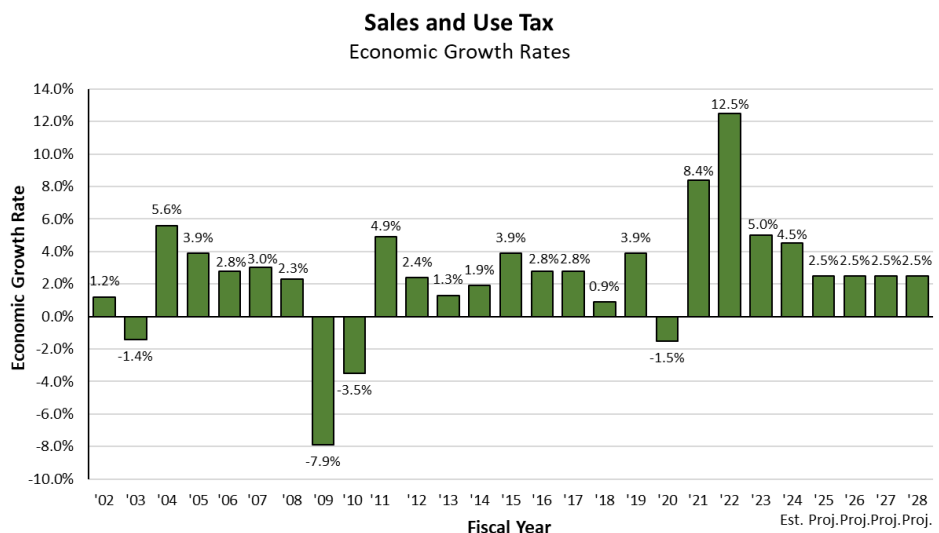
The current FY 2024 forecast calls for \$2,497.5 million in estimates and finals collections. Through October 31, 2022, the state has collected \$488.9 million, or 19.6 percent of the total forecasted amount. Almost 40 percent of total collections are received in April when final tax returns are filed, concentrating



volatility into the last quarter of the fiscal year. In FY 2009 alone, as the recession gripped the country, Connecticut’s estimates and finals collections fell by \$904.4 million. Excluding the impact of an enacted tax increase on millionaires at that time, estimates and finals collections fell an additional \$475.4 million in FY 2010, for a total two-year decline of about \$1.4 billion, or 44.5 percent from the 2008 peak. Fiscal year 2018 was an outlier due to extraordinary collections resulting from repatriation of offshore hedge fund income and investor behavior in anticipation of the Tax Cuts and Jobs Act of 2017. A strong economic recovery from the COVID-19 pandemic resulted in an exceptional performance in FY 2022. Beginning in FY 2019, the state began receiving revenue from its new Pass-through Entity Tax which was carved out of the income tax; for multi-year comparative purposes it has been included in the graphic above.

Sales and Use Tax

Revenue from the Sales and Use Tax is the second largest revenue source for the General Fund. The forecast for this tax projects growth in the mid 2 percent range over the next several fiscal years, as shown in the graph at right. Each 1.0 percent change in the Sales and Use Tax growth rate results in an all-funds revenue change of about \$65 million.



FY 2025 TO FY 2028 – SPECIAL TRANSPORTATION FUND OUTLOOK

OPM’s estimates of “fixed cost drivers” in the Special Transportation Fund are as follows:

PROJECTED GROWTH IN EXPENDITURES FIXED COST DRIVERS (Amounts Represent Year Over Year Change)

	FY 2025	FY 2026	FY 2027	FY 2028
	Increase over FY 2024	Increase over FY 2025	Increase over FY 2026	Increase over FY 2027
OTT - Debt Service	71,610,154	60,128,520	85,029,867	76,268,182
OSC - SERS Defined Contribution Match	293,076	384,720	480,900	480,900
OSC - State Employees Retirement Contributions - Normal Cost	610,564	624,108	642,572	661,582
OSC - State Employees Retirement Contributions - UAL	<u>(9,560,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL - SPECIAL TRANSPORTATION FUND	62,952,968	61,137,348	86,153,339	77,410,664

Assumptions Used to Develop Growth Estimates for Fixed Costs

The FY 2025 through FY 2028 columns in the table above represent the anticipated increase in spending versus the estimated amounts for the immediately preceding fiscal year. Note that amounts estimated for FY 2024 exclude any appropriations carried forward from prior fiscal years. Explanations of assumptions used to develop the forecast follow.

DEBT SERVICE - STATE TREASURER

- *Debt Service*: Reflects the issuance of Special Tax Obligation bonds in the amounts of \$0.9 billion in FY 2024, \$1.0 billion in FY 2025, and \$1.1 billion in FY 2026 through FY 2028.

STATE COMPTROLLER - FRINGE BENEFITS

- *State Employees Retirement Contributions - Normal Cost*: Reflects the estimated normal cost portions of the actuarially determined employer contributions (ADEC).
- *State Employees Retirement Contributions - UAL*: Reflects the estimated unfunded actuarial liability portions of the ADEC under level dollar amortization.

Revenue

The November 13, 2023, consensus forecast projects Special Transportation Fund revenues at \$2.34 billion in FY 2024. The table below shows the detailed revenue estimates.

PROJECTED REVENUES

Consensus Revenue Forecast - November 13, 2023

(In millions)

Special Transportation Fund

<u>Taxes</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Motor Fuels Tax	\$ 495.6	\$ 506.7	\$ 497.3	\$ 495.0	\$ 493.0
Oil Companies Tax	387.0	380.8	375.4	378.7	384.9
Sales & Use Tax	860.2	883.2	906.1	929.6	953.6
Sales Tax - DMV	107.5	106.5	107.4	108.5	109.5
Highway Use	65.0	66.3	67.6	69.0	70.4
Total Taxes	\$ 1,915.3	\$ 1,943.5	\$ 1,953.8	\$ 1,980.8	\$ 2,011.4
Less Refunds of Taxes	(16.9)	(16.6)	(16.4)	(17.1)	(17.8)
Total - Taxes Less Refunds	\$ 1,898.4	\$ 1,926.9	\$ 1,937.4	\$ 1,963.7	\$ 1,993.6
<u>Other Sources</u>					
Motor Vehicle Receipts	\$ 260.1	\$ 261.7	\$ 263.0	\$ 264.3	\$ 265.6
Licenses, Permits, Fees	128.7	131.1	132.0	134.1	135.0
Interest Income	67.5	58.2	49.9	41.8	37.8
Federal Grants	9.2	8.1	6.9	5.6	4.4
Transfers From (To) Other Funds	(13.5)	(13.5)	(5.5)	(5.5)	(5.5)
Less Refunds of Payments	(9.3)	(6.7)	(6.8)	(7.0)	(7.2)
Total - Other Sources	\$ 442.7	\$ 438.9	\$ 439.5	\$ 433.3	\$ 430.1
Total - STF Revenues	\$ 2,341.1	\$ 2,365.8	\$ 2,376.9	\$ 2,397.0	\$ 2,423.7

Economic Growth Rates for Special Transportation Fund Tax Revenues

The outlook over the next few years is mixed for the key taxes that support the Special Transportation Fund, with several sources showing declines while revenues related to the Sales and Use Tax show growth in the mid 2 percent range. The table below portrays estimated growth rates for the fund's major tax sources.

ECONOMIC GROWTH RATES FOR PROJECTED TAX REVENUES

As Estimated by OPM Based Upon the November 13, 2023

Consensus Revenue Forecast

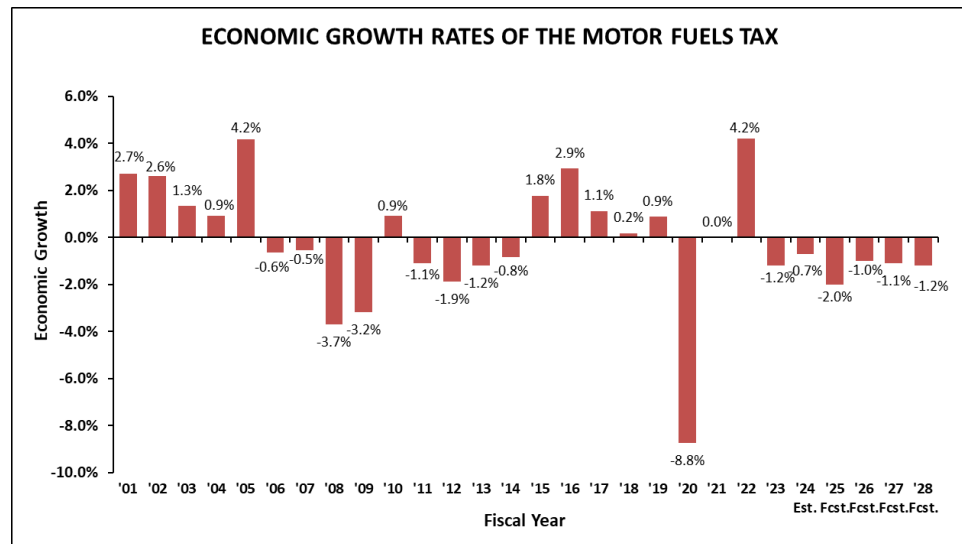
(Percent Change)

Special Transportation Fund

<u>Taxes</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Motor Fuels Tax	-1.2	-0.7	-2.0	-1.0	-1.1	-1.2
Oil Companies Tax	1.7	1.7	-1.6	-1.4	0.9	1.6
Sales and Use Tax	12.5	4.5	2.5	2.5	2.5	2.5
Sales Tax - DMV	4.1	-8.2	-0.9	0.8	1.0	0.9
Highway Use	N/A	11.0	2.0	2.0	2.1	2.0

Motor Fuels Tax

The Motor Fuels Tax remains an important, albeit increasingly smaller, component of the Special Transportation Fund. This revenue source includes a 25 cents per gallon tax on gasoline fuel and a 49.2 cents per gallon tax on diesel fuel, as of July 1, 2023. (Note that the state suspended the gasoline tax from April 1, 2022 through



November 30, 2022 and then phased the tax back in from December 1, 2022 through April 30, 2023.) Nominal adjusted¹ revenue growth of the Motor Fuels Tax from FY 2014 to FY 2023 was negative 1.2 percent, equivalent to a decline of about 0.13 percent per fiscal year over the past ten years. Growth in this revenue source is highly influenced by economic conditions, the price of motor fuels, and the fuel economy of the existing fleet. Prior to the COVID-19 pandemic, the Motor Fuels Tax showed positive growth as lower fuel prices increased consumer demand, but this growth trend dissipated after restrictions were put in place to reduce the spread of the COVID-19 virus. Consumption in FY 2023 picked up but remains below pre-pandemic peaks. Current expectations are that relatively high fuel prices will continue to constrain fuel consumption through the remainder of FY 2024. The November 2023 consensus revenue forecast assumes that consumer behavior has been permanently changed and collections will not recover to pre-pandemic expectations over the next five fiscal years.

Even without the pandemic, it has always been the assumption that the growth in motor fuels consumption will naturally turn negative as consumer behavior changes, either due to price increases or by increased use of alternatively powered vehicles. Since FY 2015, new revenue sources have been added to the Special Transportation Fund in order to address this expected lack of growth and to reduce the Special Transportation Fund's reliance on a single slow-growing revenue source. In FY 2023, after adjusting for the estimated revenue lost due to the gasoline tax holiday, Motor Fuels Tax revenue would have been approximately 21.7 percent of the total revenue deposited in the Special Transportation Fund, down from 45.0 percent in FY 2010. The Sales and Use Tax has overtaken the Motor Fuels Tax to become the largest single revenue component in the Special Transportation Fund; in FY 2023 it represented 40.5 percent of total collections and will remain the largest single revenue source for the foreseeable future.

¹ FY 2022 and FY 2023 revenue collections were adjusted to account for the gasoline tax holiday (April 1, 2022, to April 30, 2023).

LONG-TERM OUTLOOK FOR THE SPECIAL TRANSPORTATION FUND

In recent years the Special Transportation Fund has shown substantial financial strength. Strong Sales and Use Tax collections, a recovery in fuel-related taxes, and receipt of significant federal assistance have helped to stabilize the fund and grown cumulative fund balances to nearly a billion dollars. However, those strong fiscal results are not expected to continue into the out-years as expenditure growth continues to outpace the growth in revenues, leading to projected operating shortfalls in FY 2026 and beyond. Rising costs and interest rates will put pressure on the solvency of the fund. Without the introduction of alternative financing, additional revenue, or reductions in needed transportation investments, the expected increase in costs will not be sustainable.

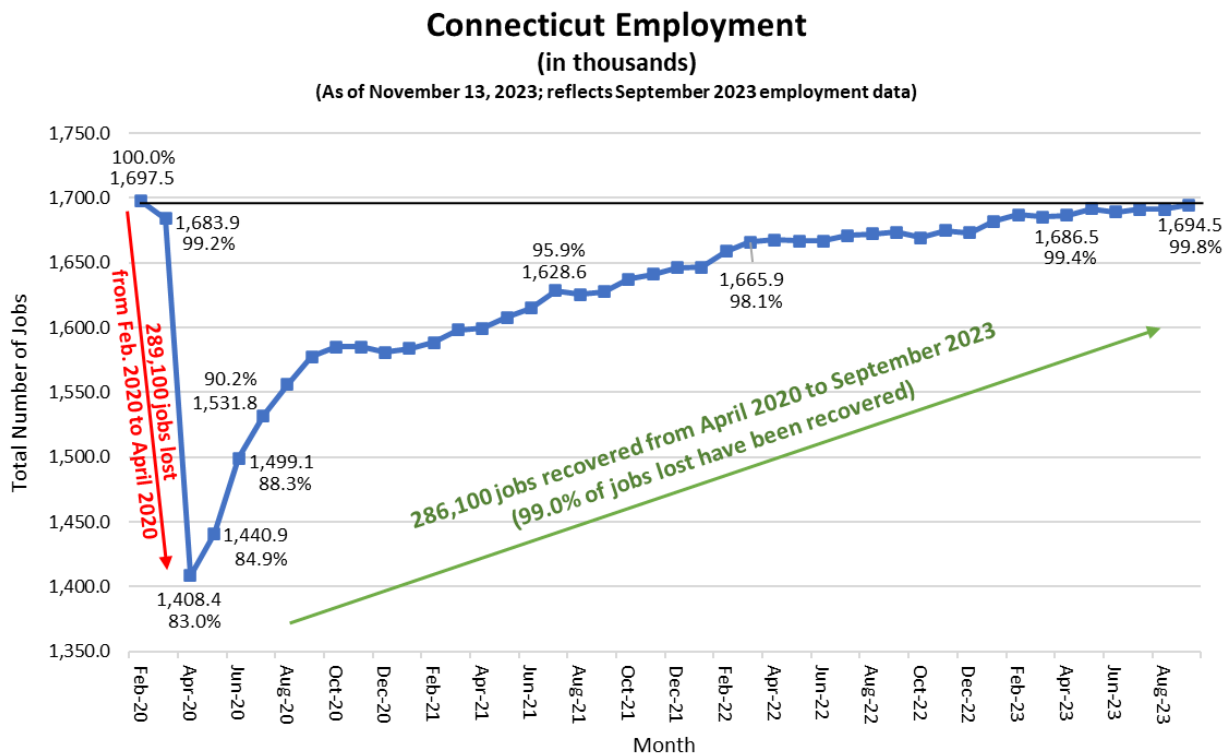
SPECIAL TRANSPORTATION FUND - STATEMENT OF FINANCIAL CONDITION

(In Millions)

<u>Actual & Projected Revenues</u>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
1. Motor Fuels Tax	\$ 495.6	\$ 506.7	\$ 497.3	\$ 495.0	\$ 493.0
2. Sales & Use Tax	860.2	883.2	906.1	929.6	953.6
3. Sales Tax - DMV	107.5	106.5	107.4	108.5	109.5
4. Oil Companies Tax	387.0	380.8	375.4	378.7	384.9
5. Highway Use Fee	65.0	66.3	67.6	69.0	70.4
6. Motor Vehicle Receipts	260.1	261.7	263.0	264.3	265.6
7. Licenses, Permits, Fees	128.7	131.1	132.0	134.1	135.0
8. Federal Grants	9.2	8.1	6.9	5.6	4.4
9. Interest Income	67.5	58.2	49.9	41.8	37.8
10. Transfers from / (to) Other Funds	(13.5)	(13.5)	(5.5)	(5.5)	(5.5)
11. Total Revenues	\$2,367.3	\$2,389.1	\$ 2,400.1	\$ 2,421.1	\$ 2,448.7
12. Refunds	(26.2)	(23.3)	(23.2)	(24.1)	(25.0)
13. Total Net Revenues	\$2,341.1	\$2,365.8	\$ 2,376.9	\$ 2,397.0	\$ 2,423.7
14. Revenue Cap Adjustment	-	(29.6)	(29.7)	(30.0)	(30.3)
15. Budget Revenues	\$2,341.1	\$2,336.2	\$ 2,347.2	\$ 2,367.0	\$ 2,393.4
<u>Projected Debt Service and Expenditures</u>					
16. Projected Debt Service on the Bonds	\$ 867.7	\$ 939.4	\$ 999.4	\$ 1,084.5	\$ 1,160.7
17. DOT Budgeted Expenses	876.1	948.9	988.3	1,029.7	1,072.8
18. DMV Budgeted Expenses	71.6	77.4	80.4	83.5	86.8
19. Other Budget Expenses	299.3	305.7	324.9	336.1	347.7
20. Program Costs Paid from Current Operations	18.0	18.0	18.4	18.8	19.2
21. Estimated Unallocated Lapses	0.0	(12.0)	(12.0)	(12.0)	(12.0)
22. Total Expenditures	\$2,132.7	\$2,277.4	\$ 2,399.4	\$ 2,540.6	\$ 2,675.2
23. Excess (Deficiency)	\$ 208.4	\$ 58.8	\$ (52.2)	\$ (173.6)	\$ (281.8)
24. Revised Cumulative Excess (Deficiency)	\$ 900.3	\$ 988.7	\$ 966.2	\$ 822.6	\$ 571.1
25. Debt Service Coverage Ratio	2.70	2.52	2.38	2.21	2.09

CONNECTICUT'S ECONOMY

Prior to the onset of the COVID-19 pandemic-induced recession, Connecticut's economy had not fully recovered from the Great Recession of 2008. After contracting sharply in the 2008 recession, the Connecticut economy experienced slow job growth before reaching full recovery in May 2018 of all private-sector jobs lost during the 2008 recession. Although the number of Connecticut jobs was growing and had recovered 80.5 percent of all jobs as of February 2020, the coronavirus pandemic and the ensuing nonessential business closures caused a shift in the employment trajectory. At the outset of the pandemic, March and April of 2020, Connecticut lost 289,100 jobs or 17.0 percent of its workforce as seen in the graph below. As of September 2023, the state has regained 99.0 percent of the jobs lost – approximately 268,100 jobs – and has reached 99.8 percent of pre-pandemic job levels.

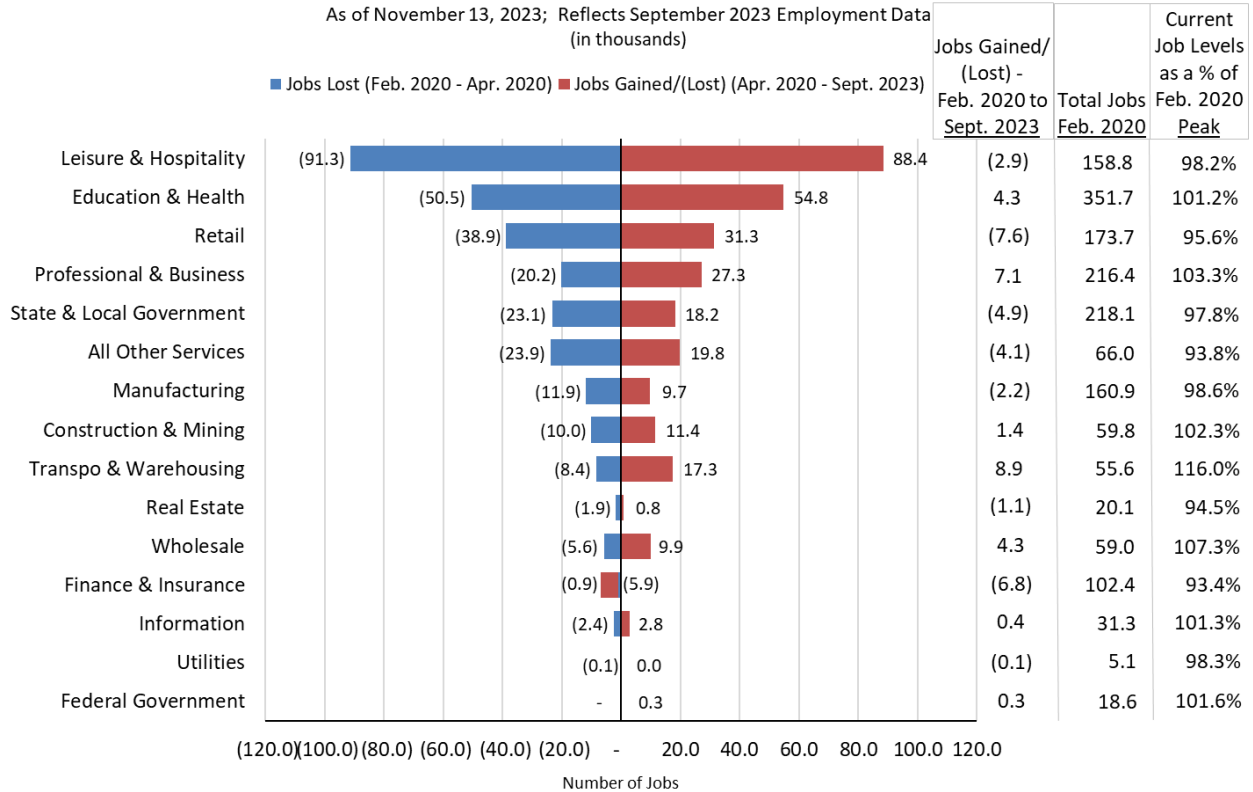


The graphic below shows job losses by sector from the February 2020 peak through the end of April 2020, followed by the subsequent gains by sector from May 2020 through September 2023. The industry most affected by the pandemic-related job losses is leisure and hospitality, shedding a total of 91,300 jobs in March and April 2020. As of September 2023, 88,400 jobs have been added back in that sector. The following sectors have recovered and surpassed all the jobs lost during the pandemic: education & health, professional & business, construction & mining, transportation & warehousing, wholesale trade, and information.

Connecticut Employment by Sectors

Current Employment Estimate Comparison

As of November 13, 2023; Reflects September 2023 Employment Data (in thousands)



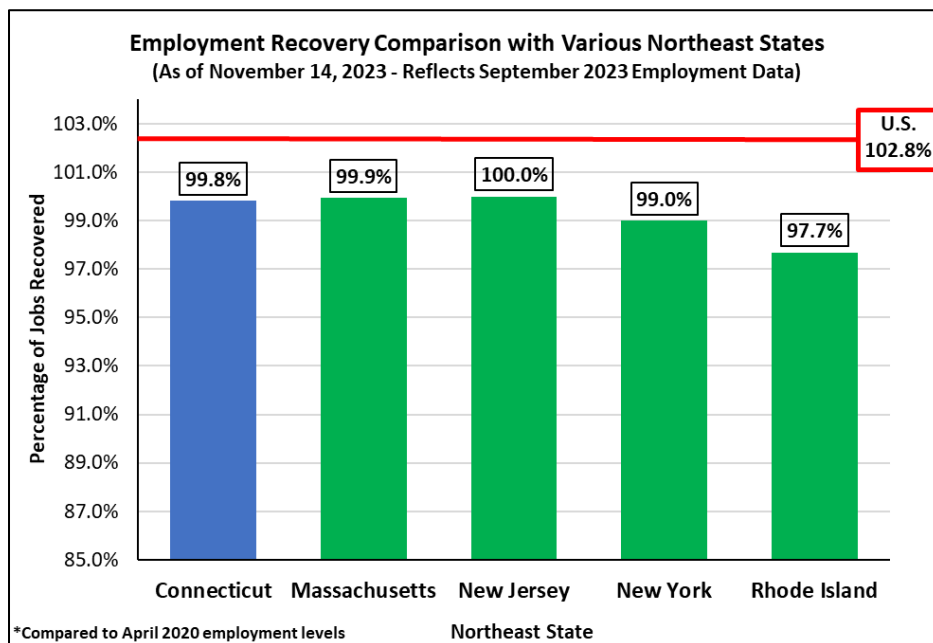
Source: IHS Markit

Employment recovery from the pandemic-induced-recession varies by region from an 80.0 percent recovery rate in the Enfield labor market area to a 96.9 percent recovery rate in the Waterbury area. The New Haven, Bridgeport-Stamford-Norwalk, Danielson/Northeast, and Torrington/Northwest areas have recovered all the jobs lost from the pandemic. Connecticut's unemployment rate in September 2023 was at 3.5 percent compared to 3.8 percent nationally.

Job Recovery by CT Labor Market Area From Pre-Pandemic (Feb. 2020) to Sept. 2023		
Labor Market Area	Percentage of Jobs Lost Recovered	Current Employment Levels as a Percentage of Feb. 2020
Hartford	87.3%	98.1%
New Haven	122.9%	103.5%
Danbury	95.4%	99.1%
Bridgeport-Stamford-Norwalk	102.1%	100.4%
Danielson/Northeast	125.0%	103.4%
Norwich-New London-Westerly	94.3%	98.4%
Torrington/Northwest	123.4%	103.4%
Waterbury	96.9%	99.4%
Enfield	80.0%	96.8%
Connecticut	99.0%	99.8%

Source: CT Dept. of Labor

The graph below provides a comparison of Connecticut to the nation and our neighboring states on post-pandemic jobs recovered. Connecticut’s recovery is approximately in line with our neighboring states, but lags the nation as a whole, reaching 99.8 percent of the pre-pandemic job levels.



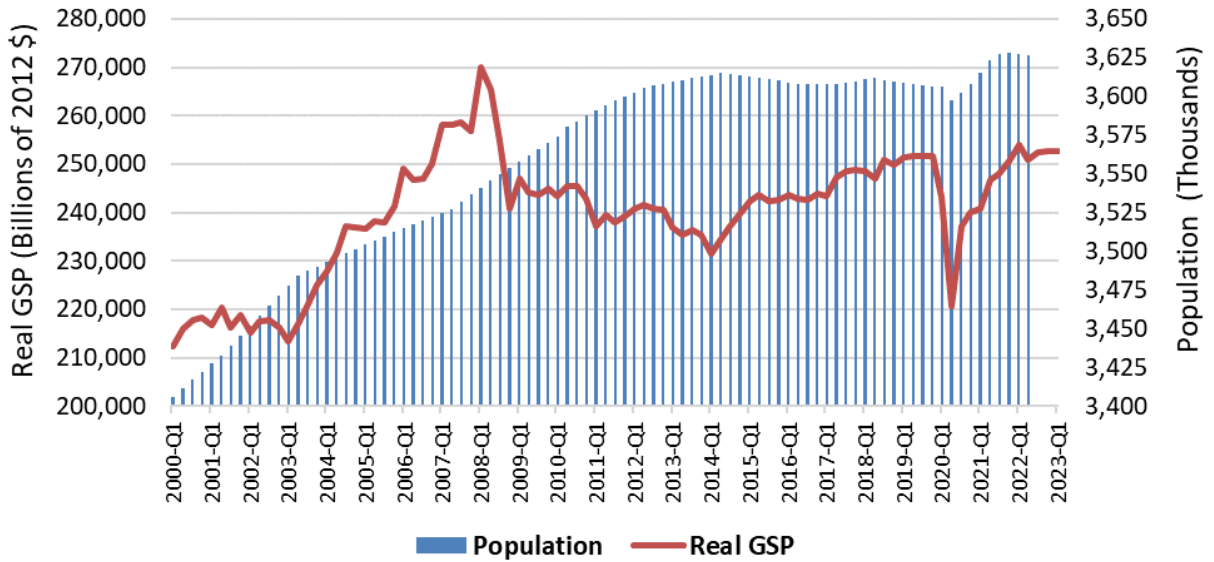
Housing

When it comes to home sales, the housing market remains below its 2008 pre-recession peak. Home sales in Connecticut peaked in the second quarter of calendar year 2006 and have not attained the same levels since then. In the fourth quarter of calendar year 2020, home sales attained a new peak since the 2008 Great Recession but still remained 38.8 percent below 2006 home sales. The most recent data shows that home sales have decreased by 45.0 percent from the recent peak in the fourth quarter of calendar year 2020 to the second quarter of calendar year 2023. Median home prices prior to the 2008 Great Recession peaked at \$326,465 in 2006. This median home price was not reached again until the fourth quarter of calendar year 2020. Since then, the median home price in Connecticut has increased by 35.6 percent to \$442,715 by the end of the second quarter of calendar year 2023. Recent growth in prices is attributable to strong buyer activity, a constrained supply, and very low-interest rates in calendar year 2020 and 2021. Mortgage interest rates were in the low 2 percent range during 2020 and 2021 and have since increased to 7.5 percent as of November 2023. High interest rates combined with the constrained supply has resulted in reduced home sales.

Gross State Product and Population

Connecticut’s real gross state product (GSP), a measure of all goods and services produced in Connecticut, fell 9.5 percent during the 2008 Great Recession. As seen in the below graphs, Connecticut’s real GSP began to reach levels just prior to the 2008 Great Recession in calendar years 2017 to 2019, but decreased by 12.3 percent between the fourth quarter of calendar year 2019 and the second quarter of calendar year 2020 due to the onset of the pandemic-induced recession. In the first quarter of calendar year 2022, Connecticut returned to real GSP levels attained in the fourth quarter of calendar year 2019, and has remained above pre-pandemic levels since then. Connecticut’s total population fell by 0.2 percent between calendar year 2014 and calendar year 2019 and has since decreased further by approximately 0.1 percent in calendar year 2020 before growing by 0.6 percent in calendar year 2021.

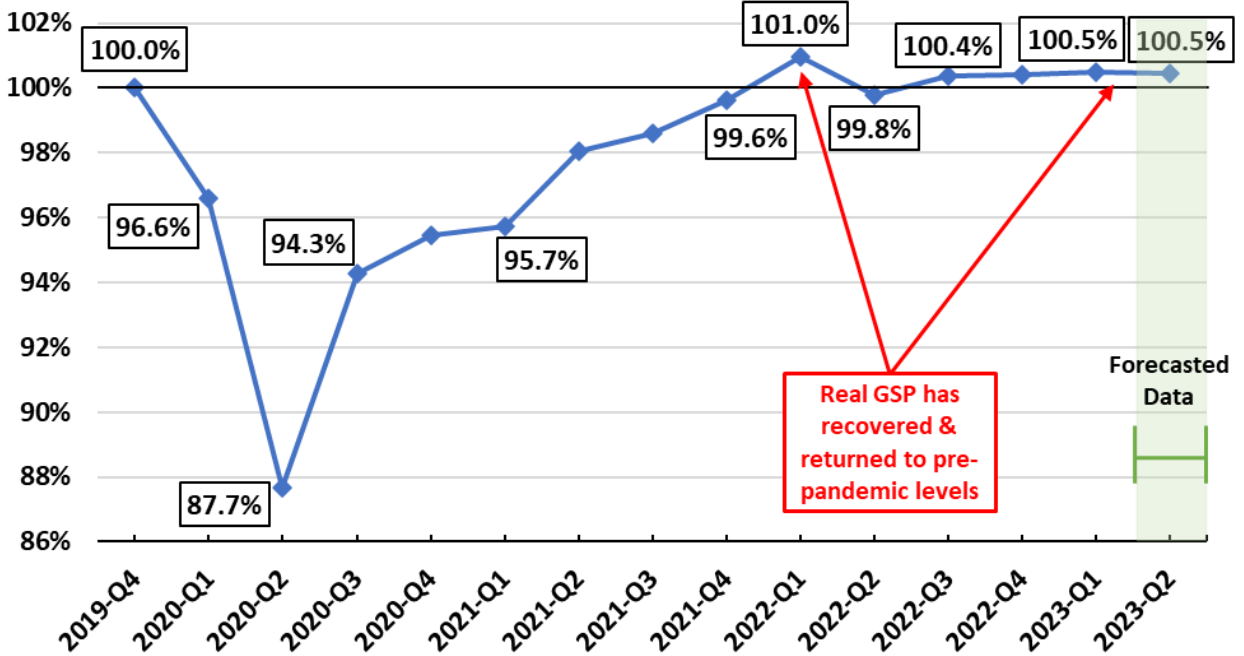
Connecticut's Real Gross State Product (GSP) and Total Population



Source: IHS as of 11/13/2023

Connecticut Real Gross State Product Level Compared to Q4 of CY 2019

(As of November 14, 2023)



Source: IHS

The first table below compares Connecticut’s growth since the 2008 recession to states in the region and to the national average through calendar year 2020. In essentially all indicators, Connecticut was the slowest or one of the slowest in growth before the onset of the 2020 recession. The second table below compares the growth since the COVID-19 pandemic. Although Connecticut’s growth has lagged neighboring states leading up to the pandemic, Connecticut’s growth since the pandemic has been virtually in line with neighboring states, indicating a strong recovery compared to the last economic downturn.

Growth in Various Economic Indicators (2010 to 2020)					
	Employment	Population	Home Sales	Home Prices	Real GSP
Connecticut	-2.9%	0.6%	17.0%	11.7%	-3.7%
Maine	1.0%	2.8%	35.7%	42.9%	10.3%
Massachusetts	5.6%	6.4%	18.2%	48.6%	17.4%
New Hampshire	2.8%	4.7%	38.0%	45.8%	13.1%
New Jersey	0.3%	5.2%	44.6%	20.7%	4.2%
New York	3.1%	3.3%	13.9%	31.9%	12.1%
Rhode Island	0.0%	3.9%	33.6%	42.4%	0.4%
Vermont	-3.8%	2.7%	30.2%	27.4%	2.3%
United States	8.7%	7.1%	34.7%	57.5%	17.5%

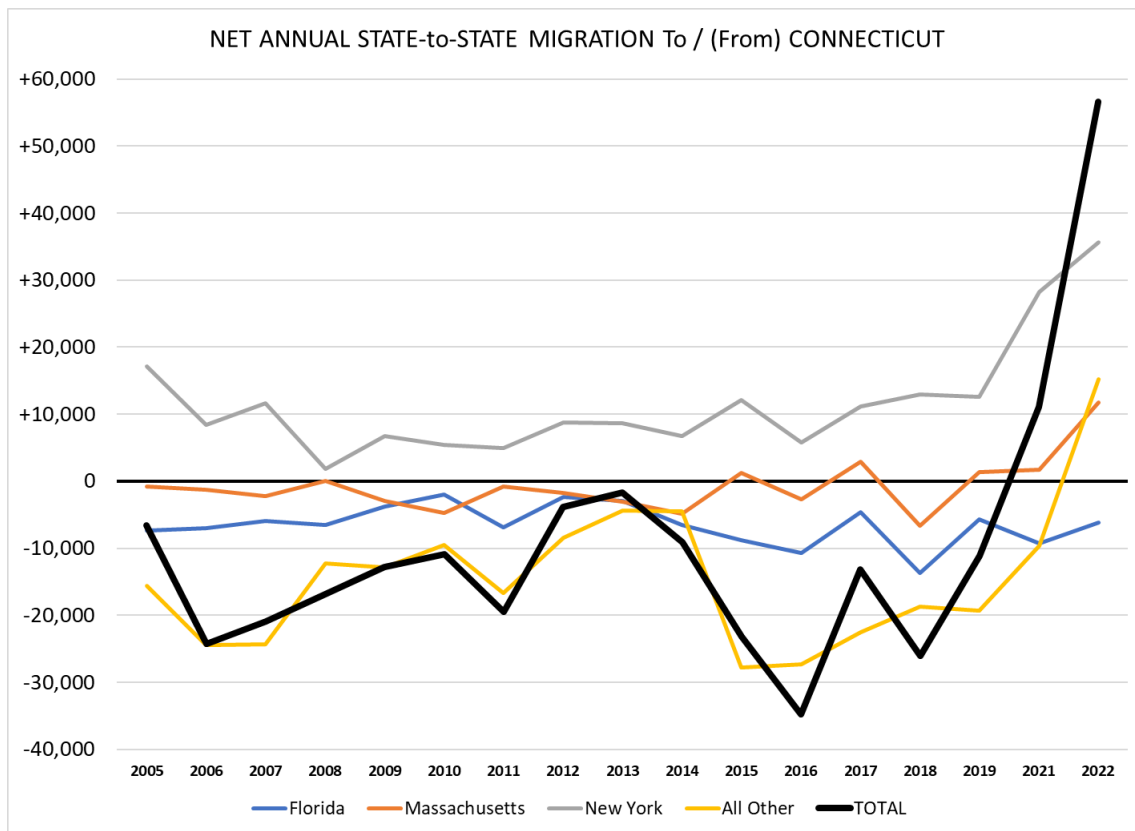
Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, IHS

Growth in Various Economic Indicators (2020 to 2022)					
	Employment	Population	Home Sales	Home Prices	Real GSP
Connecticut	6.2%	0.6%	-11.4%	31.0%	7.4%
Maine	6.7%	1.5%	-11.2%	41.9%	8.2%
Massachusetts	8.1%	-0.3%	-12.4%	28.2%	8.8%
New Hampshire	7.4%	1.2%	-9.0%	37.1%	9.3%
New Jersey	10.2%	-0.1%	-10.6%	31.1%	8.7%
New York	8.1%	-2.1%	-7.3%	29.1%	9.1%
Rhode Island	7.5%	-0.3%	-12.6%	33.5%	7.6%
Vermont	5.8%	0.5%	-11.9%	36.0%	8.0%
United States	7.7%	0.6%	-9.8%	32.7%	8.1%

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

State Migration Trends

Based on U.S. census data, net migration into Connecticut from other states turned positive beginning in 2021 (the survey was not completed in 2020), with a net in-migration from the 50 states, D.C. and Puerto Rico totaling 11,153 and increasing to positive 56,574 in 2022. The most significant states contributing to this in-migration in 2022 were New York (+35,689) and Massachusetts (+11,753). The most significant destinations for net out-migration were Florida (-6,144) and South Carolina (-3,736).



MIGRATION To / (From) CONNECTICUT by STATE - 2022

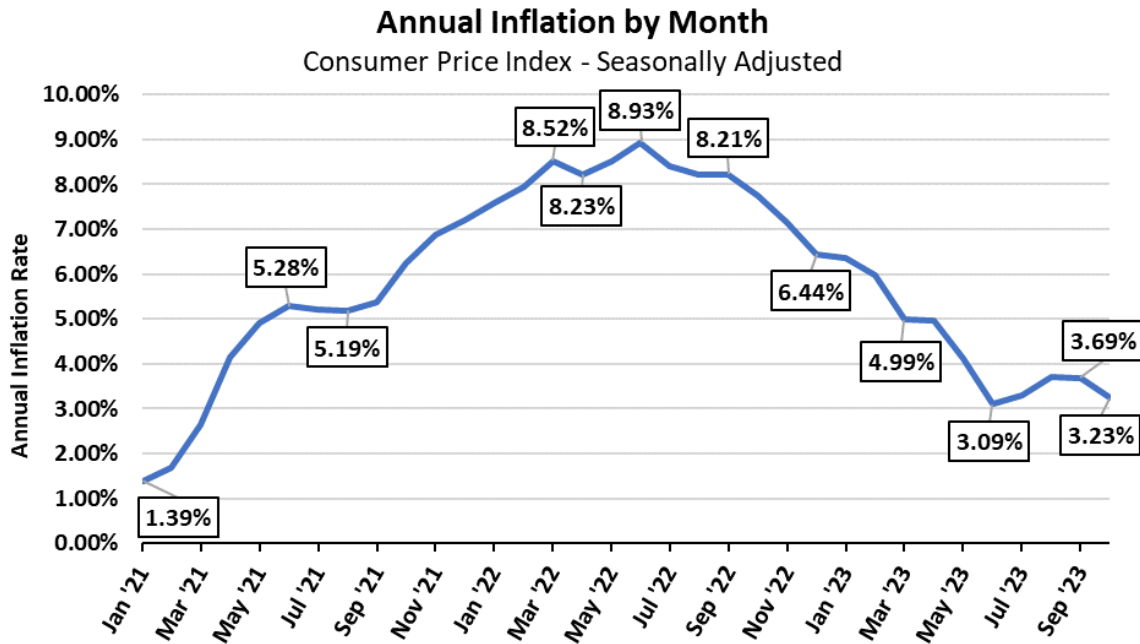
	<u>IN</u>	<u>OUT</u>	<u>NET</u>		<u>IN</u>	<u>OUT</u>	<u>NET</u>		<u>IN</u>	<u>OUT</u>	<u>NET</u>
New York	+50,670	-14,981	+35,689	Mississippi	+304	-26	+278	Maine	+1,137	-1,243	-106
Massachusetts	+21,256	-9,503	+11,753	Minnesota	+894	-676	+218	Oregon	+160	-267	-107
New Jersey	+8,087	-1,417	+6,670	District of Columl	+1,607	-1,401	+206	Delaware	+51	-198	-147
Illinois	+3,290	-474	+2,816	Utah	+347	-161	+186	Kentucky	+563	-863	-300
California	+7,097	-4,977	+2,120	Idaho	+507	-322	+185	New Mexico	+60	-391	-331
Michigan	+3,100	-1,038	+2,062	Vermont	+1,414	-1,247	+167	North Carolina	+3,897	-4,250	-353
Virginia	+3,481	-1,792	+1,689	Iowa	+167	-4	+163	West Virginia	+0	-395	-395
Colorado	+1,992	-653	+1,339	Alabama	+1,005	-868	+137	Hawaii	+189	-597	-408
Maryland	+2,460	-1,147	+1,313	Alaska	+97	-15	+82	Tennessee	+507	-936	-429
Rhode Island	+3,977	-2,896	+1,081	Montana	+40	-24	+16	Pennsylvania	+2,298	-2,816	-518
Georgia	+3,478	-2,526	+952	Kansas	+0	+0	+0	Louisiana	+75	-698	-623
Arizona	+1,267	-339	+928	North Dakota	+0	+0	+0	New Hampshire	+708	-2,087	-1,379
Washington	+1,670	-795	+875	South Dakota	+0	+0	+0	Texas	+2,920	-4,973	-2,053
Missouri	+1,012	-203	+809	Wyoming	+0	+0	+0	South Carolina	+701	-4,437	-3,736
Oklahoma	+1,730	-1,038	+692	Nebraska	+78	-80	-2	Florida	+7,476	-13,620	-6,144
Nevada	+1,073	-587	+486	Puerto Rico	+714	-722	-8	Subtotal	+146,029	-89,455	+56,574
Arkansas	+625	-210	+415	Indiana	+674	-687	-13				
Wisconsin	+579	-200	+379	Ohio	+595	-675	-80	Foreign Country	+25,003	N/A	N/A

Source: U.S. Census Bureau, American Community Survey

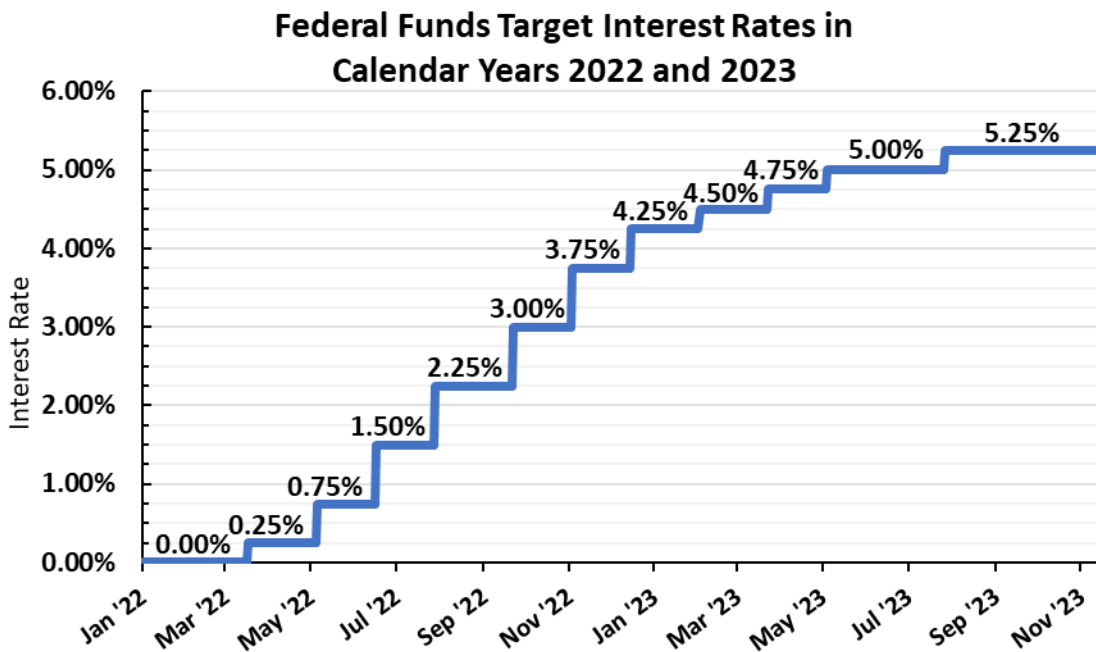
Inflation and Federal Interest Rates

For almost two years now, rapidly rising prices and the Federal Reserve’s policy response to that phenomenon has dominated the headlines. Inflation at the consumer level began its upward slope as the nation began to emerge from the pandemic-induced recession, reaching 8.9 percent in June 2022. Obviously concerned, in March of 2022 the Federal Reserve embarked on a series of eleven interest rate increases totaling 525 basis points. The federal funds rate currently stands at a range of 5.25 percent to 5.5 percent and it is expected that the Federal Reserve will maintain these levels of short-term interest rates for some time in a bid to slow economic growth in order to dampen inflation. So far, short-term interest rates remain elevated, and inflation has since declined from 8.9 percent in June 2022 to 3.2

percent in October 2023. It appears that the Federal Reserve’s actions have been curbing high inflation levels, however, fears that the high interest rates might potentially induce an economic contraction still linger.



Source: Bureau of Labor Statistics as of 11/14/2023



Source: Federal Reserve Bank of New York as of 11/13/2023

SPECIAL TOPICS

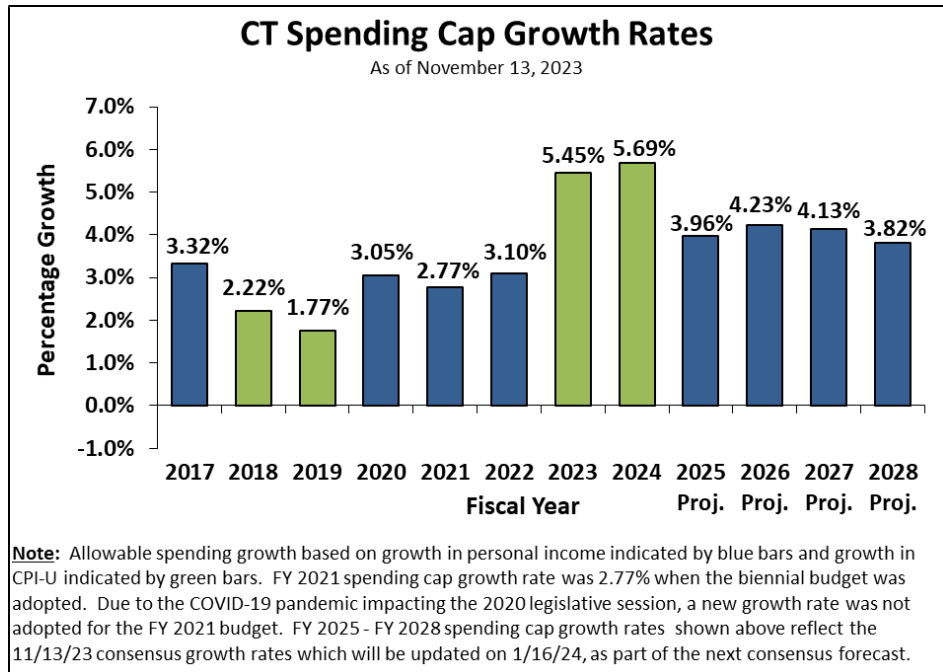
FISCAL GUARDRAILS

The 2017 and 2018 legislative sessions saw enactment of several caps and limitations that impact budgeting. These measures include adoption of definitions that gave effect to the constitutional spending cap, a limitation on how much revenue can be appropriated, and a measure that directs above-average collections from volatile revenue sources to the Budget Reserve Fund. A brief description of the caps and limitations follows.

Spending Cap

The state’s constitutional and statutory “spending” or “expenditure” cap is, in reality, a limit on the amount of appropriations the General Assembly can authorize in a given year. The cap limits growth in “general budget expenditures” to the greater of the average five-year increase in personal income or the increase in inflation.²

Given the state’s low growth in personal income emerging from the 2008 recession, the core consumer price index was the limiting factor in FY 2018 and FY 2019. Personal income was the limiting factor in FY 2020 through FY 2022. The growth in spending for FY 2023 and FY 2024 was limited by the growth in inflation, and as of November 2023, the growth in spending is projected to again be limited by the growth in



personal income for FY 2025 through FY 2028. This growth will be calculated again during the January 2024 consensus for the FY 2025 midterm adjustments budget. Prior to any changes for the FY 2025 budget, the enacted budget for the FY 2024 – FY 2025 biennium was \$10.4 million below the cap in FY 2024 and \$11.6 million below the cap in FY 2025. The growth rate in FY 2024 was 5.69 percent when the budget was adopted and allowed capped expenditures to grow by approximately \$997.9 million over FY 2023 levels.

² "Increase in personal income" is defined as the compound annual growth rate of personal income in the state over the preceding five calendar years. "Increase in inflation" is defined as the increase in the consumer price index for all urban consumers, all items less food and energy, during the preceding calendar year. "General budget expenditures" are defined as expenditures from all appropriated funds, excluding the following: debt service; deposits to the Budget Reserve Fund; expenditures of federal funds; federally mandated or court-ordered expenditures (in their first year); expenditures for federal programs for which the state receives federal matching funds (in their first year); payment of the unfunded liability for the state employee and judicial retirement systems through FY 2022; and payment of the unfunded liability for teachers through FY 2026.

Revenue Cap

Public Act 17-2 of the June Special Session, as amended by section 16 of Public Act 23-1, introduced a revenue cap that limits the amount of General Fund and Special Transportation Fund appropriations to a percentage of revenue for those funds. The appropriations limit began at 99.5 percent of estimated revenue in FY 2020 and phases down to 98.75 percent for FY 2023 and thereafter. Any resulting General Fund operating margin will help increase the rainy day fund and will also provide a buffer against drastic expenditure reductions and tax increases if there is a sudden mid-year downturn in the economy.

Fiscal Year	Appropriations as % of Revenues
2020	99.50%
2021	99.25%
2022	99.00%
2023	98.75%

Revenue Volatility Cap

The revenue volatility cap directs any collections from the estimated and finals component of the Personal Income Tax plus the Pass-through Entity Tax that in total exceed a designated threshold (adjusted for personal income growth) to the Budget Reserve Fund. The transfer threshold is indexed to the five-year compound annual growth rate in personal income and is estimated as shown in the table at right. See page 45 for a discussion of the Budget Reserve Fund.

Fiscal Year	Revenue Volatility Threshold (in millions)
2018	\$3,150.0
2019	\$3,196.8
2020	\$3,294.2
2021	\$3,404.9
2022	\$3,505.7
2023	\$3,632.5
2024	\$3,779.9
2025 (proj.)	\$3,929.7
2026 (proj.)	\$4,095.8
2027 (proj.)	\$4,264.8
2028 (proj.)	\$4,427.5

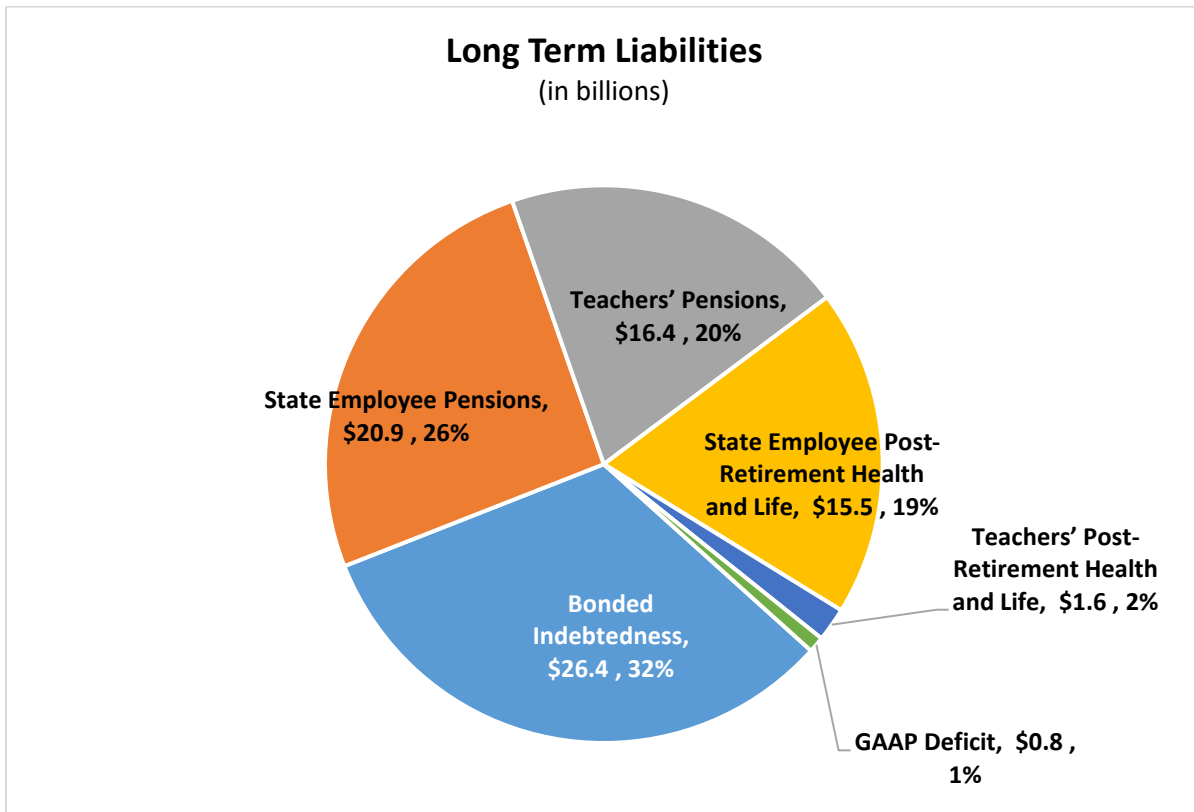
LONG-TERM LIABILITIES

The long-term liabilities facing the state include obligations to fully fund the State Employees Retirement System and the Teachers' Retirement System, pay for other post-employment benefits (OPEB), retire outstanding debt service costs, and close the cumulative GAAP deficit. The state's current long-term obligations total \$81.6 billion, down \$6.7 billion from the level reported last year and \$13.8 billion from the level reported in the November 2021 Fiscal Accountability Report. It should be noted that an updated valuation for the State Employees Retirement System is anticipated prior to the end of 2023. The table below depicts the components of these long-term liabilities, and a discussion of each follows.

LONG-TERM OBLIGATIONS

(in billions)

Bonded Indebtedness – As of 6/30/23	\$26.4
State Employee Pensions – Unfunded as of 6/30/22	20.9
Teachers' Pensions – Unfunded as of 6/30/23	16.4
State Employee Post-Retirement Health and Life – Net Liability as of 6/30/22	15.5
Teachers' Post-Retirement Health and Life – Net Liability as of 6/30/22	1.6
Cumulative GAAP Deficit – As of 6/30/22	<u>0.8</u>
Total	\$81.6

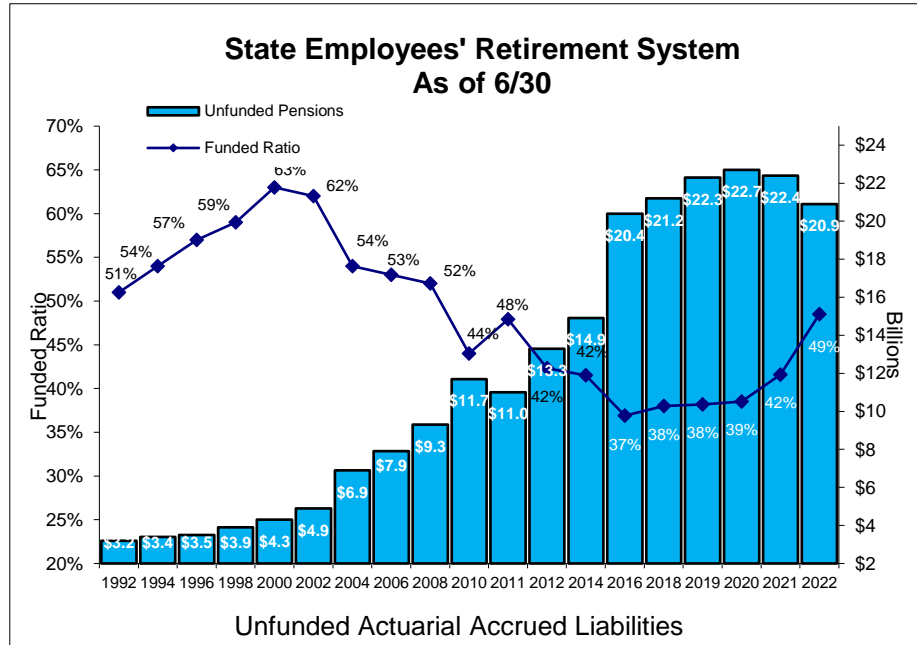


PENSIONS

The state is the sponsor of two large pension systems, one for state employees and one for teachers, as well as a retirement plan for judges, family support magistrates and compensation commissioners.

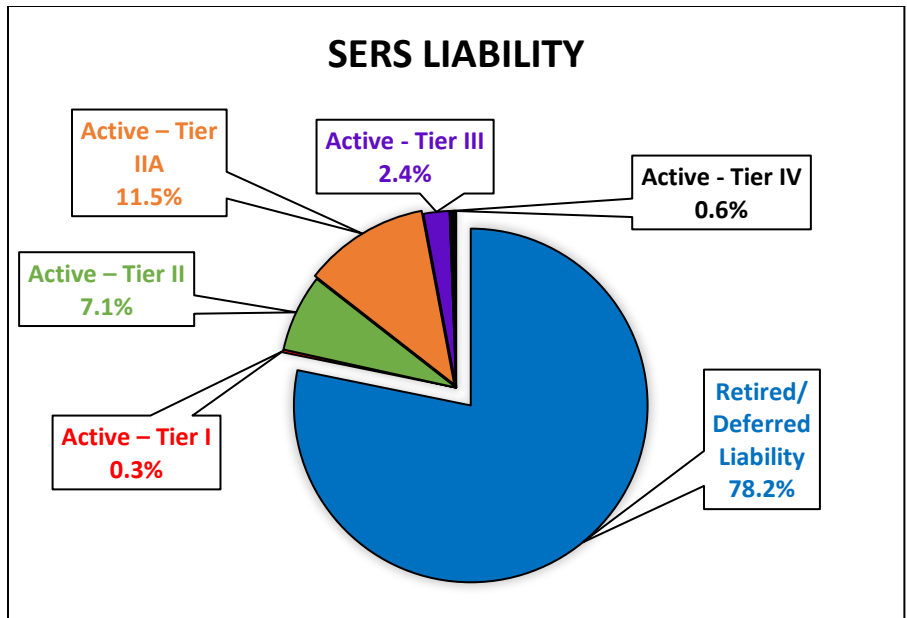
State Employees Retirement System (SERS)

The state's unfunded SERS obligation at the end of FY 2022 totaled \$20.9 billion, a decrease of over \$1.5 billion from the prior year. The funded ratio increased from 41.6 percent to 48.5 percent. The rate of return on the market value of the plan's assets was -8.16 percent for 2022, well below the assumed rate of 6.9 percent. The market value of assets was \$18.5 billion and includes the transfer of \$3.2 billion from the General Fund in FY 2022. Over \$1.9 billion of the deposit was due to the Budget Reserve Fund (BRF) exceeding



the statutory limit of 15 percent. The remaining \$1.3 billion of the deposit was from the FY 2022 budget surplus. The June 30, 2023, valuation is expected in December 2023 and will reflect the FY 2023 additional pension fund deposit of approximately \$1.05 billion into the fund due to the BRF exceeding the 15 percent threshold for the fourth year in a row. The next valuation will also reflect the full impact of the higher-than-normal state employee retirements the state experienced in anticipation of the July 1, 2022, change in cost-of-living adjustments.

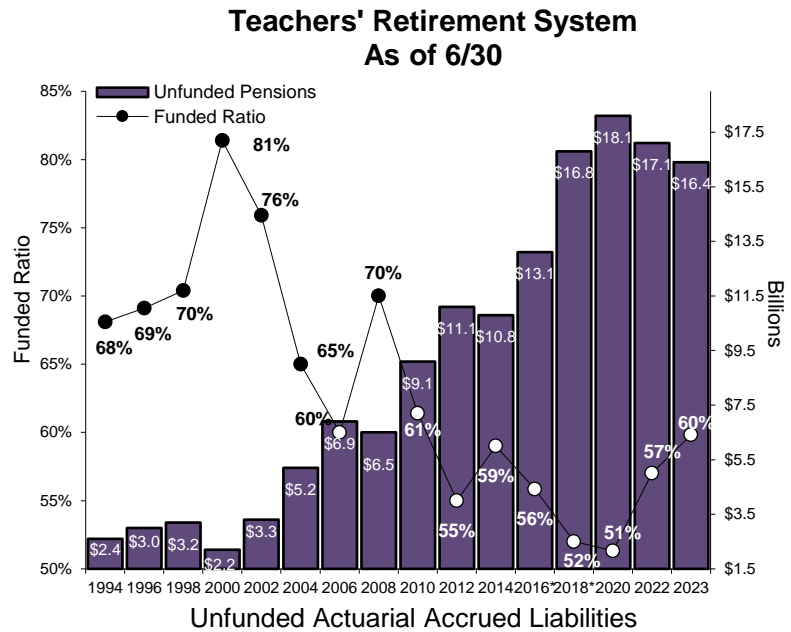
The total SERS liability is \$40.7 billion, with \$20.9 billion the unfunded portion of that liability. Most of the liability – 78 percent – is related to already-retired employees. The pie chart and table that follow show the proportions of liability attributable to active employees and retirees. The overwhelming majority of the state's contributions in FY 2024 – 89 percent – is to address the unfunded actuarial accrued liability.



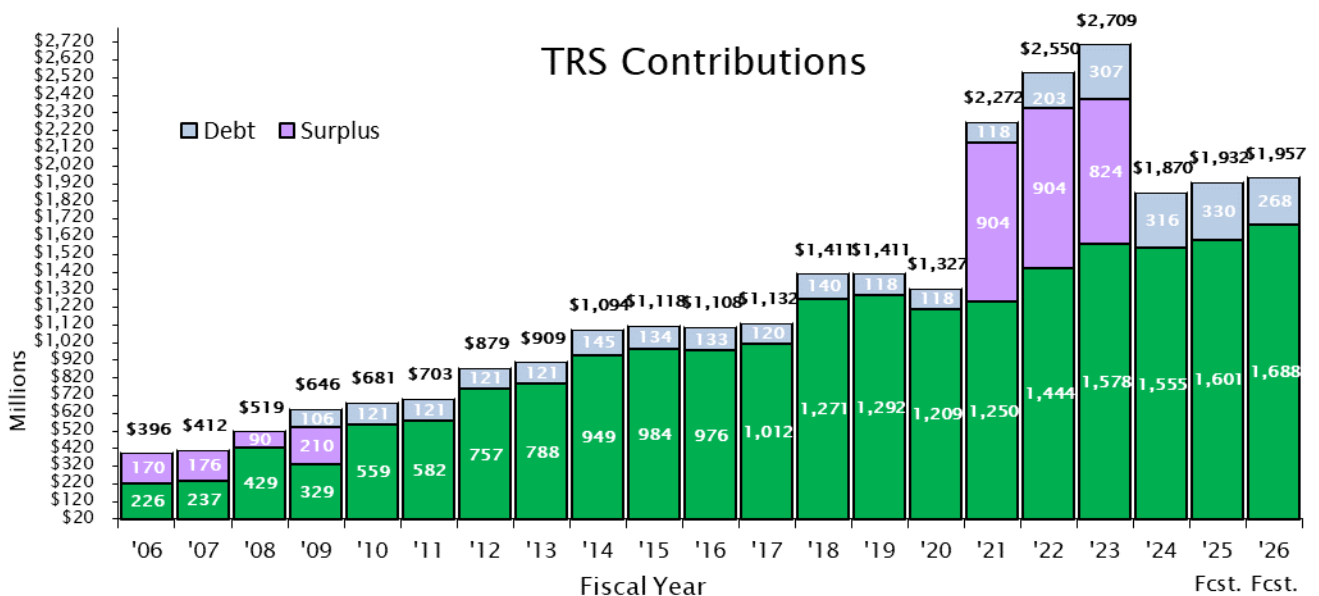
Liability Based on 6/30/22 Valuation (\$ in Thousands)		
Retired/Deferred Liability	31,793,339	78.2%
Active – Tier I Hazardous	0	0.0%
Active – Tier IB	103,591	0.3%
Active – Tier IC	3,418	0.0%
Active – Tier II Hazardous	135,041	0.3%
Active - Tier II Hybrid Plan	149,539	0.4%
Active – Tier II Others	2,593,621	6.4%
Active – Tier IIA Hazardous	1,855,509	4.6%
Active - Tier IIA Hybrid Plan	217,557	0.5%
Active – Tier IIA Others	2,600,752	6.4%
Active - Tier III Hazardous	408,814	1.0%
Active - Tier III Hybrid	45,989	0.1%
Active - Tier III Others	508,197	1.2%
Active - Tier IV Hazardous	85,806	0.2%
Active - Tier IV Hybrid	18,310	0.0%
Active - Tier IV Others	137,482	0.3%
Total Accrued Liability	40,656,964	
Actuarial Value of Assets	19,726,002	
Unfunded Accrued Liability	20,930,962	
Normal Cost	223,160	
Amortization of Unfunded Accrued Liability	1,817,214	
FY 2024 Actuarially Determined Employer Contribution	2,040,374	

Teachers' Retirement System (TRS)

The state's TRS unfunded liability at the end of FY 2023 totaled \$16.4 billion, a \$709 million decrease from the level reported at the end of FY 2022. As a result, the funded ratio increased from 57.0 percent to 59.8 percent. The market value of assets increased \$2.2 billion from the prior valuation. This includes approximately \$801.2 million due to the BRF and surplus deposits following FY 2023. While market value investment returns were 8.57 percent in FY 2023, higher than the assumed rate of 6.9 percent, TRS employs four-year asset smoothing which results in a return of 6.07 percent, resulting in a \$185.9 million increase in the unfunded actuarial accrued liability (UAAL).



The following graph depicts the increase in contributions to the TRS. In FYs 2006 through 2009, contributions were supplemented with surplus funds. In FYs 2021 through 2023, surplus funds were in addition to the required contributions. The bars in the graph for FY 2010 and beyond include debt service on the \$2.3 billion pension obligation bonds issued on April 30, 2008, for the benefit of the Teachers' Retirement System. Contributions grew in FYs 2018 and 2019 to reflect the impact of lowering the assumed rate of investment return to 8 percent from 8.5 percent. In FY 2020 the assumed rate was further reduced to 6.9 percent. The latest valuation, as of June 30, 2023, with the FY 2025 ADEC reflects the impact of the \$823.9 million additional pension fund deposits due to the BRF exceeding the 15 percent threshold and year-end surplus. The graph below contains the impact of the BRF deposits from FYs 2021 through 2023.



PENSION STRESS TEST AND OUTLOOK

Section 4-68ee of the Connecticut General Statutes mandates that the Office of Policy and Management annually report a stress test analyses for the State Employees Retirement System (SERS) and the Teachers Retirement System (TRS).

The final version of this year's report will be issued in late November 2023. The analysis utilizes the valuations for SERS and TRS as of 6/30/2022. The report concentrates on four specific scenarios: 1) investment returns above and below the assumed rate of return, 2) a 20 percent asset shock, 3) asset shock with contribution risk and 4) high retiree COLAs. The results combined SERS and TRS to provide a complete, statewide assessment. The preliminary key findings from the analysis include:

- Baseline contribution requirements are projected to grow from current levels of \$3.6 billion to \$4.0 billion by FY 2027 and then remain stable for the next 20 years until the unfunded liability is paid off in FY 2047.
- The FY 2023 additional deposits of \$1.8 billion decreases the state's annual contributions approximately \$170 million each year. Over 24 years this results in savings of nearly \$3.8 billion.
- Without the additional deposits from fiscal years 2020 to 2023 totaling \$7.7 billion, the annual contribution plateau would have occurred around \$4.3 billion and cost the state an additional \$13 billion over the projection period.
- Funding levels will continue to improve over time even when investments underperform as Actuarially Determined Employer Contributions (ADEC) are adjusted according to the funding policy.
- In the near term, the asset shock scenario causes contribution requirements to grow faster than projected revenues over the next 5 years, potentially leading to budget crowd out. Increases at TRS drive this growth, increasing 10 percent per year on average from FYs 2024-2028 under these scenarios.

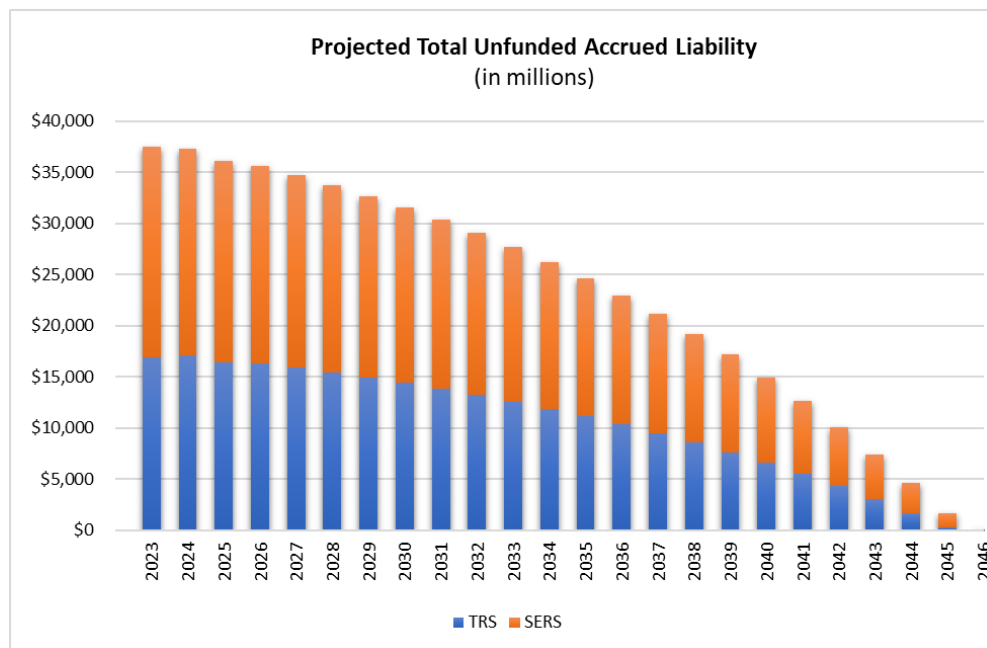
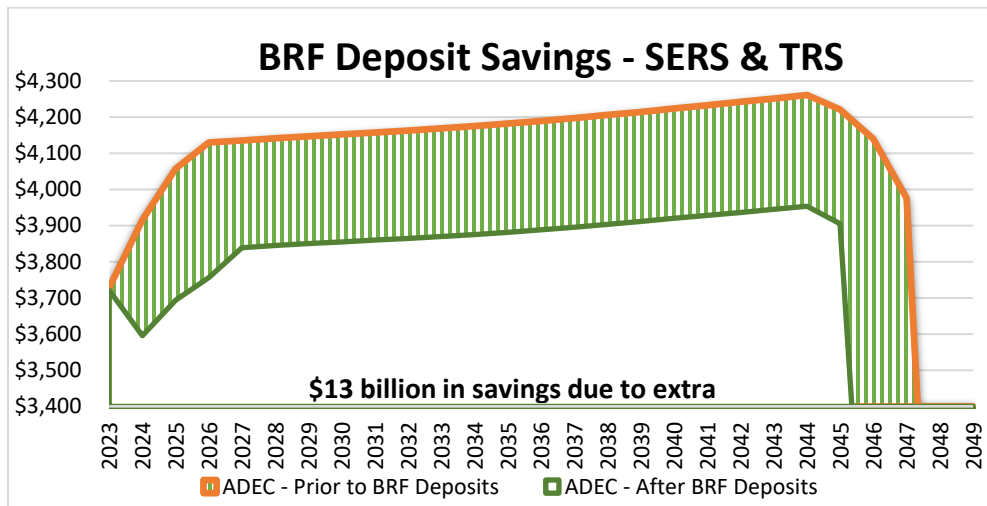
The financial outlook for the pension plans has been greatly enhanced by two factors. First, changes to both pension systems implemented several years ago have resulted in a much steadier stream of projected contribution requirements. Second, the recent additional deposits to both plans have reduced the anticipated required contributions.

After the accounts for the General Fund have been closed at the end of each fiscal year, the statutes require any unappropriated General Fund surplus be deposited into the Budget Reserve Fund (BRF) until the fund reaches an amount equal to 15 percent of net General Fund appropriations. If the BRF balance exceeds the maximum threshold of 15 percent, the amount over the threshold is transferred to the State Employees Retirement Fund and/or the Teachers' Retirement Fund, but not exceeding 5 percent of the retirement fund's unfunded liability. This allows the state to reduce its long-term obligations.

For an unprecedented fourth year in a row, the BRF has exceeded the 15 percent statutory limit and additional deposits will be made to both SERS and TRS. The cumulative amount of deposits is \$7.7 billion. The table below details the additional deposits to the two pension funds.

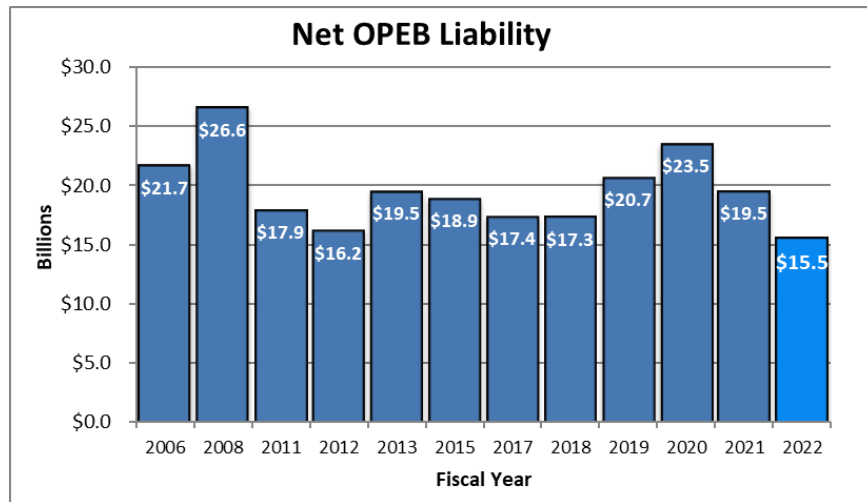
Surplus Year	Additional Deposits to SERS	Additional Deposits to TRS	Total Additional Pension Deposits
FY 2020	\$61.6	-	\$61.6
FY 2021	\$714.7	\$903.6	\$1,618.3
FY 2022	\$3,203.7	\$903.6	\$4,107.3
FY 2023	\$1,046.5	\$823.9	\$1,870.4
Total	\$5,026.5	\$2,631.1	\$7,657.6

The following chart reflects the impact of the additional deposits – spread over 25 years (in accordance with the plans’ policies related to recognized gains and losses) – on the state’s projected contribution requirements. The gap between the ADEC measured prior to these additional deposits as compared to the ADEC measured after the impact of additional deposits has grown from \$9.4 billion in savings, as reported last year, to \$13 billion.



OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Other post-employment benefits (OPEB) include non-pension related benefits for retirees such as health care, dental coverage, and life insurance. Until FY 2010, there was no formal process for pre-funding of future OPEB liabilities, and benefits were budgeted on a “pay as you go” (PAYGO) basis, meaning that the state appropriated funds sufficient to pay for anticipated OPEB costs



during the budget period. As with pension accounting, the PAYGO approach does not capture the current value of benefits promised during future periods, i.e., unfunded liabilities. The Governmental Accounting Standards Board (GASB) requires states to report the unfunded liabilities for OPEB. The most recent OPEB valuation (GASB Statement 75 measured as of June 30, 2022) shows Connecticut’s net OPEB liability (NOL) at \$15.5 billion, a \$4.0 billion decrease from the prior valuation of \$19.5 billion. This was positive news as the NOL had been expected to increase to \$19.9 billion due to normal plan operations. The difference between the actual and expected NOL is mainly due to raising the discount rate from 2.31 percent to 3.90 percent.

In FY 2008, the state began the process of setting aside funds in trust to address the OPEB unfunded liability. While not a full actuarial funding approach, setting aside funds began a long-term transition to actuarial pre-funding of OPEB costs. The 2009 and 2011 SEBAC agreements introduced a requirement for all state employees hired through 6/30/2017 to make contributions annually of 3 percent of their salary for a period of 10 years to the OPEB trust fund. Employees hired beginning July 1, 2017, must make the 3 percent contribution annually for a 15-year period. In FY 2018 the state began matching those employee contributions. The table at right depicts OPEB contributions by both employees and the state since inception of the fund. As of September 30, 2023, the OPEB trust fund has a market value of \$2,474.1 million and is the fourth largest investment fund managed by the Treasurer’s Office after the State Employees Retirement Fund, Teachers’ Retirement Fund, and the Municipal Employees Retirement Fund. It is important to note, the state is estimating a significant

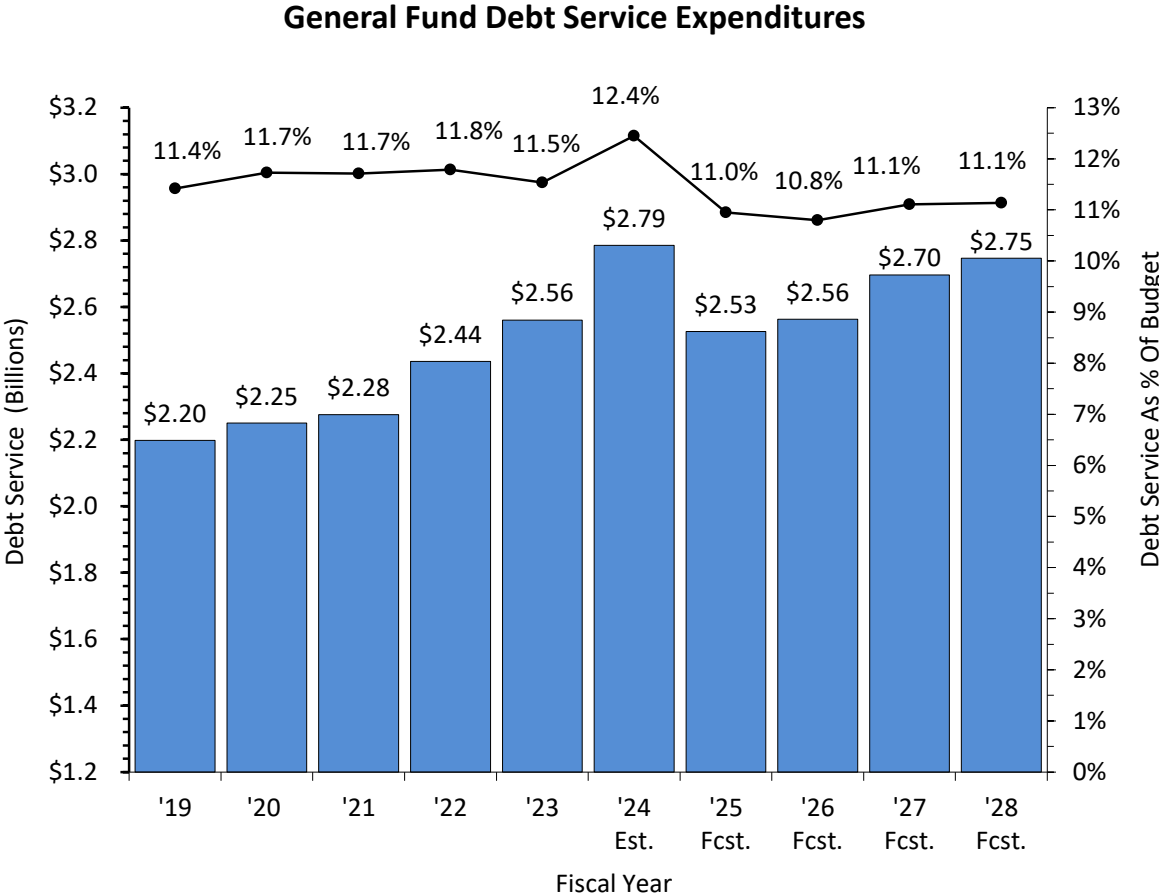
Other Post-Employment Benefits			
Summary of Contributions			
(in millions)			
Fiscal Year	Employee Contributions	State Contributions	Total Contributions
2008	-	\$10.0	\$10.0
2009	-	-	\$0.0
2010	\$1.4	-	\$1.4
2011	\$21.6	\$14.5	\$36.1
2012	\$25.0	-	\$25.0
2013	\$27.5	-	\$27.5
2014	\$45.5	-	\$45.5
2015	\$93.3	-	\$93.3
2016	\$125.2	-	\$125.2
2017	\$120.8	-	\$120.8
2018	\$116.8	\$122.2	\$239.0
2019	\$116.5	\$125.8	\$242.3
2020	\$120.6	\$126.5	\$247.1
2021	\$109.1	\$113.2	\$222.3
2022	\$104.5	\$112.6	\$217.1
2023	\$108.6	\$119.0	\$227.6
2024 est.	<u>\$66.9</u>	<u>\$76.9</u>	<u>\$142.8</u>
Total	\$1,203.3	\$820.7	\$2,024.0

Excludes investment earnings.

decrease in contributions this year as over 15,000 employees completed their 10-year period of contributions as of June 30, 2023.

DEBT SERVICE

The graph below shows debt service as a proportion of General Fund expenditures. Debt service is projected to remain level at slightly less than 12 percent of the General Fund from FY 2024 to FY 2028. FY 2024 includes an additional debt service payment of \$211.7 million for the full repayment of the GAAP Conversion Bonds.

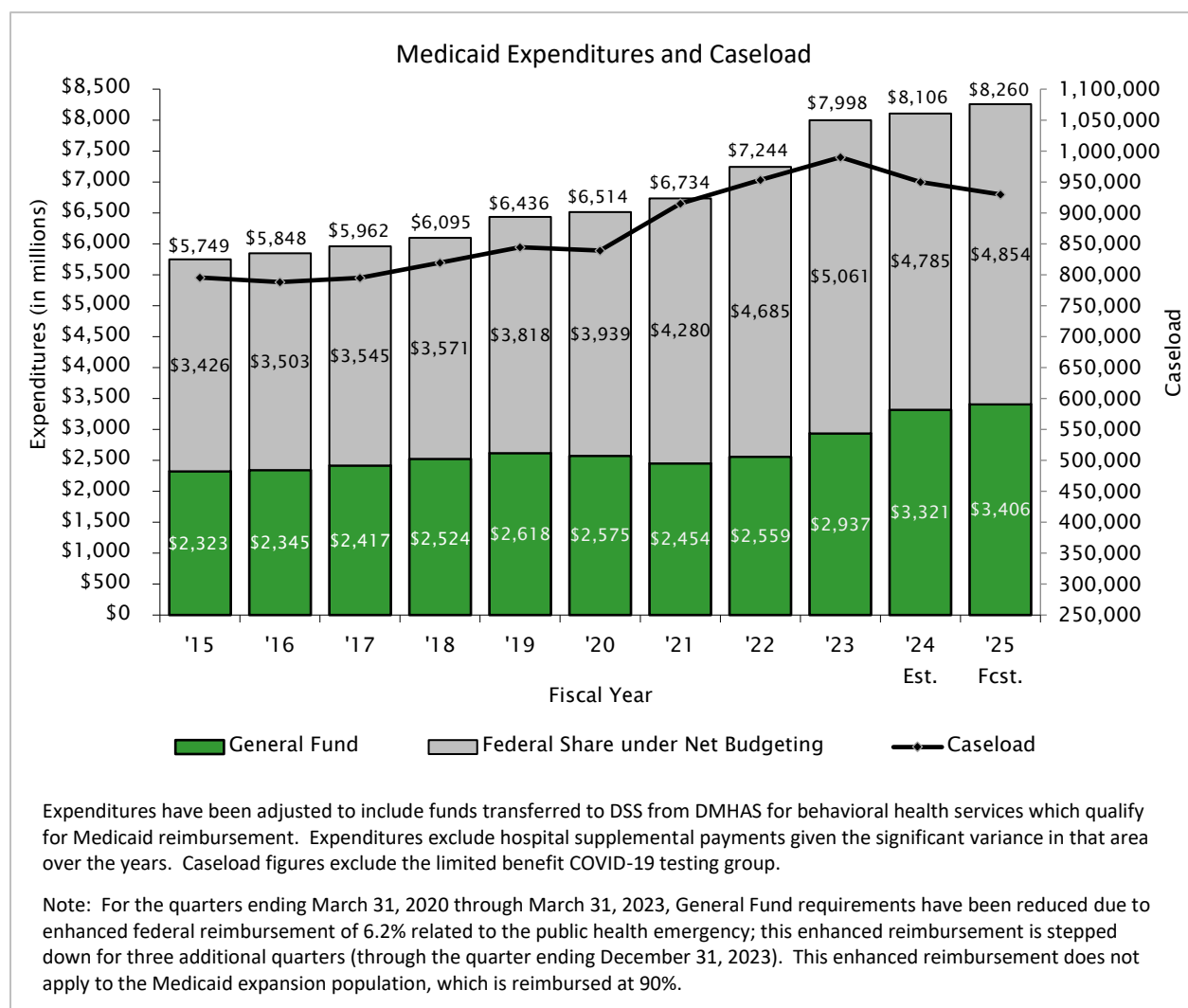


MEDICAID

Historically, Medicaid expenditure growth over the past decade has been affected by caseload growth and limited rate increases, which have been mitigated in part through cost efficiencies and care coordination efforts. To receive the enhanced federal reimbursement available under the public health emergency, the state could not terminate coverage for most Medicaid enrollees before April 1, 2023. Since the suspension of Medicaid eligibility discontinuances on March 18, 2020, Medicaid enrollment – excluding the limited benefit COVID-19 testing group – has increased 18 percent, from approximately 830,000 to nearly 1,010,000 as of April 2023, an increase of roughly 180,000 cases. Despite the significant growth in enrollment, expenditures in the aggregate have not increased proportionally due to lower utilization of medical services in many areas, though utilization is continuing to trend upward as the public health emergency winds down.

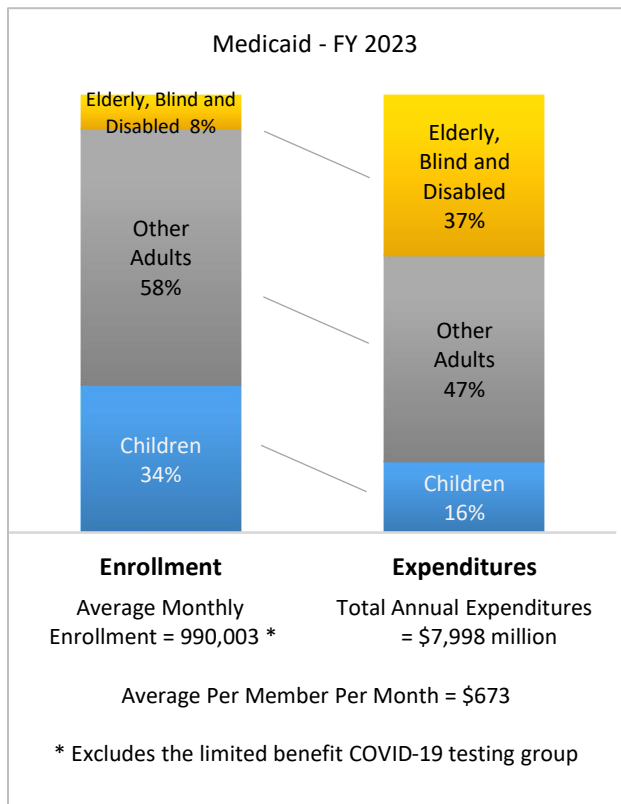
The Medicaid expansion for low-income adults, which was first approved by the federal government in June 2010, has driven significant increases in caseload and program costs. Expenditures for this program, now known as HUSKY D, increased from \$228.7 million in FY 2010 to \$769.0 million in FY 2013. The state further expanded Medicaid coverage for low-income adults by increasing income eligibility to 138 percent of the federal poverty level beginning January 1, 2014, resulting in significant additional growth. As a result of this expansion, the HUSKY D caseload has grown from 46,156 in June 2010 to over 358,000 in June 2023. HUSKY D expenditures have increased from \$916.6 million in FY 2014 to \$2,589.8 million in FY 2023, the majority of which was supported with enhanced federal reimbursement, which was phased down from 100 percent in calendar years 2014 through 2016 to 90 percent in calendar year 2020 and future years.

The graph below shows total Medicaid costs in the Department of Social Services as well as state and federal shares of the total.

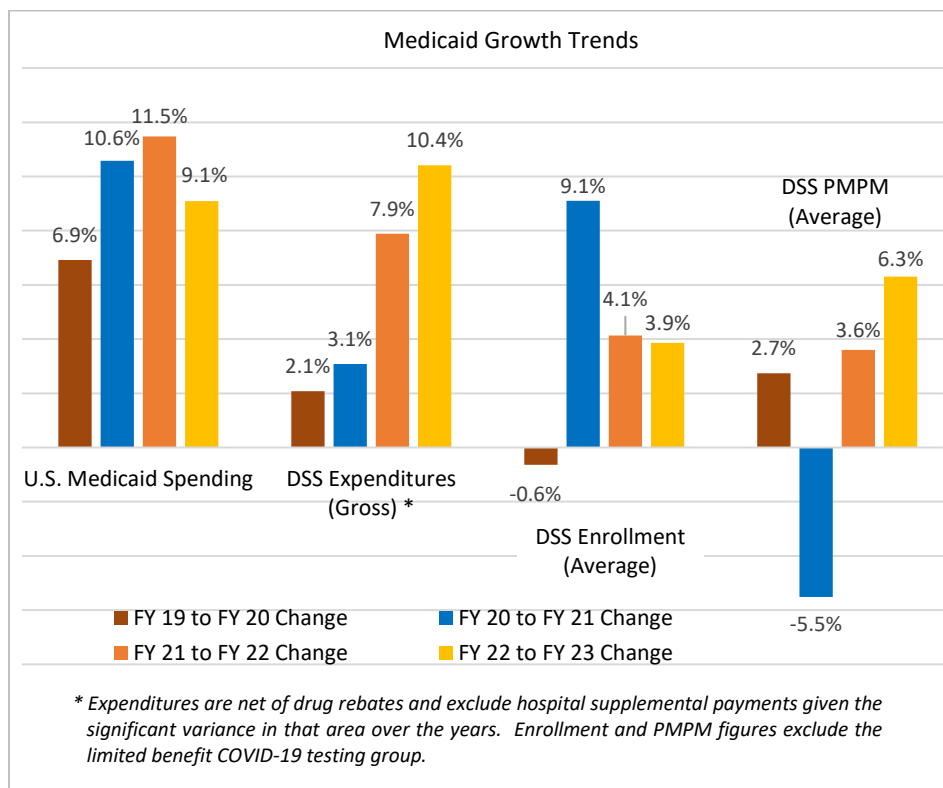


The Department of Social Services is employing diverse strategies to achieve improved health outcomes and cost efficiencies in the Medicaid program. Strategies include:

- use of an administrative services organization (ASO) platform to promote efficient, cost-effective and consumer/provider responsive medical, behavioral health, and dental services;
- use of data analytics to improve care;
- emerging efforts to use cross-sector data matching and Medicaid interventions to address social determinants of health;
- activities designed to improve access to and use of preventive primary care;
- efforts to integrate medical, behavioral health, long-term services and supports and social services;
- initiatives designed to “re-balance” spending on long-term services and supports (shifting from institutional to community-based care); and
- efforts to promote the use of health information technology.



In contrast to almost all other Medicaid programs across the nation, Connecticut Medicaid uses a self-insured, managed, fee-for-service approach rather than a managed care arrangement.



MUNICIPAL AID

State aid to municipalities comes from a variety of sources: appropriated funds, bond funds, revenue intercepts, and transfers from non-appropriated funds. The table below shows major statutory aid to municipalities.

STATE AID TO OR ON BEHALF OF LOCAL

(in \$ millions)

<u>General Government</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Tiered PILOT ¹	339.4	347.1	347.1	347.1	347.1
Motor Vehicle Tax Grants ¹	154.6	136.3	136.3	136.3	136.3
Supplemental Revenue Sharing ¹	74.7	74.7	74.7	74.7	74.7
Supplemental Revenue Sharing -	12.5	0.0	0.0	0.0	0.0
Mashantucket Pequot & Mohegan Grant ³	52.5	52.5	52.5	52.5	52.5
Town Aid Road	60.0	60.0	60.0	60.0	60.0
LoCIP	45.0	45.0	45.0	45.0	45.0
Municipal Grants-in-Aid	91.0	91.0	91.0	91.0	91.0
Regional Performance Incentive Account	12.8	13.1	13.5	13.9	14.3
Municipal Restructuring	7.3	7.3	7.3	7.3	7.3
Municipal Restructuring: Debt Service	51.3	46.5	46.1	47.8	43.8
Misc. General Government Grants	23.3	22.6	22.6	22.6	22.6
Subtotal - General Government	924.3	896.1	896.2	898.2	894.7
<u>Education</u>					
Adult Education	22.8	24.0	24.5	25.1	25.7
Education Cost Sharing	2,235.8	2,287.9	2,376.3	2,375.2	2,373.6
Magnet Schools	284.9	287.5	289.2	289.5	289.8
Special Education - Student Based	181.1	181.1	181.1	181.1	181.1
Local School Construction	450.0	550.0	550.0	550.0	550.0
Education Finance Reform ⁴	0.0	140.6	140.6	140.6	140.6
Misc. K-12 Education Grants	130.8	130.6	133.5	133.5	133.5
Subtotal - Education	3,305.4	3,601.7	3,695.2	3,695.0	3,694.4
<u>Fringe Benefits</u>					
TRS Retirement Contributions	1,554.5	1,601.4	1,688.3	1,769.1	1,775.4
TRS Retiree Health Service Cost	13.0	16.0	16.5	16.9	17.4
Municipal Retiree Health Insurance Cost	9.8	9.8	9.8	9.8	9.8
Debt Service - Pension Obligation Bonds	315.7	330.2	268.3	284.4	301.3
Subtotal - Local Teachers' Retirement	1,893.1	1,957.5	1,982.9	2,080.2	2,103.9
Total - Aid to Municipalities	6,122.9	6,455.3	6,574.3	6,673.5	6,693.0

1. Appropriated from the Municipal Revenue Sharing Fund beginning in FY 2024.

2. Allocated on a one-time basis in FY 2024 to Waterbury and Bridgeport.

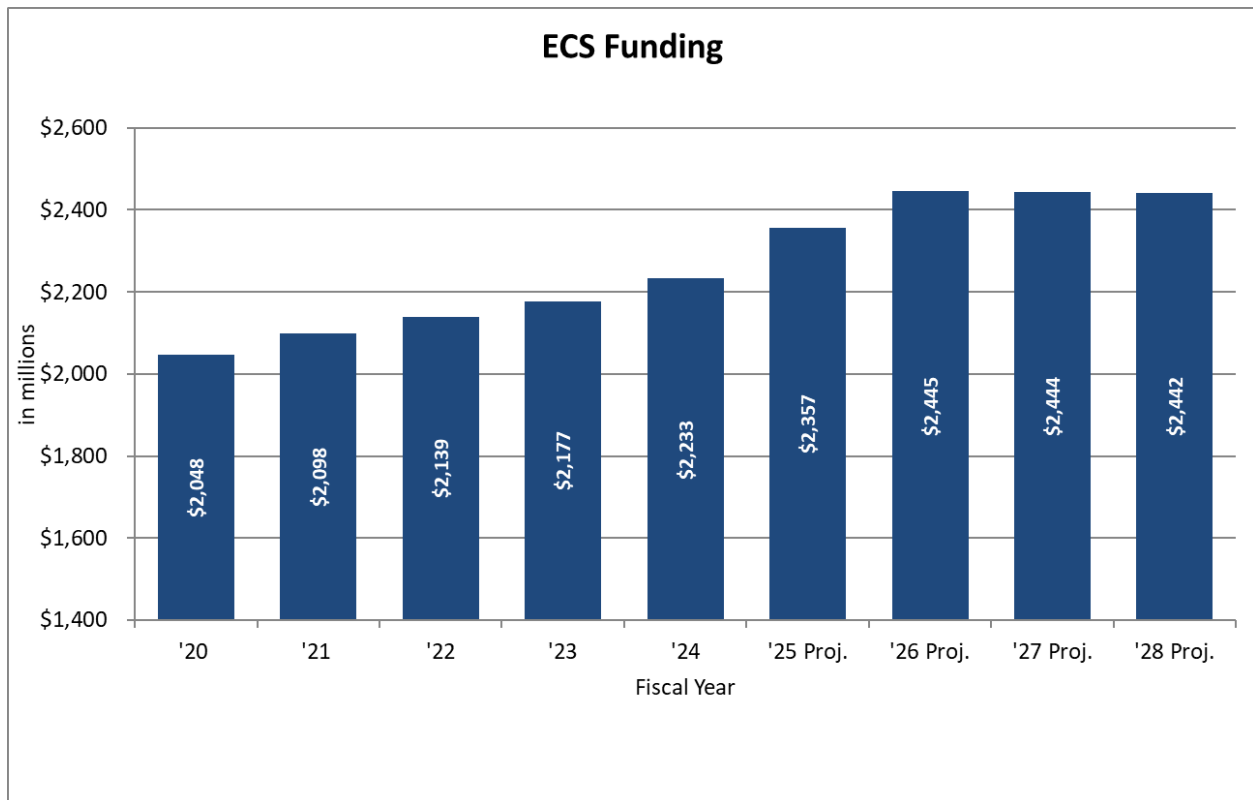
3. Appropriated from the Mashantucket Pequot & Mohegan Fund.

4. Appropriated from the General Fund for Education Finance Reform beginning in FY 2025. PA 23-204 designates the amount shown above for ECS, Magnet Schools, Open Choice and Vocational Agriculture Grants.

Total state aid to municipalities is projected to grow from FY 2024 to FY 2028, including a \$389 million cumulative increase in education funding. This follows a period of significant growth in municipal aid, during which payments in the General Government category shown above increased by 73% from FY 2019 to FY 2024. During the same period, payment of fringe benefit costs by the state on behalf of municipalities increased by 33%.

Education Cost Sharing Grants

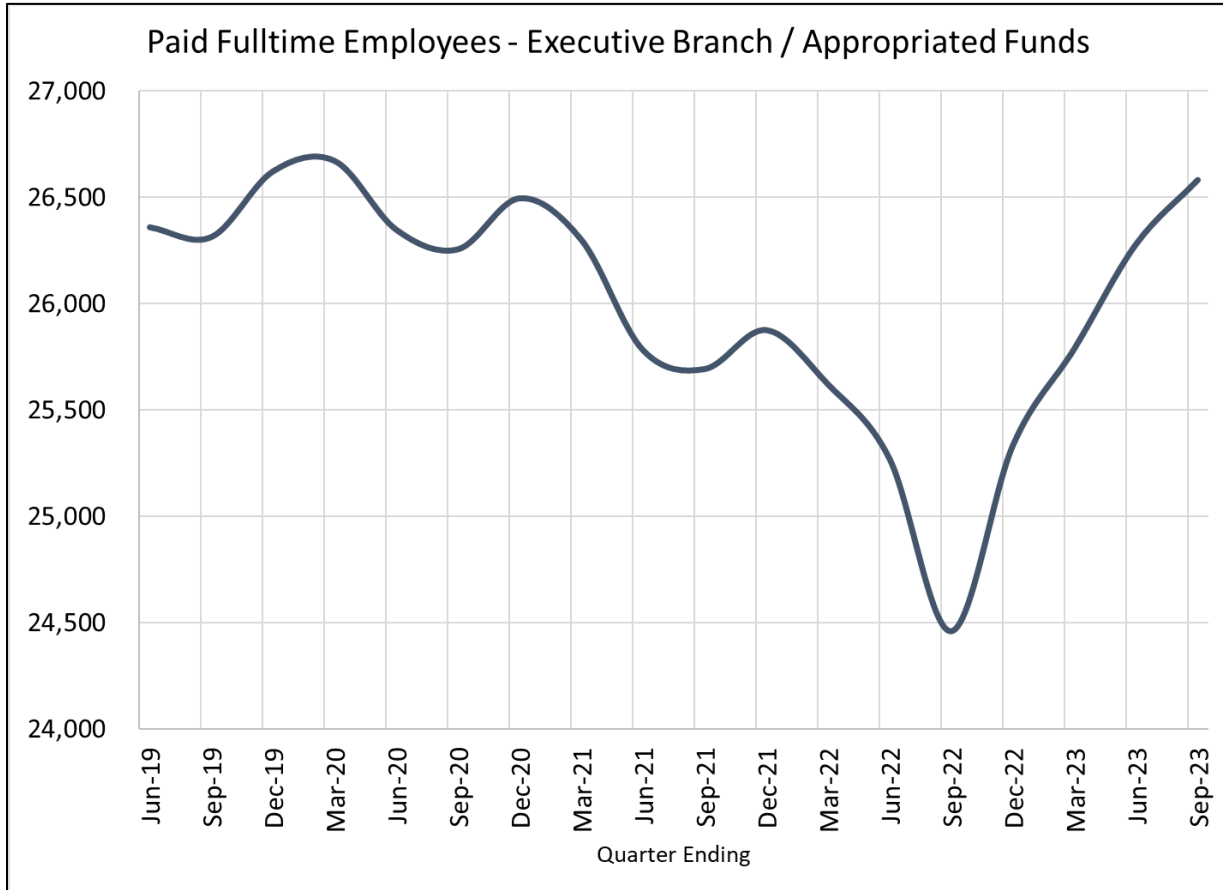
The Education Cost Sharing Grant (ECS) is the state’s major education grant, designed to equalize the ability of towns to finance local education costs. The graph below shows past and projected levels of ECS funding, including both the Education Finance Reform and Education Equalization Grant accounts; projections are based on the current formula. Currently, districts are being phased up or down to their fully funded ECS Grant. The phase-in for increasing districts ends in FY 2026, while the phase-down for decreasing districts is projected to end in FY 2028. Therefore, the total ECS Grant is currently projected to decrease slightly in FY 2027 and FY 2028.



STATE WORKFORCE

Executive Branch Staffing Trends

The chart below shows fulltime staffing in Executive Branch agencies based on employees paid using appropriated funds. While overall staffing has generally been on a downward trend since reaching approximately 32,000 at the start of calendar year 2009, more recent staffing levels remained fairly steady at about 26,000 between FY 2019 and FY 2021, prior to a marked acceleration in the pace of retirements leading up to the change in COLA formula for post 7/1/2022 SERS retirees. After reaching a low point in July 2022, below 24,500 paid employees, overall Executive Branch staffing levels have fully recovered to over 26,500 employees as of the most recent quarter.



FEDERAL BUDGET AND POLICY ISSUES

Several significant federal budget and policy issues must be dealt with over the next year, creating uncertainty for state policymakers as well as for the budgeting process.

- When appropriation bills for the federal fiscal year have not yet been signed into law, the federal government generally maintains operations through a temporary Continuing Resolution (CR).
- The last time all 12 regular appropriations bills were passed on time was 1997. So far, no appropriations bills have passed and there have been two CRs passed this federal fiscal year, the first extended government operations until November 17th. The second bill, H.R. 6363, signed by the president on November 17th, extends funding for four subcommittees until January 19, 2024 and funding for eight subcommittees until February 2, 2024.
- Committees covered by the extension to January 19, 2024 include: Agriculture, Rural Development, Food and Drug Administration; Energy and Water Development and Related Agencies; Military Construction, Veterans Affairs, and Related Agencies; and Transportation, Housing and Urban Development, and Related Agencies.
- Committees covered by the extension to February 2, 2024 include: Commerce, Justice, Science, and Related Agencies; Defense; Financial Services and General Government; Homeland Security; Interior, Environment, and Related Agencies; Labor, Health and Human Services, Education; Legislative Branch; and State, Foreign Operations, and Related Programs.
- The federal debt ceiling, which was reached on January 19, 2023, was temporarily addressed by the passage of the Fiscal Responsibility Act of 2023 (FRA) in May. However, the FRA only suspended the debt ceiling until January 1, 2025. Partisan wrangling over increasing the debt limit may complicate adoption of the FFY 2025 budget as well as other legislation.

EFFORTS TO PRESERVE OR MAXIMIZE FEDERAL REVENUE³

The state continues to make federal revenue maximization efforts a priority. Medicaid state plan amendments are submitted to the federal government as appropriate, while initiatives not requiring federal approval are operationalized by impacted state agencies.

Interagency workgroups meet regularly to discuss revenue opportunities and implementation issues. Some of the major revenue maximization and revenue retention initiatives being explored, under development or now operational include:

- Further implementation of the substance use disorder (SUD) demonstration waiver to enhance the state's SUD service system and enable federal reimbursement on SUD services for individuals that were not previously eligible under federal rules. The additional revenue continues to be reinvested to strengthen the SUD service system by ensuring a complete array of services is available. This allows Medicaid members with opioid use disorder and other SUDs to receive medically necessary treatment services in the most appropriate setting. The Departments of Social Services (DSS), Mental Health and Addiction Services (DMHAS), Children and Families (DCF), Correction (DOC) and the Judicial Branch work collaboratively to identify anticipated needs in each agency. The additional federal revenue generated from this initiative that has not been allocated to the participating agencies is deposited into a reserve account to be used to meet program requirements or fund program enhancements;

³ This section fulfills the reporting requirement found in subsection (c) of Sec. 4-31d, CGS.

- Development of an application to amend the SUD demonstration waiver that will enhance services and enable federal reimbursement on transition and re-entry services for incarcerated individuals 90 days pre-release – a population previously precluded from Medicaid coverage under long-standing federal rules. The additional revenue must be reinvested to strengthen inmate medical services and community-based services to improve care transitions into the community and ultimately reduce recidivism. DSS, DMHAS, DCF, DOC, and the Judicial Branch have worked collaboratively to identify anticipated needs in each agency. The additional federal revenue generated from this initiative will be deposited into the reserve account and be distributed to meet program requirements or fund program enhancements;
- Continued rollout of DCF’s Family First Prevention Services Act Prevention Plan that will allow for eligible prevention services to be covered under Title IV-E;
- Ongoing evaluation of the best vehicle for Medicaid reimbursement of pre-tenancy and tenancy sustaining supports for individuals with chronic health issues who have experienced homelessness or are at risk of homelessness;
- Review of initiatives designed to enhance the continuum of children’s behavioral health that were funded with federal American Rescue Plan Act (ARPA) dollars that are now expiring, to determine which services can be supported going forward with Medicaid dollars, thereby leveraging federal dollars; and
- Continued implementation of section 9817 of the American Rescue Plan Act, which allowed the state to earn an extra 10 percent in federal reimbursement on a range of waiver and related home and community-based services (HCBS) from April 1, 2021 through March 31, 2022. This additional federal funding (approximately \$204 million) must be reinvested in new qualifying services which support community-based long-term services and supports over the four-year period ending March 31, 2025. The \$204 million in new federal funding, once reinvested as the state share for Medicaid-supported services, will leverage approximately \$246 million in new federal reimbursement to match those expenditures, resulting in total increase in expenditures of approximately \$476 million over the full four-year period. The 10 percent HCBS match authorized in ARPA allows the state to leverage significant federal resources over the four-year period, with an ongoing cost to the state of approximately \$25 million in FY 2026.

It is important to note that, while much effort goes into maximizing revenue, equal or greater effort goes into preserving existing sources of federal reimbursement. The federal Centers for Medicare & Medicaid Services (CMS) has strengthened its compliance activities, resulting in significantly greater scrutiny of all state claims. This has meant Department of Social Services’ staff and impacted state agencies spending significantly more time and effort explaining and justifying revenue items to CMS to sustain claims worth hundreds of millions of dollars that had once been considered routine.

Federal Pandemic Assistance

The federal government provided significant financial assistance to the state and its residents. The largest grant program administered by the state is the Coronavirus State Fiscal Recovery Fund (section 602 of Subtitle M of Title IX of the American Rescue Plan Act of 2021, P.L. 117-2), which made approximately \$2.8 billion available to the state. By state law, the use of those funds is subject to allocation by the General Assembly. Current allocations of the fund are presented in the appendix to this report.

BONDING

PROJECTED BOND AUTHORIZATIONS, ALLOCATIONS AND ISSUANCES

The table below depicts projected bond authorizations, allocations and issuances through FY 2028.

FIVE YEAR BOND PROJECTIONS

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Bond Authorizations					
General Obligation Bonds	\$2,167,590,000	\$2,120,545,000	\$2,102,976,972	\$2,155,678,572	\$2,089,678,572
Bioscience Innovation Fund	24,000,000	-	-	-	-
Community Investment Fund	175,000,000	175,000,000	175,000,000	175,000,000	250,000,000
Crumbling Foundations	25,000,000	25,000,000	25,000,000	-	-
CT Next and Innovation Places	23,500,000	13,500,000	13,500,000	-	-
Connecticut Strategic Defense Investment Act	9,971,428	10,321,428	10,321,428	10,321,428	10,321,428
Connecticut Port Authority	2,500,000	2,500,000	5,000,000	-	-
High Poverty Low Income Census Tract	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Smart Start Program	10,000,000	-	-	-	-
UConn Research Faculty	14,489,200	9,220,000	4,201,600	-	-
UConn 2000/Next Generation	84,700,000	44,000,000	14,000,000	9,000,000	-
Total General Obligation Bonds	\$2,586,750,628	\$2,450,086,428	\$2,400,000,000	\$2,400,000,000	\$2,400,000,000
Special Tax Obligation Bonds	1,557,699,000	1,530,772,000	1,200,000,000	1,200,000,000	1,200,000,000
Clean Water Fund Revenue Bonds	-	25,000,000	200,000,000	200,000,000	200,000,000
Total Bond Authorizations	\$4,144,449,628	\$4,005,858,428	\$3,800,000,000	\$3,800,000,000	\$3,800,000,000
Bond Allocations					
General Obligation Bonds	\$1,900,000,000	\$1,900,000,000	\$1,900,000,000	\$1,900,000,000	\$1,900,000,000
Special Tax Obligation Bonds	1,500,000,000	1,500,000,000	1,200,000,000	1,100,000,000	1,100,000,000
Clean Water Fund Revenue Bonds	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Total Bond Allocations	\$3,550,000,000	\$3,550,000,000	\$3,250,000,000	\$3,150,000,000	\$3,150,000,000
Bond Issuance					
General Obligation Bonds	\$1,100,000,000	\$1,600,000,000	\$1,600,000,000	\$1,600,000,000	\$1,600,000,000
Special Tax Obligation Bonds	875,000,000	1,000,000,000	1,100,000,000	1,100,000,000	1,100,000,000
Clean Water Revenue Bonds	-	250,000,000	-	250,000,000	-
UConn 2000/Next Generation	240,000,000	200,000,000	-	51,900,000	-
Total Bond Issuance	\$2,215,000,000	\$3,050,000,000	\$2,700,000,000	\$3,001,900,000	\$2,700,000,000
Debt Service					
General Fund	\$2,785,733,652	\$2,526,468,637	\$2,563,301,235	\$2,696,106,916	\$2,747,031,375
Transportation Fund	867,750,444	939,320,622	999,449,142	1,084,479,009	1,160,747,191
Total Debt Service	\$3,653,484,096	\$3,465,789,259	\$3,562,750,377	\$3,780,585,925	\$3,907,778,566

Bond Authorizations

FY 2024 and FY 2025 are enacted bond authorizations.

FY 2026-FY 2028 projected bond authorizations assume that authorizations continue at historical average levels.

UConn 2000/Next Generation automatic authorizations in accordance with C.G.S. Section 10a-109g.

Bioscience Innovation Fund automatic authorizations in accordance with C.G.S. Section 32-41dd.

Connecticut Strategic Defense Investment Act automatic authorizations in accordance with C.G.S. Section 32-40.

Community Investment Fund, Crumbling Foundations, CT Next & Innovation Places, Connecticut Port Authority,

High Poverty Low Opportunity, Smart Start, and the UCONN Research Faculty authorizations in accordance to

respective amended Public Acts.

Bond Allocations

Projected GO Bond allocations are based on budgeted debt service.

Projected GO Bond Allocations will be substantially under the C.G.S. Section 3-20(d)(2) projected fiscal year caps.

Projected Special Tax Obligation Bond allocations assume to match debt issuance levels scheduled in the out-year assumptions.

Bond Issuance

Projected GO Bond issuances are based on budgeted debt service and the Governor's plan to stabilize new debt.

Projected GO Bond issuances will be substantially under the C.G.S. Section 3-21(f)(1) projected fiscal year caps.

<u>Estimated Caps</u>	Inflation	Allocation & Issuance Cap
FY 2024	3.2%	\$2,400,000,000
FY 2025	2.5%	\$2,515,000,000
FY 2026	2.2%	\$2,594,000,000
FY 2027	2.2%	\$2,658,000,000
FY 2028	2.2%	\$2,717,000,000

Sources: S&P Global, Bureau of Labor Statistics

STATUTORY GENERAL OBLIGATION BOND DEBT LIMIT

Section 3-21 of the General Statutes, as amended, provides that “No bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the general assembly except such as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the general assembly but which have not been issued and (2) the total amount of such indebtedness which has been issued and remains outstanding, to exceed one and six-tenths times the total general fund tax receipts of the State for the fiscal year in which any such authorization will become effective, as estimated for such fiscal year by the joint standing committee of the general assembly having cognizance of finance, revenue and bonding in accordance with section 2-35.”

Tax Incremental Financings, Special Transportation, Bradley Airport, Clean Water Fund Revenue, Connecticut Unemployment Revenue Bonds, Economic Recovery Notes and Pension Obligation Bonds are excluded from the calculation. GAAP deficit bonds and Hartford Contract Assistance are included in the calculation.

In accordance with the General Statutes, the Treasurer computes the aggregate amount of indebtedness as of January 1, and July 1 each year and certifies the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90 percent of the statutory debt limit, the Governor is required to review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects.

The estimated debt-incurring margins as of July 1 of each fiscal year are as follows:

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Consensus Revenues 11/13/2023	\$19,532,300,000	\$20,013,800,000	\$20,524,900,000	\$21,120,600,000	\$21,716,200,000
Multiplier	1.6	1.6	1.6	1.6	1.6
100% Limit	<u>\$31,251,680,000</u>	<u>\$32,022,080,000</u>	<u>\$32,839,840,000</u>	<u>\$33,792,960,000</u>	<u>\$34,745,920,000</u>
Bonds Subject to Limit	\$25,052,429,450	\$25,883,980,878	\$26,578,546,150	\$27,539,461,210	\$28,567,366,150
Debt Incurring Margin	\$6,199,250,550	\$6,138,099,122	\$6,261,293,850	\$6,253,498,790	\$6,178,553,850
Percentage of Limit	80.16%	80.83%	80.93%	81.49%	82.22%
Margin to 90% Limit	\$3,074,082,550	\$2,935,891,122	\$2,977,309,850	\$2,874,202,790	\$2,703,961,850

Assumptions:

- Consensus Revenue as of 11/13/2023 and an annual average of \$2.4 billion of new bond authorizations;
- \$1.6 billion of new General Obligation Bonds (FY 25 – FY 28) plus UCONN Bonds are issued each year.
- FY 2024 – FY 2028 Bonds Subject to Limit does not include principal payments on the prior year bonds to account for possible changes to issuance schedules.

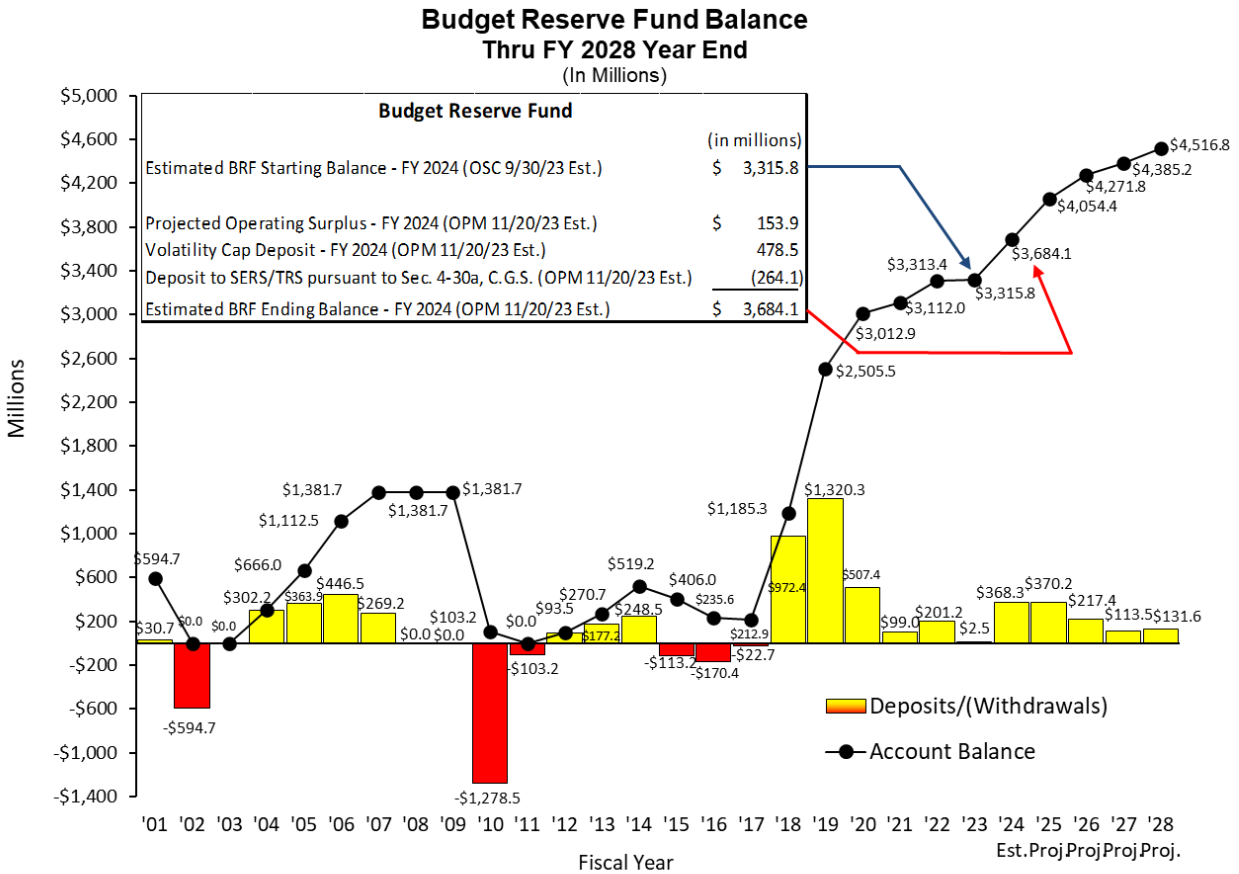
BONDING CAPS

During the 2017 legislative session, limitations on bond allocations, allotments and issuances were enacted. Public Act 23-1 extended and modified the caps. These limitations are described below.

- Allocation Cap: This cap imposes a limit on State Bond Commission general obligation bond allocations for each fiscal year. Public Act 23-1 set the cap to \$2.400 billion in fiscal year 2024. The cap amount is indexed to inflation. The inflation-adjusted cap is \$2.515 billion for fiscal year 2025, \$2.594 billion for fiscal year 2026, \$2.658 billion for fiscal year 2027, and \$2.717 billion for fiscal year 2028.
- Allotment Cap: This cap limits allotments issued by the Governor's Office each fiscal year. The cap amount is indexed to inflation. General obligation bonds issued as part of CSCU 2020 or UConn 2000 are exempted from the cap. Public Act 23-1 set the cap to \$2.400 billion in fiscal year 2024. The inflation-adjusted cap is \$2.515 billion for fiscal year 2025, \$2.594 billion for fiscal year 2026, \$2.658 billion for fiscal year 2027, and \$2.717 billion for fiscal year 2028.
- Issuance Cap: This cap limits bond issuances by the Treasurer's Office each fiscal year. The cap amount is indexed to inflation. General obligation bonds issued as part of CSCU 2020 or UConn 2000 are exempted from this cap. Public Act 23-1 set the cap to \$2.400 billion in fiscal year 2024. The inflation-adjusted cap is \$2.515 billion for fiscal year 2025, \$2.594 billion for fiscal year 2026, \$2.658 billion for fiscal year 2027, and \$2.717 billion for fiscal year 2028.

BUDGET RESERVE FUND AND POTENTIAL USES OF SURPLUS

After the accounts for the General Fund have been closed at the end of each fiscal year, Connecticut statute directs the Comptroller to deposit any unappropriated General Fund surplus in the Budget Reserve Fund (BRF, a.k.a. “rainy day fund”) until the fund reaches its statutory threshold. That threshold was 15 percent of net General Fund appropriations through FY 2023. Section 15 of Public Act 23-1 increased that threshold from 15 percent to 18 percent of net General Fund appropriations beginning in FY 2024 (see ‘Recent Reforms’ in the next section of this report for further explanation). The graph below depicts historical operating deposits to and withdrawals from the Budget Reserve Fund. As a result of the deposits from the volatility cap and the unappropriated surplus at the end of FY 2020, the BRF reached and exceeded its statutory cap of 15 percent at the start of FY 2021. Prior to the increase in the BRF threshold for FY 2024, the BRF has remained at its maximum capacity through FY 2023.



Note: FY 2025 - FY 2028 appropriations are assumed to comply with the revenue cap.

Recent Reforms

Several recent statutory changes impact the Budget Reserve Fund. Public Act 17-2 of the June Special Session implemented, and Public Act 18-81 later amended, a revenue volatility cap which directs collections from any volatile revenue sources above a certain threshold to the Budget Reserve Fund. (See page 26 for more about the revenue volatility cap.) The volatility cap resulted in transfers shown in the table below, providing substantial — and much-needed — improvement in the state’s reserves and facilitating significant deposits to the state’s major pension funds.

Rebuilding Budgetary Reserves and Reducing Pension Liabilities Since the Enactment of the Volatility and Revenue Caps As of November 20, 2023 (in millions)

ACTUAL							
Fiscal Year	Sources of Funds			Uses of Funds			
	Surplus/ (Deficit)	Volatility Cap	Total	SERS	TRS	BRF	Total
1. 2018	\$ (482.9)	\$ 1,471.3	\$ 988.4	\$ -	\$ -	\$ 988.4	\$ 988.4
2. 2019	370.6	949.7	1,320.3	-	-	1,320.3	1,320.3
3. 2020	38.7	530.3	569.0	61.6	-	507.4	569.0
4. 2021	475.9	1,241.5	1,717.4	714.7	903.6	99.1	1,717.4
5. 2022	1,261.4	3,047.5	4,308.9	3,204.0	903.6	201.3	4,308.9
6. 2023	551.1	1,321.8	1,872.9	1,046.5	823.9	2.5	1,872.9
7. Total	\$ 2,214.8	\$ 8,562.1	\$ 10,776.9	\$ 5,026.8	\$ 2,631.1	\$ 3,119.0	\$ 10,776.9
8. % of Total	20.6%	79.4%	100.0%	46.6%	24.4%	28.9%	100.0%

PROJECTION							
Fiscal Year	Sources of Funds			Uses of Funds			
	Surplus/ (Deficit)	Volatility Cap	Total	SERS	TRS	BRF	Total
9. 2024 (Est.)	\$ 153.9	\$ 478.5	\$ 632.4	TBD	TBD	368.3	\$ 632.4
10. Total	\$ 2,368.7	\$ 9,040.6	\$ 11,409.3	\$ 5,026.8	\$ 2,631.1	\$ 3,487.3	\$ 11,409.3
11. % of Total	20.8%	79.2%	100.0%				

Notes:

- (1) Volatility Cap is income tax estimates & finals and pass-through entity tax above a set threshold.
- (2) SERS = State Employees Retirement System
- (3) TRS = Teachers' Retirement System
- (4) BRF = Budget Reserve Fund
- (5) Current projections for FY 2024 estimate \$632.4 million will be available for allocation to SERS, TRS, and the BRF in amounts to be determined based on updated pension valuations, the Treasurer's determination of the State's best interests, and the adoption of the FY 2025 midterm adjustments that is compliant with all caps.

Public Act 17-2 of the June Special Session, as amended by section 16 of Public Act 23-1, also introduced a revenue cap that limits the amount of General Fund appropriations to a percentage of General Fund revenue. The limit began at 99.5 percent in fiscal year 2020 and phases down to 98.75 percent for FY 2023 and thereafter. (See page 26 for more about the revenue cap.) The resulting operating margin will help add to the rainy day fund in good years and provide a buffer against drastic expenditure reductions or revenue increases when there is a sudden mid-year downturn in the economy.

Section 15 of Public Act 23-1 made several revisions to the Budget Reserve Fund. As previously discussed, it increased the Budget Reserve Fund Threshold from 15 percent to 18 percent of net General Fund appropriations, allowing for greater stability in case of a recession or economic downturn. Public Act 23-1 also modified the funding mechanisms for the Budget Reserve Fund. If the Budget Reserve Fund is below the 15 percent threshold, the volatility cap transfer and the surplus are both fully deposited into the Budget Reserve Fund until it reaches that 15 percent threshold. Once the Budget Reserve Fund reaches the 15 percent threshold, 50 percent of any remaining volatility cap transfer or surplus amount goes to the Budget Reserve Fund and the other 50 percent is transferred to reduce the unfunded liabilities of the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS). Once the Budget Reserve Fund reaches its maximum 18 percent threshold, any remaining volatility cap transfer or surplus amount get transferred to reduce the unfunded liabilities of SERS and/or TRS.

Use of Budget Reserve Fund

Statutorily, the Budget Reserve Fund may only be expended:

- To fund a deficit in the immediately preceding fiscal year;
- By transfer of the General Assembly if any consensus revenue forecast projects a decline in General Fund revenues in the current biennium of one percent or more;
- By transfer of the General Assembly if the April 30th consensus revenue forecast projects a decline in General Fund revenues in the ensuing biennium of one percent or more from the current year; or
- By transfer of the General Assembly if the BRF equals 5 percent or more of current year appropriations of the amount in excess of the 5 percent for the payment of unfunded past service liability of the SERS and TRS pension systems which are in addition to any regular contributions.

Discussion of Possible Uses of Surplus Funds

Under current law (CGS Sec. 4-30a), unappropriated surpluses are committed to the Budget Reserve Fund until the maximum 18 percent authorized by law. Other possible uses of surplus funds could include:

- Reducing the unfunded liability of the State Employees Retirement Fund;
- Reducing the unfunded liability of the Teachers' Retirement Fund;
- Reducing bonded indebtedness;
- Reducing the unfunded liability for other post-employment benefits (OPEB); or
- Providing funds for higher education matching grants as per sections 10a-8c, 10a-77a, 10a-99a, 10a-109c, 10a-109i, and 10a-143a of the Connecticut General Statutes.

Budget Reserve Fund Maximum Threshold

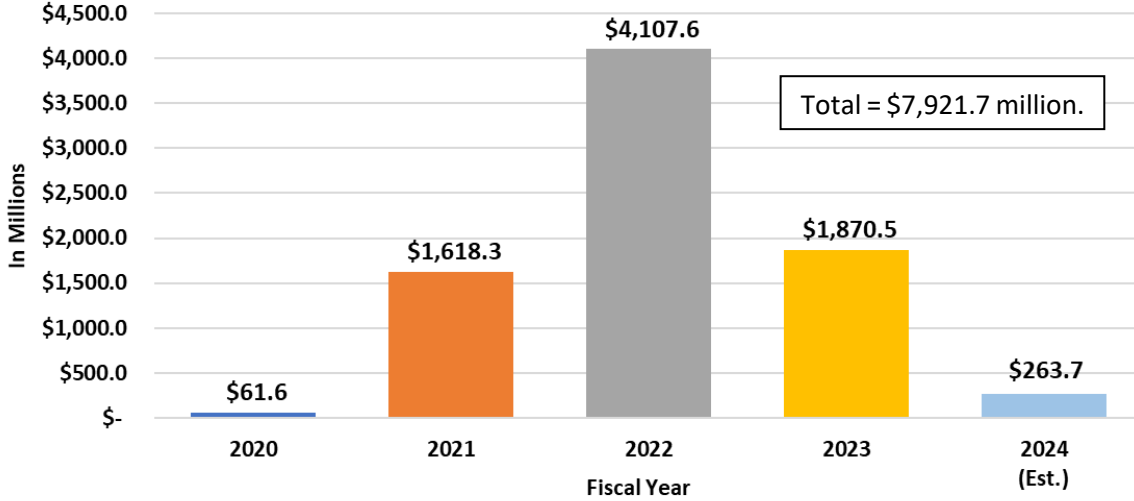
At the end of FY 2020, the balance of the Budget Reserve Fund was estimated at 15.3 percent, \$61.6 million more than the statutory threshold of 15 percent of the following fiscal year's net General Fund appropriations. By statute, the State Treasurer determines whether to transfer any sums that exceed the statutory 15 percent cap to reduce unfunded liabilities in the State Employees Retirement Fund or the Teachers' Retirement Fund. The \$61.6 million in excess of the 15 percent threshold was transferred to reduce the unfunded liabilities of the State Employees Retirement Fund. Again, at the conclusion of FY 2021, the balance of the Budget Reserve Fund was estimated at 22.8 percent, about \$1,618.3 million more than the statutory threshold of 15 percent of the following fiscal year's net General Fund appropriations. Of the estimated \$1,618.3 million in excess of the 15 percent threshold, \$903.6 million was transferred to reduce the unfunded liabilities of the Teachers' Retirement Fund and the balance of \$714.7 million was transferred to reduce the unfunded liabilities of the State Employees Retirement Fund. FY 2022 concluded with the Budget Reserve Fund at 33.6 percent of the following fiscal year's net General Fund appropriations, about \$4,107.6 million over the 15 percent statutory limit. Of the \$4,107.6 million, approximately \$903.6 million was be transferred to reduce the unfunded liabilities of the Teachers' Retirement Fund and the estimated balance of \$3,204.0 million was be transferred to reduce the unfunded liabilities of the State Employees Retirement Fund. FY 2023 concluded with the Budget Reserve Fund at 23.5 percent of the following fiscal year's net General Fund appropriations, about \$1,870.5 million over the 15 percent statutory limit. Of the \$1,870.5 million, approximately \$823.9 million will be transferred to reduce the unfunded liabilities of the Teachers' Retirement Fund and the estimated balance of \$1,046.5 million will be transferred to reduce the unfunded liabilities of the State Employees Retirement Fund. It should be noted that the FY 2023 ending balance and the estimated \$1,870.5 million excess balance are unaudited figures and may be revised as the State Comptroller completes the state's Annual Comprehensive Financial Report for FY 2023.

Pension Savings

The two graphs below reflect deposits to the pension funds in addition to the ADEC along with the estimated annual savings from the additional deposits. These additional deposits to the state's pension funds have a tremendous positive impact on the state's operating budget by saving hundreds of millions of dollars in pension contributions annually for the next 25 years. With the additional deposits through the fiscal year ending June 30, 2023, OPM estimates the state will save \$650.9 million annually. If current projections hold for FY 2024, additional deposits will be made to the pension funds and raise those annual savings to \$673.3 million annually, while reducing the state's unfunded liabilities.

Budget Reserve Fund Transfers to Pension Funds

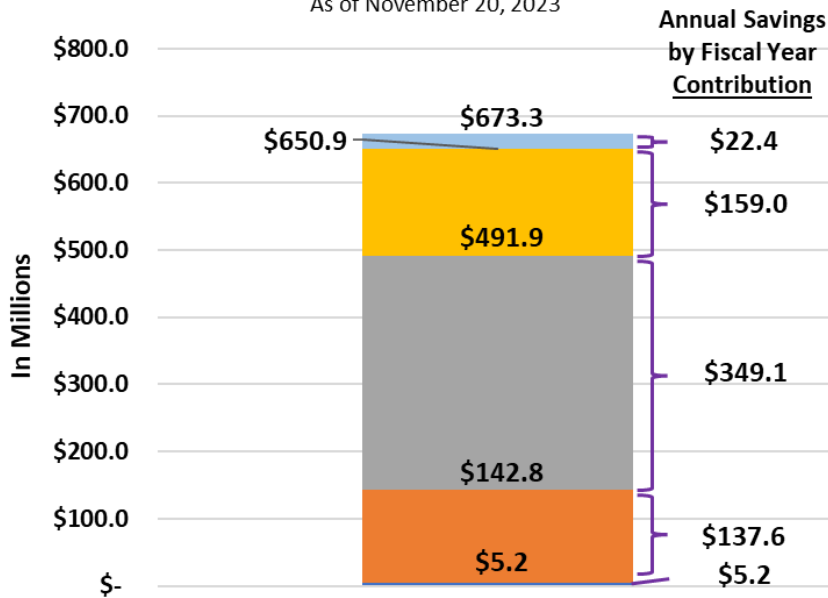
As of November 20, 2023



Note: Transfer amounts in FY 2020 - FY 2023 are due to the Budget Reserve Fund (BRF) reaching the 15% statutory limit and are in addition to ADEC payments. Transfer amount in FY 2024 is due to the 50/50 split of surplus and volatility cap transfer when the BRF is between 15% and 18%.

Estimated Annual Cumulative Pension Savings by Fiscal Year

As of November 20, 2023



Note: Assumes \$8.5M of annual savings for every \$100M contributed above ADEC.

Estimated Cumulative Annual Savings

PROJECTED TAX CREDITS

Tax credit projections are based on data from the Department of Revenue Services. Personal income tax credits are projected using income years 2018-2020 data. Corporation business tax credits are projected using FY 2021-2023 data. Appropriate growth rates are applied to base year data to derive an estimate for future fiscal years.

Projected Total Amounts of Tax Credits Claimed (In Thousands)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Personal Income Tax Credits</u>	<u>Est.</u>	<u>Proj.</u>	<u>Proj.</u>	<u>Proj.</u>	<u>Proj.</u>	<u>Proj.</u>
Pass-through Entity Tax Credit	\$ 783,100	\$ 676,200	\$ 701,700	\$ 728,100	\$ 756,300	\$ 785,500
Earned Income Tax Credit	126,300	191,600	196,200	199,900	205,000	210,300
Property Tax	161,700	165,000	168,000	171,000	174,000	177,000
Connecticut Higher Education Trust (CHET)	17,100	18,000	18,900	19,900	20,800	21,900
Angel Investor	5,000	7,500	5,000	5,000	5,000	5,000
All Other ⁽¹⁾	<u>90,300</u>	<u>1,550</u>	<u>4,550</u>	<u>4,550</u>	<u>4,550</u>	<u>4,550</u>
Total Personal Income Tax	\$ 1,183,500	\$ 1,059,850	\$ 1,094,350	\$ 1,128,450	\$ 1,165,650	\$ 1,204,250
<u>Business Tax Credits</u>						
Film Industry Production ⁽²⁾	\$ 93,000	\$ 99,000	\$ 105,000	\$ 105,000	\$ 109,500	\$ 114,000
Fixed Capital	40,500	40,500	40,500	43,500	43,500	43,500
JobsCT	-	-	40,000	40,000	40,000	40,000
Research and Development Expenditures	52,000	56,500	56,500	57,000	57,500	57,500
Research and Experimental Expenditures	28,500	29,500	30,000	31,000	32,000	33,000
Urban and Industrial Reinvestment ⁽²⁾	18,500	19,000	19,500	19,500	20,000	20,500
Electronic Data Processing ⁽²⁾	16,500	17,000	17,500	18,000	18,500	19,000
Historic Rehabilitation ⁽²⁾	17,500	17,500	18,000	18,000	18,000	18,000
Housing Program Contribution ⁽²⁾	10,000	10,000	10,000	10,000	10,000	10,000
Human Capital	3,300	5,400	6,800	6,900	6,900	6,900
Film Industry Infrastructure ⁽²⁾	1,500	1,500	1,500	2,000	2,000	2,000
Machinery and Equipment	700	700	700	700	700	700
All Other Credits ^(2,3)	<u>64,500</u>	<u>69,250</u>	<u>68,000</u>	<u>93,750</u>	<u>94,750</u>	<u>95,250</u>
Total Business Tax Credits	\$ 346,500	\$ 365,850	\$ 414,000	\$ 445,350	\$ 453,350	\$ 460,350
Total Projected Amount Claimed	\$ 1,530,000	\$ 1,425,700	\$ 1,508,350	\$ 1,573,800	\$ 1,619,000	\$ 1,664,600

(1) Includes one-time Child Tax Credit applicable to tax year 2021, Historic Homes Rehab. Tax Credit, & Youth Development Organization Contribution Tax Credit

(2) Includes credits claimed under the Corporation Tax, Insurance Premiums Tax, and the Public Service Companies Tax of which all projections are based off of FY 2021, 2022, and 2023 data.

(3) Includes Aerospace Reinvestment Act with Sales Tax abatements per PA 16-1 of the September Special Session in FY 2021 and beyond.

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				TOTAL
	FY 2022	FY 2023	FY 2024	FY 2025	
LEGISLATIVE MANAGEMENT					
28221 - Review of Title 7		27,000			27,000
28334 - Strategic Higher Education Study			250,000		250,000
29796 - CTN	1,000,000				1,000,000
TOTAL - OLM10000	1,000,000	27,000	250,000		1,277,000
GOVERNOR'S OFFICE					
28254 - HVAC Training Agency		300,000			300,000
29819 - Governor's Workforce Initiatives	70,000,000				70,000,000
TOTAL - GOV12000	70,000,000	300,000			70,300,000
SECRETARY OF THE STATE					
28344 - Enhance Voter Access			1,680,447	1,379,128	3,059,575
TOTAL - SOS12500			1,680,447	1,379,128	3,059,575
DEPARTMENT OF REVENUE SERVICES					
28173 - Provide Payments to Filers Eligible for the Earned Income Tax Credit		42,250,000			42,250,000
28312 - ABLE Accounts Software			75,000		75,000
TOTAL - DRS16000		42,250,000	75,000		42,325,000
OFFICE OF POLICY AND MANAGEMENT					
26527 - Support ARPA Grant Administration		39,063			39,063
28234 - Audits of ARPA Recipients		1,250,000			1,250,000
28235 - COVID Response Measures		51,900,000			51,900,000
28236 - Provide Private Provider Support-One Time Payments		20,000,000			20,000,000
28237 - Evidence Based Evaluation of Initiatives		928,779			928,779
28238 - Support ARPA Grant Administration		760,937			760,937
28239 - Statewide GIS Capacity for Broadband Mapping/Data and Other Critical Services		9,532,000			9,532,000
28240 - Invest Connecticut			1,666,331		1,666,331
28241 - Bethany Town Hall Auditorium		350,000			350,000
28242 - Bethany Town Hall Windows		350,000			350,000
28243 - Durham Town Website		25,000			25,000
28244 - Hall Memorial Library Reading and Meditation Garden		66,626			66,626
28245 - Orange Fire Department Clock purchase		10,000			10,000
28246 - Resources to develop a combined Grammar School Support between Hampton and Scotland		25,000			25,000
28247 - Senior Center Outdoor Fitness Area - Ellington		57,418			57,418
28248 - South Windsor Riverfront Linear Park Study and Planning		100,000			100,000
28249 - Valley Regional High School Tennis Courts		300,000			300,000
28250 - Lebanon Historical Society		300,000			300,000
28251 - Bloomfield Social and Youth Services		100,000			100,000
28252 - Bridgeport Revenue Replacement		2,200,000			2,200,000
28337 - CSCU System Study			250,000		250,000
28338 - Funding for Grants and Contracts Specialist Positions for State Agency Support			2,868,000		2,868,000
28339 - Housing Study			250,000		250,000
28340 - IDD Employment Opportunities Study			50,000	50,000	100,000
28341 - Level of Needs and Statutory Definitions Study			100,000	100,000	200,000
28342 - Provide Funding for Medical Debt Erasure			6,500,000		6,500,000
28343 - Provide Funding to Stamford			1,500,000		1,500,000
29773 - Private Providers	30,000,000	30,000,000			60,000,000
29775 - State Employee Essential Workers and National Guard Premium Pay	20,000,000	15,000,000			35,000,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
TOTAL - OPM20000	50,000,000	133,294,823	13,184,331	150,000	196,629,154
DEPARTMENT OF ADMINISTRATIVE SERVICES					
28008 - Support School Air Quality		75,000,000			75,000,000
28271 - Capital Area Heating System Study			2,000,000		2,000,000
28272 - Interagency Portal			50,000		50,000
TOTAL - DAS23000		75,000,000	2,050,000		77,050,000
DIVISION OF CRIMINAL JUSTICE					
28200 - Provide Funding to Reduce Court Case Backlogs Through Temporary Prosecutors & Administrative Staff		2,199,879	2,126,550		4,326,429
TOTAL - DCJ30000		2,199,879	2,126,550		4,326,429
DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION					
28120 - Provide Funding for a Mobile Crime Laboratory		995,000			995,000
28121 - Provide Funding for the Gun Tracing Task Force		2,500,000			2,500,000
28122 - Provide Funding to State and Local Police Departments to Address Auto Theft and Violence		2,600,000	2,600,000		5,200,000
28123 - Upgrade Forensic Technology at the State Crime Lab		1,500,000	1,343,000		2,843,000
28124 - Rural Roads Speed Enforcement		2,600,000			2,600,000
28125 - Expand Violent Crimes Task Force		1,108,000			1,108,000
28126 - Online Abuse Grant SB 5		500,000			500,000
28127 - Fire Data Collection		300,000			300,000
28128 - P.O.S.T High School Recruitment Program for Police		200,000			200,000
28129 - Poquetanuck Volunteer Fire Department		150,000			150,000
28130 - Preston City Volunteer Fire Department		150,000			150,000
28255 - Time Limited Police Loan Forgiveness		1,000,000			1,000,000
28300 - Clean Slate Phase 2 Information Technology Needs			1,500,000		1,500,000
28301 - Sensory Kit Pilot			36,000		36,000
TOTAL - DPS32000		13,603,000	5,479,000		19,082,000
DEPARTMENT OF MOTOR VEHICLES					
28157 - IT Modernization		3,000,000			3,000,000
TOTAL - DMV35000		3,000,000			3,000,000
DEPARTMENT OF LABOR					
28216 - Reduce State UI Tax on Employers		40,000,000			40,000,000
28217 - CDL Training at Community Colleges		1,000,000			1,000,000
28219 - YouthBuild		1,500,000			1,500,000
28330 - Built With Our Hands			500,000		500,000
28331 - Infrastructure for MFT-Regional Workforce Training Initiative			800,000		800,000
28332 - Temporary UI Staff			2,500,000		2,500,000
28333 - Youth Employment for Regional Workforce Boards			500,000		500,000
29757 - Domestic Worker Grants	200,000	200,000			400,000
29759 - Opportunities for Long Term Unemployed Returning Citizens	750,000	750,000			1,500,000
29760 - TBICO Danbury Women's Employment Program	25,000	25,000			50,000
29761 - Boys and Girls Club Workforce Development - Milford	50,000	50,000			100,000
29762 - Women's Mentoring Network- Strategic Life Skills Workshop	5,000	5,000			10,000
29763 - Senior Jobs Bank - West Hartford	10,000	10,000			20,000
29764 - Greater Bridgeport OIC Job Development and Training Program	250,000	100,000			350,000
29765 - Unemployment Trust Fund	155,000,000				155,000,000
29766 - Unemployment Support	15,000,000				15,000,000
29767 - Customized Services for Mortgage Crisis Jobs Training Program	550,000	550,000			1,100,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
TOTAL - DOL40000	171,840,000	44,190,000	4,300,000		220,330,000
DEPARTMENT OF AGRICULTURE					
28275 - Container Gardens			2,000,000		2,000,000
28276 - Oyster Culch Management Program			100,000	100,000	200,000
29693 - Senior Food Vouchers	100,000	100,000			200,000
29694 - Farmer's Market Nutrition	100,000	100,000			200,000
29695 - Farm-to-School Grant	250,000	500,000			750,000
29696 - Food Insecurity Grants to Food Pantries and Food Banks	1,000,000				1,000,000
TOTAL - DAG42500	1,450,000	700,000	2,100,000	100,000	4,350,000
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION					
28131 - Outdoor Recreation with \$1,000,000 for East Rock Park and \$1,000,000 for West Rock Park for maintenance, repair and renovations		22,500,000			22,500,000
28132 - Engineering Study for Dam Removal on Papermill Pond		500,000			500,000
28133 - Land Trust Boardwalk Installation		200,000			200,000
28134 - Clinton Town Beach		55,000			55,000
28135 - Crystal Lake & Bob Tedford Park Renovations		50,000			50,000
28136 - Ludlowe Park		75,000			75,000
28137 - Lighthouse Park		500,000			500,000
28138 - Park Commission Edgewood Park		800,000			800,000
28302 - Accessibility Equipment for State Parks			500,000		500,000
28303 - Case Mountain Bridge Replacement and Masonry			330,000		330,000
28304 - Climate Equity Urban Forestry			500,000		500,000
28305 - Green Infrastructure for Stormwater Management			5,000,000		5,000,000
28306 - Nature Center at Keney Park			200,000		200,000
29746 - Swimming Lessons to DEEP	500,000	500,000	500,000		1,500,000
29747 - Health and Safety Barriers to Housing Remediation	7,000,000				7,000,000
29748 - Efficient Energy Retrofit for Housing	7,000,000				7,000,000
29749 - Quinnipiac Avenue Canoe Launch	250,000				250,000
TOTAL - DEP43000	14,750,000	25,180,000	7,030,000		46,960,000
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT					
28035 - International Festival of Arts and Ideas New Haven		200,000			200,000
28036 - CT Summer at the Museum Program		15,000,000	10,000,000		25,000,000
28037 - CT Next		2,000,000			2,000,000
28039 - Future, Inc.		1,300,000			1,300,000
28040 - Sons of Thunder		100,000			100,000
28041 - Youth Service Corp		1,100,000			1,100,000
28042 - Northside Institution Neighborhood Alliance - Historic Preservation		100,000			100,000
28043 - Amistad Center		200,000			200,000
28045 - City Seed of New Haven		200,000			200,000
28046 - Beta Iota Boule Foundation		500,000			500,000
28047 - Bartlem Park South		250,000			250,000
28048 - Team, Inc. - Derby		250,000			250,000
28049 - YWCA of Hartford		250,000			250,000
28050 - WBDC		250,000			250,000
28051 - Concat New Haven		250,000			250,000
28052 - Montville Parks and Rec Tennis Courts		500,000			500,000
28053 - Vietnam Memorial Cheshire		200,000			200,000
28054 - Norwich Historical Society		500,000			500,000
28055 - Friends of FOSRV		44,000			44,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				TOTAL
	FY 2022	FY 2023	FY 2024	FY 2025	
28056 - Dixwell Church Historic Preservation		2,000,000			2,000,000
28057 - Opportunities Industrialization Center		150,000			150,000
28058 - Bernard Buddy Jordan		50,000			50,000
28059 - Bridgeport Arts Cultural Council		50,000			50,000
28060 - McBride Foundation		100,000			100,000
28061 - Artreach		300,000			300,000
28063 - Bridgeport Youth LaCrosse Academy		25,000			25,000
28064 - Cape Verdean Women's Association		25,000			25,000
28065 - Cardinal Shehan Center		250,000			250,000
28066 - Caribe		100,000			100,000
28067 - Cheshire - Plan for Municipal Parking Lot		150,000			150,000
28068 - Compass Youth Collaborative		350,000	350,000		700,000
28069 - Dixwell Community Center		200,000			200,000
28070 - Emery Park		100,000			100,000
28071 - Farnam Neighborhood House		100,000			100,000
28072 - Flotilla 73, INC		5,000			5,000
28073 - Municipal Outdoor Recreation		4,200,000			4,200,000
28074 - Greater Bridgeport Community Enterprises		50,000			50,000
28075 - Lebanon Pines		300,000			300,000
28076 - Madison Cultural Art		60,000			60,000
28077 - Minority Construction Council, Inc		100,000			100,000
28078 - Nellie McKnight Museum		25,000			25,000
28079 - Noah Webster		100,000			100,000
28080 - Norwalk International Cultural Exchange / NICE Festival		50,000			50,000
28081 - Nutmeg Games		50,000			50,000
28082 - Parenting Center - Stamford		250,000			250,000
28083 - Ridgefield Playhouse		100,000			100,000
28084 - Sisters at the Shore		50,000			50,000
28085 - Taftville VFW Auxiliary		100,000			100,000
28086 - The Knowlton		25,000			25,000
28087 - The Ridgefield Theatre Barn		250,000			250,000
28088 - Youth Business Initiative		50,000			50,000
28278 - Bushnell Theater			750,000		750,000
28279 - CCAT			500,000	500,000	1,000,000
28280 - CT Main Street			350,000	350,000	700,000
28281 - Foundry 66			500,000		500,000
28282 - Hartford Stage			75,000		75,000
28283 - Life Health and Wellness Center			5,000		5,000
28284 - Lutz Childrens Museum			50,000		50,000
28285 - Masters Table Community Meals			5,000		5,000
28286 - New Britain Museum of Art			100,000		100,000
28287 - Farmington Ave in Hartford			1,800,000		1,800,000
28288 - Municipal Outdoor Recreation in Hartford			4,500,000	2,000,000	6,500,000
28289 - Real Art Ways			100,000		100,000
28290 - Special Olympics			3,000,000		3,000,000
28291 - Team, Inc.			100,000		100,000
28292 - Theaters			3,500,000	2,625,000	6,125,000
28293 - West Indian Foundation, Inc.			150,000		150,000
29698 - Beardsley Zoo	246,121	246,121			492,242
29699 - Amistad	200,000	200,000			400,000
29700 - Maritime Center Authority	196,295	196,295			392,590
29701 - Mystic Aquarium	177,603	177,603			355,206
29702 - Music Haven	100,000	100,000			200,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
29703 - Norwalk Symphony	50,000	50,000			100,000
29704 - Riverfront Recapture	250,000	250,000			500,000
29705 - Connecticut Main Street Center	350,000	350,000			700,000
29706 - Middletown Downtown Business District	100,000	100,000			200,000
29707 - CRDA Economic Support for Venues	5,000,000	2,500,000			7,500,000
29708 - Working Cities Challenge	1,000,000	1,000,000			2,000,000
29709 - Charter Oak Temple Restoration Association	100,000	300,000			400,000
29710 - West Haven Veterans Museum	25,000	25,000			50,000
29711 - VFW Rocky Hill	15,000	15,000			30,000
29712 - Playhouse on Park	15,000	15,000			30,000
29713 - Family Justice Center	50,000	50,000			100,000
29714 - East Hartford Little League	50,000				50,000
29715 - Hartford YMCA	1,000,000	500,000			1,500,000
29716 - ESF/Dream Camp of Hartford	100,000				100,000
29717 - Beta Iota Boule Foundation -Youth Services	100,000				100,000
29718 - Legacy Foundation of Hartford	225,000	625,000	350,000		1,200,000
29719 - Connecticut Center for Advanced Technologies	1,000,000				1,000,000
29720 - Middlesex YMCA	50,000				50,000
29721 - Shatterproof	100,000				100,000
29722 - Summer Experience at Connecticut's Top Venues	14,705,221				14,705,221
29722a - Summer Experience at Connecticut's Top Venues	294,779				294,779
29723 - Statewide Marketing	7,107,000				7,107,000
29725 - CT Hospitality Industry Support	25,000,000				25,000,000
29726 - Regulatory Modernization	1,000,000				1,000,000
29727 - Historic Wooster Square Association	500,000				500,000
29728 - Humane Commission/Animal Shelter of New Haven	500,000				500,000
29729 - Ball and Sockets – Cheshire	200,000	400,000			600,000
29730 - Junta for Progressive Action	750,000				750,000
29836 - Blue Hills Civic Association	500,000	500,000			1,000,000
29837 - IMHOTEP CT National Medical Association Society	200,000	200,000			400,000
29838 - Upper Albany Neighborhood Collaborative	125,000	125,000			250,000
29839 - CT Hospitality Industry Support	5,000,000				5,000,000
TOTAL - ECD46000	66,382,019	40,834,019	26,185,000	5,475,000	138,876,038
DEPARTMENT OF HOUSING					
28140 - Homeless Youth Transitional Housing		1,000,000			1,000,000
28141 - Homeless Services		5,000,000			5,000,000
28142 - Southside Institutions Neighborhood Alliance		500,000			500,000
28143 - Support for Affordable Housing		50,000,000			50,000,000
28307 - Flexible Funding Subsidy Pool for Housing and Homeless Support			2,000,000		2,000,000
28308 - Housing Initiatives			10,000,000		10,000,000
28309 - Housing Support Services			1,000,000	1,000,000	2,000,000
28310 - Rapid Rehousing			1,000,000		1,000,000
28311 - Rocky Hill Senior and Disabled Housing			55,000		55,000
29750 - Downtown Evening Soup Kitchen	200,000				200,000
29751 - Hands on Hartford - Department of Housing	100,000				100,000
TOTAL - DOH46900	300,000	56,500,000	14,055,000	1,000,000	71,855,000
DEPARTMENT OF PUBLIC HEALTH					
28158 - Community Violence Prevention Programs		1,000,000			1,000,000
28159 - Promote Healthy and Lead-Safe Homes		20,000,000	10,000,000		30,000,000
28160 - Provide Funding to Address and Respond to an Increase in Homicides		1,500,000			1,500,000
28161 - School Based Health Centers		10,000,000			10,000,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
28162 - Storage and Maintenance Costs of COVID 19 Preparedness Supplies		325,000			325,000
28163 - CCMC Pediatrician Training		150,000			150,000
28164 - Gaylord Hospital Electronic Records		2,600,000			2,600,000
28165 - HB 5272 - Menstrual Products		2,000,000			2,000,000
28166 - Pilot Program for Promoting Social Workers and Pediatrician Offices		2,500,000			2,500,000
28167 - ICHC School Based Health Centers		604,000			604,000
28168 - Durational Loan Manager		100,000			100,000
28169 - Connecticut Public Health Association		100,000			100,000
28170 - Child Psychiatrist Workforce Development		2,000,000			2,000,000
28171 - CT VIP Street Outreach		300,000			300,000
28172 - E-cigarette and Marijuana Prevention Pilot Program conducted by Yale to be in Stamford, Milford, East Haven		300,000			300,000
29752 - DPH Loan Repayment	500,000	5,100,000	3,000,000	3,000,000	11,600,000
29754 - Obesity & COVID-19 Study	500,000	500,000			1,000,000
29755 - Cornell Scott - Hill Health	250,000				250,000
TOTAL - DPH48500	1,250,000	49,079,000	13,000,000	3,000,000	66,329,000
OFFICE OF HEALTH STRATEGY					
28229 - Improve Data Collection and Integration with HIE		500,000	650,000		1,150,000
28230 - Study Behavioral Health Coverage by Private Insurers		200,000			200,000
28231 - Payment Parity Study		655,000			655,000
28232 - Telehealth Study		300,000			300,000
TOTAL - OHS49450		1,655,000	650,000		2,305,000
OFFICE OF THE CHIEF MEDICAL EXAMINER					
28253 - Testing and Other COVID-Related Expenditures		860,667			860,667
TOTAL - CME49500		860,667			860,667
DEPARTMENT OF DEVELOPMENTAL SERVICES					
28031 - Enhance Community Engagement Opportunities		2,000,000			2,000,000
28032 - Improve Camps		2,000,000			2,000,000
28033 - One Time Stabilization Grant		20,000,000			20,000,000
28034 - Vista		500,000			500,000
28277 - Northwestern Transportation Service Pilot			250,000	500,000	750,000
29697 - Respite Care for Family Caregivers	3,000,000				3,000,000
TOTAL - DDS50000	3,000,000	24,500,000	250,000	500,000	28,250,000
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES					
28145 - Enhance Mobile Crisis Services- Case Management		3,200,000		1,600,000	4,800,000
28146 - Enhance Respite Bed Services for Forensic Population		4,292,834		954,567	5,247,401
28147 - Expand Availability of Privately-Provided Mobile Crisis Services		6,000,000		3,000,000	9,000,000
28148 - Fund Supportive Services to Accompany New Housing Vouchers		1,125,000	1,125,000	1,125,000	3,375,000
28149 - Provide Mental Health Peer Supports in Hospital Emergency Departments		2,400,000			2,400,000
28150 - Implement Electronic Health Records		16,000,000			16,000,000
28151 - Public Awareness Grants		1,000,000			1,000,000
28152 - Peer-to-Peer		500,000			500,000
28153 - United Services Pilot on Crisis Intervention		200,000			200,000
28154 - Clifford Beers		200,000			200,000
28155 - The Pathfinders Association		100,000			100,000
28156 - Fellowship Place New Haven		150,000			150,000
29797 - DMHAS Private Providers	25,000,000	18,660,000			43,660,000
TOTAL - MHA53000	25,000,000	53,827,834	1,125,000	6,679,567	86,632,401

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				TOTAL
	FY 2022	FY 2023	FY 2024	FY 2025	
DEPARTMENT OF TRANSPORTATION					
28197 - Outfit M8 Rail Cars with 5G		2,750,000			2,750,000
28199 - Replace Infrastructure Match		150,000,000			150,000,000
28324 - Bus Stop Shelter Study		75,000			75,000
28325 - IDD Needs Transit Study		200,000			200,000
28326 - IDD Non-Medical Transit Study		100,000			100,000
29756 - Groton Water Taxi	100,000	100,000			200,000
29835 - Free Bus Public Transportation Services	8,100,000	23,900,000			32,000,000
TOTAL - DOT57000	8,200,000	177,125,000			185,325,000
DEPARTMENT OF SOCIAL SERVICES					
28174 - Expand Medical/Psychiatric Inpatient Unit at Connecticut Children's Medical Center		15,000,000			15,000,000
28175 - Provide Additional Supports for Victims of Domestic Violence		2,900,000			2,900,000
28176 - Provide Support for Infant and Early Childhood Mental Health Services		5,000,000		4,000,000	9,000,000
28177 - Strengthen Family Planning		2,000,000			2,000,000
28178 - Charter Oak Urgent Care		100,000			100,000
28179 - Roca		500,000			500,000
28180 - Waterbury Seed Funds for Wheeler Clinic		650,000			650,000
28181 - Provide Support for Residential Care Homes (RCH)		3,700,000			3,700,000
28182 - Brain Injury Alliance of CT		300,000			300,000
28183 - Hartford Communities that Care		500,000			500,000
28184 - Hebrew Senior Care		150,000			150,000
28185 - Connecticut Health Foundation		500,000			500,000
28186 - Health Equity Solutions		500,000			500,000
28187 - CT Oral Health Initiative		300,000			300,000
28188 - Day Kimball Hospital		5,000,000	8,000,000	2,000,000	15,000,000
28189 - Mothers United Against Violence		300,000			300,000
28191 - Support Adult Day Services		3,000,000			3,000,000
28193 - Hands on Hartford		100,000			100,000
28194 - Human Resources Agency of New Britain		450,000			450,000
28195 - TEEG		200,000			200,000
28313 - Capital Funding for RCHs Grandfathered under Outdated Codes			5,000,000		5,000,000
28314 - Charter Oak Health Care			230,000		230,000
28315 - Client Support Funds - Community Action Agencies			10,000,000		10,000,000
28316 - Hospital Based Autism Service Pilot			500,000	500,000	1,000,000
28317 - HUSKY Temporary Workers			150,000		150,000
28318 - Migrant Support			3,250,000		3,250,000
28319 - Nursing Home Specialized Unit Infrastructure Fund			4,000,000		4,000,000
28320 - Provide Capital Grants for Mobile Vans for Free Health Clinics			500,000		500,000
28321 - Provide Funding for Provider Rate Study and Implementation Strategy			1,000,000	2,000,000	3,000,000
28322 - Supports for Public Health Emergency Unwind			1,000,000		1,000,000
28323 - Two Months of Premium Assistance under Access Health CT			10,000,000		10,000,000
29753 - Community Action Agencies - Community Health Workers	3,000,000	4,000,000			7,000,000
29789 - Fair Haven Clinic	10,000,000	10,000,000			20,000,000
29790 - Workforce Development, Education and Training	1,000,000				1,000,000
29791 - Nursing Home Facility Support	10,000,000				10,000,000
29792 - MyCT Resident One Stop	2,500,000				2,500,000
29793 - New Reach Life Haven Shelter	500,000				500,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
29794 - Mary Wade	750,000				750,000
29795 - Community Action Agencies	5,000,000				5,000,000
TOTAL - DSS60000	32,750,000	55,150,000	43,630,000	8,500,000	140,030,000
DEPARTMENT OF AGING AND DISABILITY SERVICES					
28009 - Senior Centers		10,000,000			10,000,000
28010 - Meals on Wheels		3,000,000			3,000,000
28011 - Respite Care for Alzheimer's		1,000,000			1,000,000
28012 - Area Agencies on Aging		4,000,000			4,000,000
28013 - Avon Senior Center		100,000			100,000
28014 - Dixwell Senior Center		100,000			100,000
28015 - Eisenhower Senior Center		100,000			100,000
28016 - Orange Senior Center		100,000			100,000
28017 - Sullivan Senior Center		100,000			100,000
28273 - Elderly Nutrition			2,250,000		2,250,000
28274 - Prevalence of Autism Study/Study of Alzheimer's Disease and Dementia			10,000		10,000
29798 - Blind and Deaf Community Supports	2,000,000				2,000,000
TOTAL - SDR63500	2,000,000	18,500,000	2,260,000		22,760,000
DEPARTMENT OF EDUCATION					
28089 - Expand Support for Learner Engagement and Attendance Program (LEAP)		7,000,000	7,000,000		14,000,000
28090 - Increase College Opportunities Through Dual Enrollment		3,500,000	3,500,000		7,000,000
28091 - Provide Funding for the American School for the Deaf		1,115,000			1,115,000
28092 - Provide Funding to Support FAFSA Completion		500,000			500,000
28093 - Big Brothers / Big Sisters		2,000,000			2,000,000
28094 - Social Worker Grant SB 1		5,000,000			5,000,000
28095 - School Mental Health Workers		15,000,000			15,000,000
28096 - School Mental Health Services Grant		8,000,000			8,000,000
28097 - RESC Trauma Coordinators		1,200,000			1,200,000
28098 - Para Educational Professional Development HB 5321		1,800,000			1,800,000
28099 - Leadership Education Athletic Partnership		400,000			400,000
28100 - Sphere Summer Program		500,000			500,000
28101 - Dream Camp Foundation		1,000,000			1,000,000
28103 - Keane Foundation		300,000			300,000
28104 - Greater Hartford YMCA		300,000			300,000
28105 - Free Meals for Students		65,000,000	16,000,000		81,000,000
28107 - YWCA of New Britain		200,000			200,000
28108 - FRLP/Direct Certification Census Assistance		200,000			200,000
28109 - Drug and Alcohol Counseling - Woodstock Academy		200,000			200,000
28110 - Hartford Knights		100,000			100,000
28111 - BSL Educational Foundation		100,000			100,000
28112 - Magnets - Tuition Coverage for 1 year		11,000,000			11,000,000
28113 - Bridgeport Education Fund		100,000			100,000
28114 - Haddam-Killingworth Recreation Department		15,000			15,000
28115 - Hall Neighborhood House		75,000			75,000
28116 - New Haven Board of Education Adult Education Facility		500,000			500,000
28117 - New Haven Reads		50,000			50,000
28118 - Solar Youth		100,000			100,000
28119 - Bullard-Havens Technical High School for Operating		50,000			50,000
28294 - CERC Public Transition Program Report/Provide Funding for SERC			300,000		300,000
28295 - Education Workforce Development			5,000,000		5,000,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
28296 - Hartford Public Library - Flooding Restoration			1,795,000		1,795,000
28297 - Magnet Schools - New Britain, New London			3,500,000		3,500,000
28298 - New Haven Police Athletic League			250,000		250,000
28299 - Teacher Residency			1,500,000	1,500,000	3,000,000
29732 - Right to Read		12,860,000	12,860,000		25,720,000
29733 - Faith Acts Priority School Districts	5,000,000	5,000,000			10,000,000
29734 - CT Writing Project	79,750	79,750			159,500
29735 - Ascend Mentoring – Windsor	150,000	150,000			300,000
29736 - Women in Manufacturing - Platt Tech Regional Vocational Technical School	65,000	65,000			130,000
29737 - Elevate Bridgeport	200,000	200,000			400,000
29738 - Grant to RHAM Manufacturing Program	22,000				22,000
29739 - East Hartford Youth Services	200,000				200,000
29740 - Student Achievement Through Opportunity	100,000				100,000
29741 - Summer Camp Scholarships for Families	3,500,000	8,000,000			11,500,000
29743 - Hamden Before and After School Programming	400,000				400,000
29744 - Hamden Pre-K Programming	100,000				100,000
TOTAL - SDE64000	9,816,750	151,659,750	51,705,000	1,500,000	214,681,500
OFFICE OF EARLY CHILDHOOD					
28222 - Expand Access - Apprenticeship		6,500,000			6,500,000
28223 - Care4Kids		10,000,000	35,000,000		45,000,000
28224 - Early Childhood - Facility Renovation and Construction		15,000,000			15,000,000
28225 - Capitol Child Day Care Center		75,000			75,000
28227 - School Readiness		30,000,000			30,000,000
28228 - Start Early - Early Childhood Development Initiatives		20,000,000			20,000,000
28335 - Childhood Collaboratives			2,000,000		2,000,000
28336 - Cradle to Career			150,000		150,000
29768 - Care4Kids Parent Fees	5,300,000				5,300,000
29769 - Parents Fees for 3-4 Year Olds at State Funded Childcare Centers	3,500,000				3,500,000
29770 - Universal Home Visiting	8,000,000	2,300,000			10,300,000
TOTAL - OEC64800	16,800,000	83,875,000	37,150,000		137,825,000
STATE LIBRARY					
28257 - Mary Cheney Library		500,000			500,000
TOTAL - CSL66000		500,000			500,000
OFFICE OF HIGHER EDUCATION					
28233 - Higher Education Mental Health Services		3,000,000			3,000,000
29771 - Roberta Willis Need-Based Scholarships	20,000,000	40,000,000			60,000,000
29772 - Summer College Corps	1,500,000				1,500,000
29847 - Roberta Willis Need-Merit Scholarships			18,000,000		18,000,000
TOTAL - DHE66500	21,500,000	43,000,000	18,000,000		82,500,000
UNIVERSITY OF CONNECTICUT					
28258 - Temporary Support		33,200,000	42,200,000	11,100,000	86,500,000
28259 - Social Media Impact Study		500,000			500,000
28260 - Puerto Rican Studies Initiative		500,000			500,000
29776 - Higher Education – UConn	20,000,000	5,000,000			25,000,000
TOTAL - UOC67000	20,000,000	39,200,000	42,200,000	11,100,000	112,500,000
UNIVERSITY OF CONNECTICUT HEALTH CENTER					
28261 - Temporary Support		72,700,000	51,500,000	25,700,000	149,900,000
29777 - Revenue Impact	35,000,000				35,000,000
29778 - University of Connecticut Health Center	38,000,000				38,000,000

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				
	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
TOTAL - UHC72000	73,000,000	72,700,000	51,500,000	25,700,000	222,900,000
CONNECTICUT STATE COLLEGES AND UNIVERSITIES					
28001 - Education Technology Training at Gateway		100,000			100,000
28002 - Healthcare Workforce Needs		20,000,000	15,000,000		35,000,000
28003 - Provide Operating Support		118,000,000			118,000,000
28004 - Provide Support to Certain Facilities		5,000,000			5,000,000
28005 - Temporary Support - Charter Oak		500,000			500,000
28006 - Temporary Support - CT State Universities		14,500,000			14,500,000
28007 - Temporary Support - Community Colleges		9,000,000			9,000,000
29691 - Enhance Student Retention at Community Colleges	6,500,000	6,500,000	6,500,000		19,500,000
29692 - Higher Education – CSCU	10,000,000	5,000,000	147,700,000	48,800,000	211,500,000
TOTAL - BOR77700	16,500,000	178,600,000	169,200,000	48,800,000	413,100,000
DEPARTMENT OF CORRECTION					
29786 - TRUE Unit - Cheshire CI	500,000	500,000			1,000,000
29787 - WORTH Program York CI	250,000	250,000			500,000
29788 - Vocational Village Dept Corrections	20,000,000				20,000,000
TOTAL - DOC88000	20,750,000	750,000			21,500,000
DEPARTMENT OF CHILDREN AND FAMILIES					
28018 - Expand Mobile Crisis Intervention Services		8,600,000	8,600,000	8,600,000	25,800,000
28019 - Support Additional Urgent Crisis Centers and Sub-Acute Crisis Stabilization Units		21,000,000			21,000,000
28020 - Support for Improved Outcomes for Youth (YSBs and JRBs)		2,000,000			2,000,000
28021 - Social Determinant Mental Health Fund		1,000,000	1,000,000		2,000,000
28022 - Family Assistance Grants		1,000,000			1,000,000
28023 - Expand Access Mental Health		990,000			990,000
28024 - Resource Guide		50,000			50,000
28025 - Peer to Peer Training for Students		150,000			150,000
28026 - Respite for non-DCF Children		85,000			85,000
28027 - Children in Placement, Inc.		25,000			25,000
28029 - Girls for Technology		100,000			100,000
28030 - R-Kids		100,000			100,000
29779 - Fostering the Community	10,000	10,000			20,000
29780 - Casa Boricua-Meriden	50,000	50,000			100,000
29781 - Children's Mental Health Initiatives	10,500,000				10,500,000
29782 - Child First	5,100,000	5,100,000			10,200,000
TOTAL - DCF91000	15,660,000	40,260,000	9,600,000	8,600,000	74,120,000
JUDICIAL DEPARTMENT					
28201 - Provide Funding to Build Out the Juvenile Intake Custody and Probable Cause Applications		377,742	363,752		741,494
28202 - Provide Funding to Continue Temporary Staffing for the Foreclosure Mediation Program		3,410,901	3,444,293		6,855,194
28203 - Provide Funding to Enhance Contracts for Direct Service Partnership for Households and Families		200,000	200,000		400,000
28204 - Provide Funding to Enhance Technology for Citations and Hearings in the Criminal Infractions Bureau		606,915			606,915
28205 - Provide Funding to Enhance the Department's Case Management and Scheduler Application		1,382,900			1,382,900
28206 - Provide Funding to Establish Video Conferencing for Municipal Stations for Bail and Support Services		60,000			60,000
28207 - Provide Funding to Expand Housing Opportunities for Individuals on Bail		2,915,614	2,915,614		5,831,228

APPENDIX - CORONAVIRUS STATE FISCAL RECOVERY FUNDS

	ALLOCATIONS				TOTAL
	FY 2022	FY 2023	FY 2024	FY 2025	
28208 - Provide Funding to Hire Assistant Clerks and Family Relations Counselors to Reduce Family and Support Matter Case Backlogs		3,294,851	3,294,851		6,589,702
28209 - Provide Funding to Support Application Development for Monitor Note-Taking and Recording		923,467	226,337		1,149,804
28210 - Provide Increased Funding for Victim Service Providers		14,865,300	13,175,000	20,000,000	48,040,300
28211 - Provide Remote Equipment to Reduce Child Support Backlog		121,600			121,600
28212 - Inspire Basketball		2,000,000			2,000,000
28213 - Children's Law Center		190,000			190,000
28214 - Brother Carl Hardrick Institute - Violence Prevention		400,000			400,000
28215 - Community Resources for Justice (Family Reentry)		300,000	350,000		650,000
28327 - Equipment to Livestream Supreme Court Proceedings			350,000		350,000
28329 - Modernize and Upgrade IT and Courthouse Security			1,250,000		1,250,000
29783 - Mothers Against Violence	25,000	25,000			50,000
29784 - Legal Representation for Tenant Eviction	10,000,000	10,000,000			20,000,000
29785 - New Haven Police Activities League	100,000				100,000
TOTAL - JUD95000	10,125,000	41,074,290	25,569,847	20,000,000	96,769,137
PUBLIC DEFENDER SERVICES COMMISSION					
28256 - Provide Funding to Reduce Court Backlogs Through Temporary Public Defenders		2,023,821	1,956,360		3,980,181
TOTAL - PDS98500		2,023,821	1,956,360		3,980,181
TOTAL - ALL AGENCIES	652,073,769	1,471,419,083	546,311,535	142,483,695	2,812,288,082