Fiscal Accountability Report
Fiscal Years 2022 - 2026

Melissa McCaw, Secretary
Office of Policy and Management
November 30, 2021

Presentation Overview

1. FY 2022 Projections of Operating Results
2. Estimates of FY 2023 – FY 2026 Revenue and Fixed Cost Growth
3. Long-Term Liabilities
4. Conclusion and Key Takeaways

FY 2022 Operations

FY 2022 - OPM November 19, 2021, Projections

FY 2022 - OPM Estimates vs. Budget Plan

(in millions)

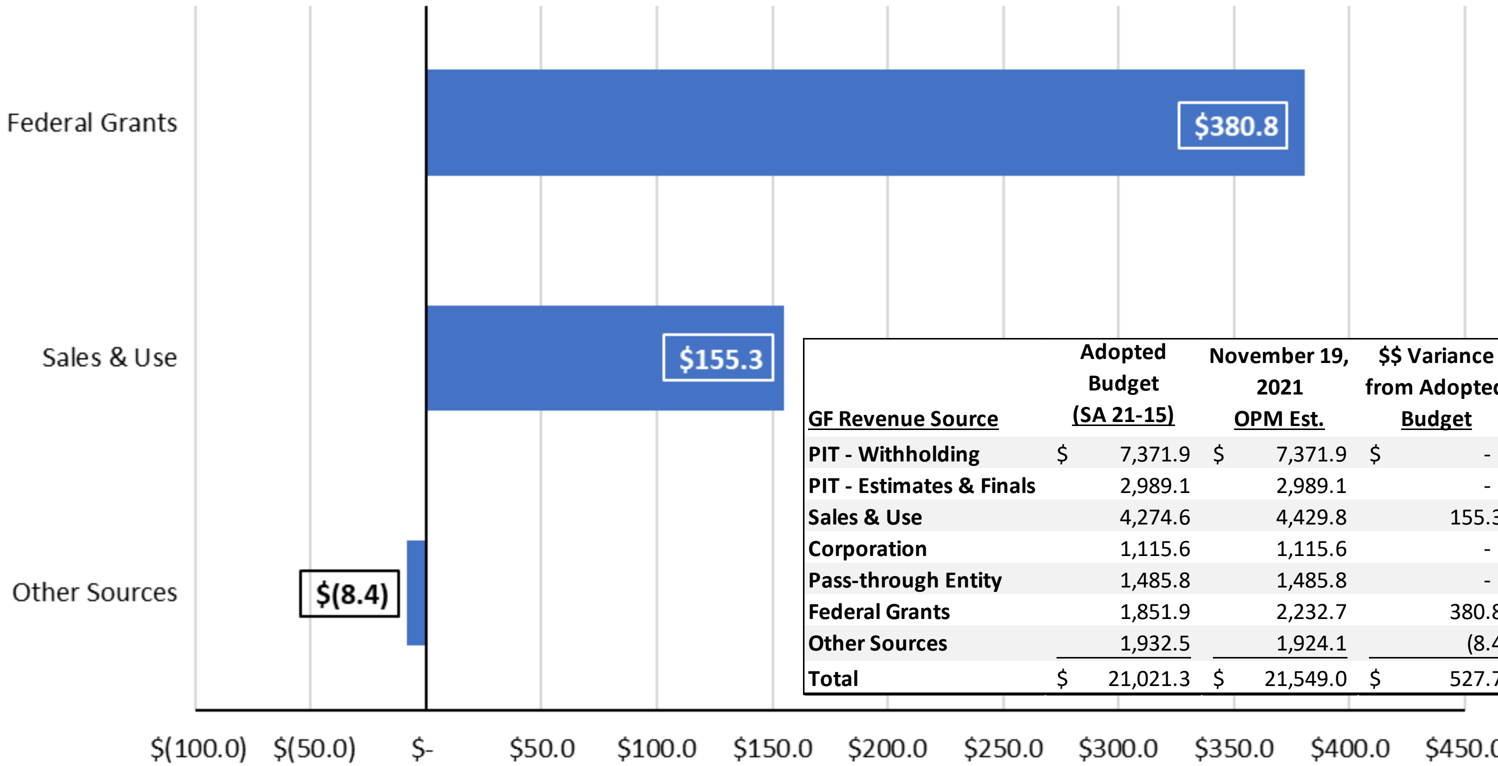
General Fund	Budget Plan	OPM Estimate 11/19/21	Variance from Budget
Revenues	$21,021.3	$21,549.0	$ 527.7
Expenditures	20,746.4	20,654.3	(92.1)
Operating Results - Surplus/(Deficit)	$ 274.9	$ 894.7	$ 619.8
Budget Reserve Fund			
Deposits		$ 1,863.9	
Withdrawals[2.]		(1,623.3) [1.]	
Proj. Balance 6/30		$ 4,975.9	
Special Transportation Fund			
Revenues	$ 1,889.7	$ 1,953.9	$ 64.2
Expenditures	1,721.8	1,702.6	(19.2)
Operating Results - Surplus/(Deficit)	$ 167.9	$ 251.3	$ 83.4
Proj. Fund Balance 6/30		$ 492.4	

Notes:

1. BRF withdrawal includes the transfer out of $1623.3 million in FY 2022 pursuant to Sec. 4-30a, CGS, as the FY 2021 ending balance exceeds the statutory 15% cap. This sum will be deposited as additional contributions to the State Employees Retirement Fund and the Teachers' Retirement Fund.

FY 2022 General Fund Revenue Changes

Change in GF Revenue Forecast
from FY 2022 Adopted Budget to November 19, 2021
(Dollar Amounts in Millions)



GF Revenue Source	Adopted Budget (SA 21-15)	November 19, 2021 OPM Est.	$$ Variance from Adopted Budget
PIT - Withholding	$ 7,371.9	$ 7,371.9	$ -
PIT - Estimates & Finals	2,989.1	2,989.1	-
Sales & Use	4,274.6	4,429.8	155.3
Corporation	1,115.6	1,115.6	-
Pass-through Entity	1,485.8	1,485.8	-
Federal Grants	1,851.9	2,232.7	380.8
Other Sources	1,932.5	1,924.1	(8.4)
Total	$ 21,021.3	$ 21,549.0	$ 527.7

Recent Revenue Trends

- The November consensus forecast adopted a conservative outlook:
  - Still early in the fiscal year
  - Waning impact of federal stimulus measures
  - Supply constraints
  - Uncertainty regarding second COVID-19 winter
- Fiscal year-to-date revenue growth continues to outpace the growth rates assumed in the November 2021 consensus
- A continuation of these trends could result in more positive revisions to FY 2022 revenue

Assumed Revenue Growth Rates vs. Actual Revenue Growth Rates, FYTD

By Major Source, FY 2022

Source	11/10/2021 Assumed Growth Rate	10/31/2021 FYTD Actual Growth Rate
1. Withholding	2.0%	3.2%
2. Estimates & Finals	-3.5%	18.4%
3. Sales & Use	5.0%	10.6%
4. Pass-through Entity	-4.4%	31.7%

FY 2022 General Fund Expenditure Projections

FY 2022 General Fund Expenditure Projections
Based on OPM 11/19/2021 Estimate
(in millions)

Deficiencies	
1. Dept. of Labor - PS	$ 14.75
2. Comm. on Human Rights and Opportunities - PS	0.35
3. Office of the Chief Medical Examiner - PS	0.20
4. Dept. of Developmental Services - ARPA HCBS	15.40
5. Comptroller- Misc. - Adjudicated Claims	25.00
Total Projected Deficiencies	**$ 55.70**

Lapses (beyond budgeted amounts)	
6. Auditors of Public Accounts - PS	$ 0.40
7. Secretary of the State - PS	0.20
8. Div. of Criminal Justice - PS	1.10
9. Dept. of Revenue Services - PS	0.20
10. Dept. of Public Health - PS	0.80
11. Dept. of Mental Health and Addiction Svcs - PS	3.80
12. Dept. of Social Services - extension of public health emergency and lower utilization/caseloads	121.20
13. Dept. of Aging and Disability Svcs - vacancies	0.20
14. Office of Higher Education - PS	0.10
15. Teachers' Retirement Board - retiree health costs	8.50
16. Dept. of Children and Families - PS, caseloads, lower utilization	18.40
17. Judicial Dept. - PS	3.00
18. Public Defender Svcs Commission - cost trends	0.40
19. Comptroller - Fringe Benefits	6.25
Total Projected Lapses	**$ 164.55**

Note: "PS" = Personal Services

General Fund Structural Balance Concerns

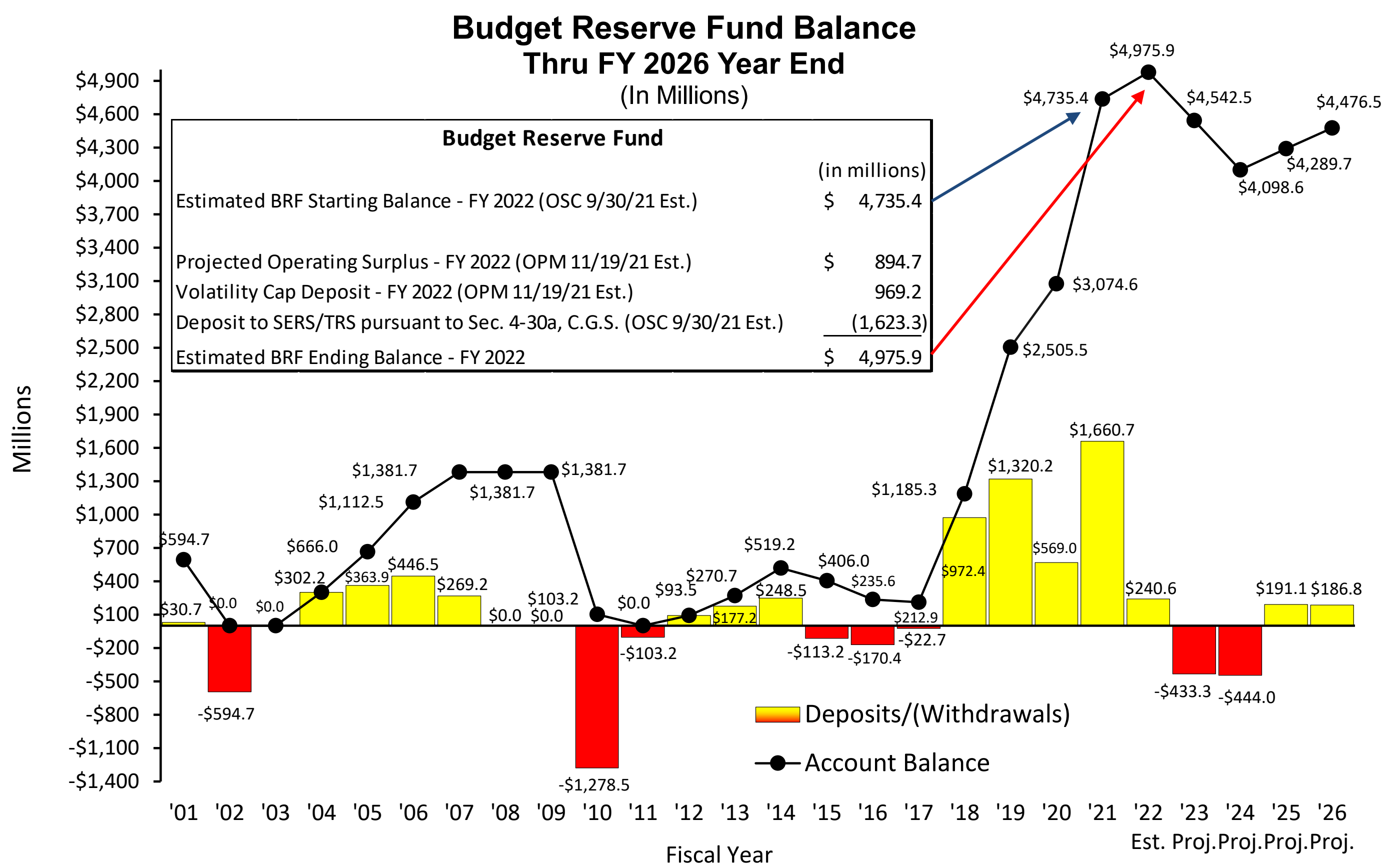
General Fund - Structural Balance
(in millions)

General Fund	FY 2022 Budget Plan	FY 2022 OPM Nov. Estimate	FY 2023 Budget Plan
Revenues	$21,021.3	$21,549.0	$21,537.2
Expenditures	20,746.4	20,654.3	21,534.3
Operating Balance - Surplus/(Deficit)	$ 274.9	$ 894.7	$ 2.8
Consensus Revenue Adjustment			$ 253.7
Less One-Time Revenues:			
ARPA Revenue Replacement	(559.9)	(559.9)	(1,194.9)
ARPA HCBS Revenue - reserved for 3-year reinvestment		(150.0)	-
Revised Balance	$ (285.0)	$ 184.8	$ (938.4)

- **The enacted budget relies heavily on one-time ARPA funds of $560 million in FY 2022 and almost $1.2 billion in FY 2023**

- **Excluding one-time sources, projected FY 2022 balance would only be modestly positive— $185 million, less than 1% of the General Fund—and FY 2023 would end with a sizable operating deficit**
- **The OFA budget book for the FY 2022 – FY 2023 biennium shows shortfalls of about $1.0 billion per year in FY 2024 and FY 2025. Compliance with the revenue cap increases outyear gaps to $1.4 billion per year. Costs of continuing programs currently funded from ARPA and carryforward would add to those shortfalls**
- **The state will need to experience significant revenue growth this biennium to prevent a large budgetary gap in FY 2024 and beyond**

FY 2022 Estimated Budget Reserve Fund Balance



Note: FY 2021 includes the transfer of $61.6 million out of the BRF and FY 2022 includes the transfer of $1,623.3 million out of the BRF, both as a result of exceeding the 15% limit at the end of FY 2020 and FY 2021, respectively. In FY 2023, approx. $1,745.7 million is expected to be transferred out of the BRF to reduce the unfunded liabilities of SERS/TRS as a result of the BRF again exceeding the 15% statutory limit at the end of FY 2022. Outyear forecast assumes balanced budgets are enacted that adhere to the revenue, spending, and volatility caps.

Credit Rating Opinions

- Rating agencies have highlighted the state's recent performance with credit upgrades in the Spring of 2021:
  - "The state has made governance improvements in recent years resulting in substantial reserves and laying the groundwork for a more effective approach to funding its pension liabilities" – Moody's Investors Service
  - "The upgrade reflects our view of a continuing moderating debt profile, based on a slower rate of tax-supported debt issuances, rapid amortization…Notably, Connecticut slowed its debt growth" – S&P Global Ratings
  - "[The rating upgrade] reflects enhancements to the state's fiscal management practices in recent years that are materially increasing the state's resilience to absorb economic and revenue cyclicality" – Fitch Ratings
- Still the state's high fixed costs remain an area of top concern for the agencies and without a continued commitment to addressing these concerns could result in rating downgrades:
  - "Fixed costs for debt, pension and other post-employment benefits (OPEB) relative to budget are among the highest in the nation and restrict budgetary flexibility" – Moody's Investors Services
  - "However, a high fixed-cost burden pressures the state's financial flexibility…the state's high fixed-cost burden limits its practical ability to make expenditure cuts in other areas" – S&P Global Ratings

Summary of OPM Projections of Fixed Cost Growth vs. Revenue Growth for FY 2023 – FY 2026

Year-Over-Year Growth of Fixed Costs vs. Revenue FY 2023 through FY 2026

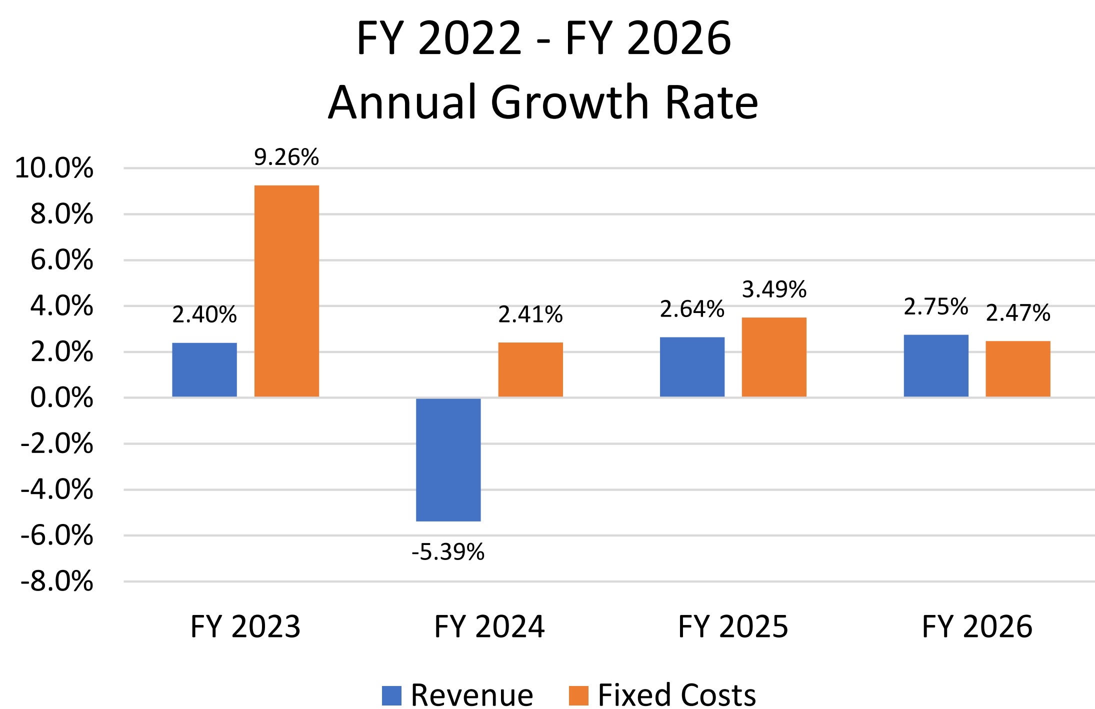
GENERAL FUND

(in millions)

	FY 2023 vs. FY 2022	FY 2024 vs. FY 2023	FY 2025 vs. FY 2024	FY 2026 vs. FY 2025
Revenue Growth	$ 517.7	$ (1,189.5)	$ 551.5	$ 588.6
Fixed Cost Growth				
Debt Service	164.1	20.1	132.2	51.7
State Employee Pensions	79.6	24.6	33.7	(8.7)
Teacher Pensions	134.4	85.8	107.6	97.3
State and Teachers OPEB	122.5	(26.2)	28.3	27.8
Medicaid	476.7	168.9	118.4	134.8
Other Entitlements	17.3	9.1	(0.3)	4.4
Total Fixed Cost Growth	994.4	282.3	419.9	307.4
Difference	$ (476.7)	$ (1,471.8)	$ 131.6	$ 281.2

- **Fixed costs are growing faster than revenue through FY 2024, largely due to one-time factors, but revenue growth is expected to outpace fixed cost growth in FY 2025 and FY 2026**

General Fund Revenue Growth vs. Fixed Cost Growth



- **Fixed cost growth in FY 2023 is driven largely by reduced federal aid, costs of new home and community-based and substance use services, and annualization of hospital and nursing home rate increases**
- **Revenue decline in FY 2024 is due to loss of significant non-recurring federal aid utilized to balance the budget for the current biennium**
- **Fixed costs and revenues are generally aligned in FY 2025 and FY 2026, rising between 2.5% and 3.5% annually**

Year-Over-Year Growth of Fixed Costs vs. Revenue FY 2023 through FY 2026

SPECIAL TRANSPORTATION FUND

(in millions)

	FY 2023 vs. FY 2022	FY 2024 vs. FY 2023	FY 2025 vs. FY 2024	FY 2026 vs. FY 2025
Revenue Growth	$ 165.0	$ 56.3	$ 24.2	$ 33.5
Fixed Cost Growth				
Debt Service	94.6	76.4	64.1	55.9
State Employee Pensions and OPEB	9.3	(1.1)	3.4	(1.6)
Total Fixed Cost Growth	103.9	75.3	67.5	54.3
Difference	$ 61.1	$ (19.0)	$ (43.3)	$ (20.8)

- **Fixed cost growth is driven by rising debt service costs, and exceeds revenue growth through FY 2026**

General Fund Revenues

Consensus Revenue Projections

General Fund Revenue

FY 2021 Thru FY 2026

(In Millions of Dollars)

	Actual	Projection					Actual	Projection				
Revenue Source	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Fiscal 2024**	**Fiscal 2025**	**Fiscal 2026**	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Fiscal 2024**	**Fiscal 2025**	**Fiscal 2026**
1. PIT - Withholding	$ 7,243.8	$ 7,371.9	$ 7,668.2	$ 7,872.0	$ 8,180.4	$ 8,483.9	6.3%	1.8%	4.0%	2.7%	3.9%	3.7%
2. PIT - Estimates & Final:	3,096.6	2,989.1	2,838.9	2,830.2	2,955.6	3,089.0	19.9%	-3.5%	-5.0%	-0.3%	4.4%	4.5%
3. Sales & Use	4,792.7	4,429.8	4,441.8	4,548.1	4,656.7	4,763.2	11.0%	-7.6%	0.3%	2.4%	2.4%	2.3%
4. Corporations	1,153.1	1,115.6	1,114.0	1,117.9	1,152.4	1,188.1	23.4%	-3.3%	-0.1%	0.4%	3.1%	3.1%
5. Pass-Through Entity	1,549.7	1,485.8	1,567.9	1,617.7	1,674.3	1,733.0	24.8%	-4.1%	5.5%	3.2%	3.5%	3.5%
6. Health Provider	1,037.7	974.7	991.8	984.1	988.3	962.6	3.3%	-6.1%	1.8%	-0.8%	0.4%	-2.6%
7. Federal Grants	1,496.3	2,232.7	1,739.2	1,787.5	1,821.5	1,850.9	-16.7%	49.2%	-22.1%	2.8%	1.9%	1.6%
8. Total Refunds	(1,864.6)	(1,745.1)	(1,778.3)	(1,893.0)	(1,952.3)	(2,013.3)	24.3%	-6.4%	1.9%	6.4%	3.1%	3.1%
9. Other Taxes	1,642.4	1,416.7	1,382.5	1,372.1	1,374.0	1,374.9	26.7%	-13.7%	-2.4%	-0.8%	0.1%	0.1%
10. Other Revenues	383.7	1,277.8	2,100.7	640.6	577.8	585.0	-45.5%	233.0%	64.4%	-69.5%	-9.8%	1.2%
11. Total GF Revenues	**$20,531.4**	**$21,549.0**	**$22,066.7**	**$20,877.2**	**$21,428.7**	**$22,017.3**	**7.0%**	**5.0%**	**2.4%**	**-5.4%**	**2.6%**	**2.7%**

Notes:
(1) Updated to November 10, 2021 consensus revenue estimates.

Without previously enacted revenue policy changes, this would be approximately +2.5%

FY 2024 Revenue Gap Due to Policy Changes

(in millions)

1.	**Total All Revenue, FY 2023**	**Estimated FY 2023 Revenues, as of 11/10/2021**	**$ 22,066.7**
2.	Personal Income Tax	Pension & Annuity Exemption from 70% in IY23 to 84% in IY24	(16.5)
3.	Personal Income Tax	Extend Existing Tax Exemption for Pensions/Annuities to IRAs	(32.5)
4.	Sales and Use Tax	Full Implementation of 0.5% of GF Sales Tax to Off-Budget MRSA	(276.3)
5.	Sales and Use Tax	Exemption for Beer Manufacturer/Retailer	(1.3)
6.	Corporate Income Tax	Expiration of 10% Surcharge	(50.0)
7.	Corporate Income Tax	Phase-out Capital Stock Tax	(5.7)
8.	Corporate Income Tax	Phase-In R&D Tax Credit from 50.01% to 60% to 70% by IY 2023	(4.3)
9.	Alcoholic Beverages Tax	Adjust Alcohol Excise Tax Rate for Beer Only	(2.0)
10.	Gift and Estate	Phase-in Federal Exemption Level from $9.1M to CY 2023 Federal Level	(3.6)
11.	Health Provider Tax	Reduce the ASC Tax from 6% to 3% Beginning FY 2024	(9.5)
12.	Refunds of Taxes	Revert Eligibility of Property Tax Credit	(53.0)
13.	Transfers Special Revenue	Debt Free College	(7.5)
14.	Transfers To/(From) Other Funds	Resume Funding GAAP Deficit in FY 2024	(120.8)
15.	Transfers To/(From) Other Funds	Loss of ARPA 2021 - Federal Stimulus	(1,194.9)
16.	Transfers to BRF - Volatility	(Increase)/Decrease in Volatility Cap Transfer	79.2
17.	Carryforward Expenditures	Transfer FY 2021 Surplus/Carryforwards for Use in FY 2022 & FY 2023	(178.8)
18.	Expenditure	Debt Issuance Premium Directed Toward Capital Projects Delay for 2 yrs	(60.0)
19.	Sub-total, Enacted Policy Changes Impacting FY 2024		$ (1,937.5)
20.	Various Sources	Projected FY 2024 Revenue Growth	748.0
21.	**Total All Revenue, FY 2024**	**Estimated FY 2024 Revenues, as of 11/10/2021**	**$ 20,877.2**
22.	Enacted Policy Changes as a Percentage of FY 2023 Revenue (Line 19 / Line 1)		-8.8%
23.	FY 2024 Growth Adjusted For Policy Changes (Line 20 / (Line 1 + Line 19))		3.7%
24.	FY 2024 Revenue Growth Adjusted For Revenue-Related Policy Changes Only (Excludes Line 17 & Line 18)		2.5%

FY 2024 GF growth absent previous revenue policy changes

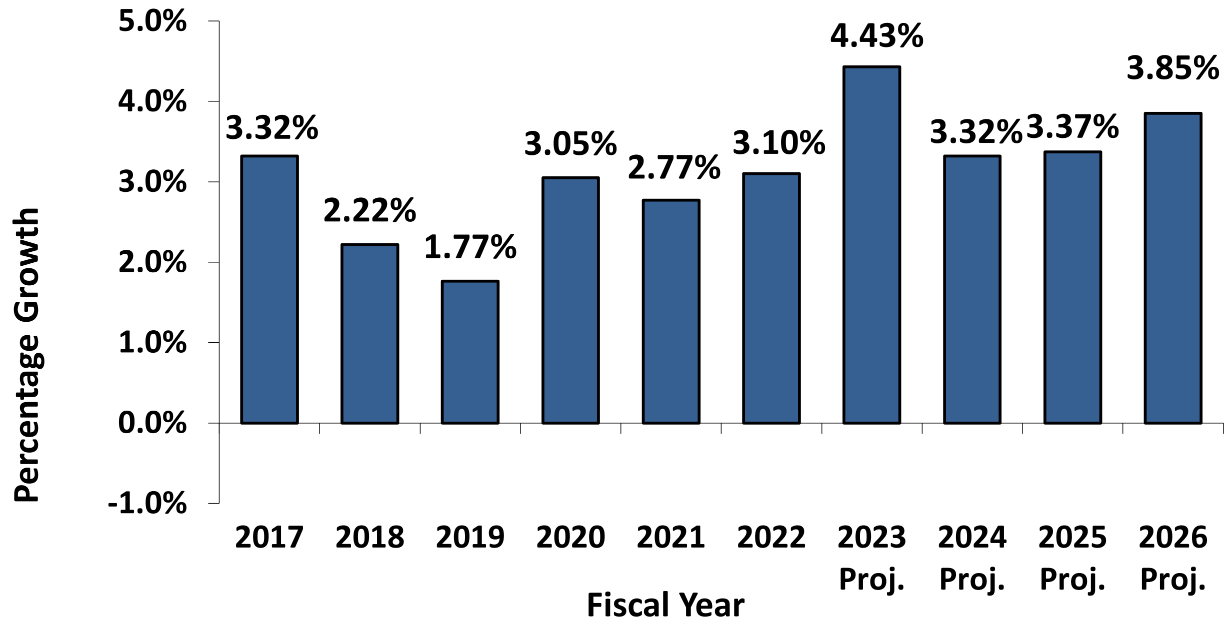
Long-Term Obligations, “Fixed” Cost Drivers and Other Topics

Efforts to Reduce Fixed Costs

While more work remains to be done, significant steps have been taken to reduce growth in fixed costs:

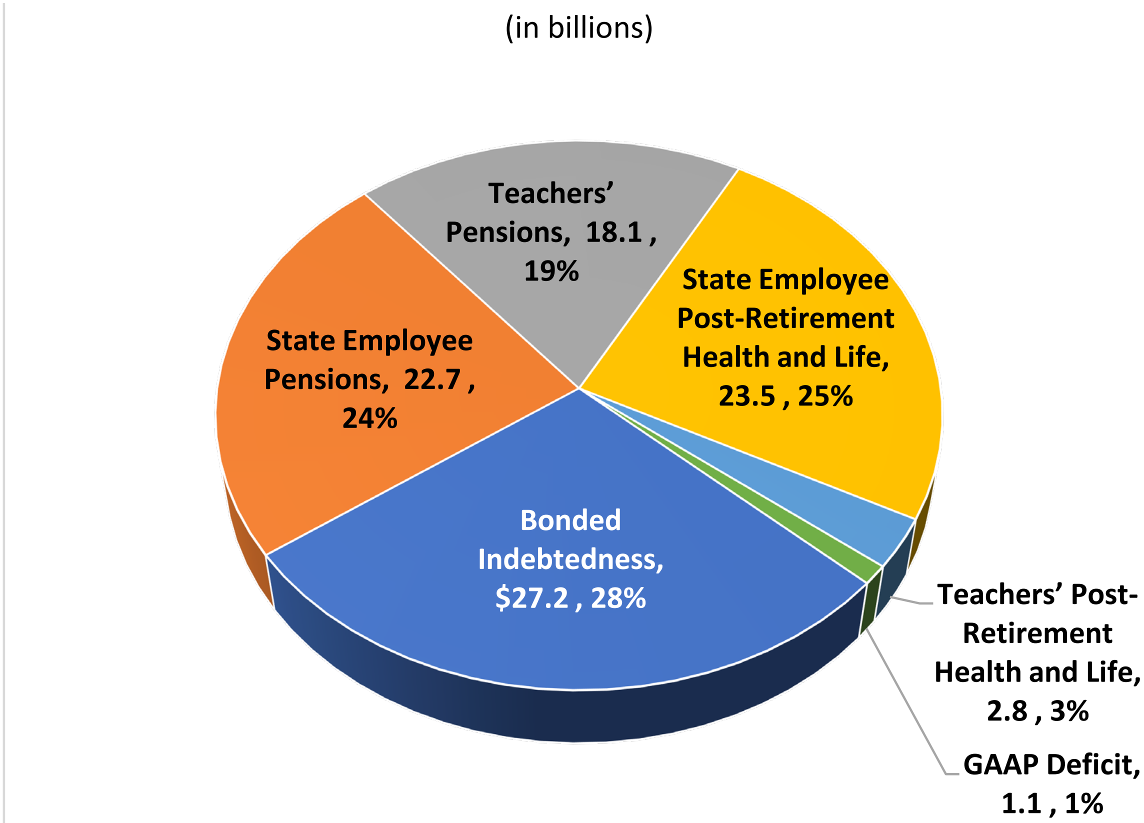
- Bond issuance has been reduced by 9.0% per year from 2015 to 2021
- Pension plans (SERS and TRS) have been stabilized through
  - Reduction of assumed rate of investment returns
  - Re-amortization of unfunded liability to mitigate impact of adopting more realistic actuarial assumptions
  - Introduction of a new hybrid retirement tier for state employees (Tier IV)
  - Additional contributions due to Budget Reserve Fund exceeding 15% cap
- Health coverage for active and retired state employees has seen introduction of more cost-efficient approaches, including efforts to link quality of care to payment methodologies
- Entitlement growth (e.g., Medicaid) has been modest compared to national averages, even after the expansion of coverage under the Affordable Care Act

Spending Cap Growth Rates



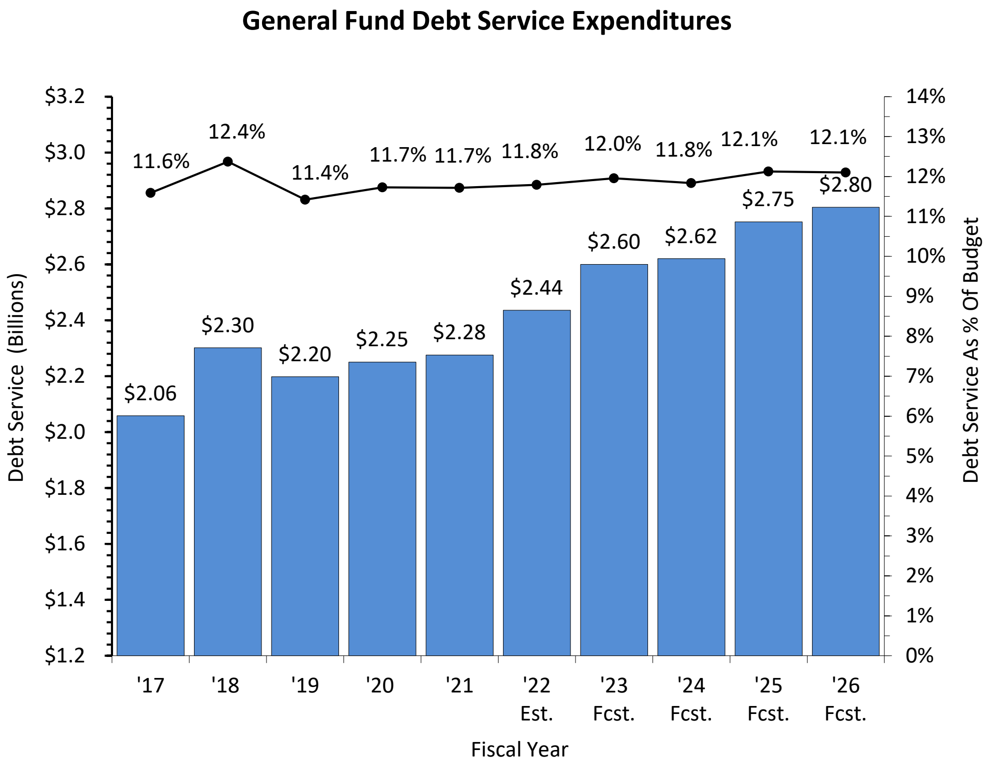
- Personal income is generally the limiting factor in FY 2020 and beyond. However,
  - Given the state's low growth in personal income in FY 2018 and FY 2019, the core consumer price index was the limiting factor for those years
  - Inflation is currently greater than projected wage growth for FY 2023
- The enacted budget is below the cap by $22.2 million for FY 2022 and $35.7 million for FY 2023

Long-Term Liabilities



Total: $95.4 billion

General Fund Debt Service

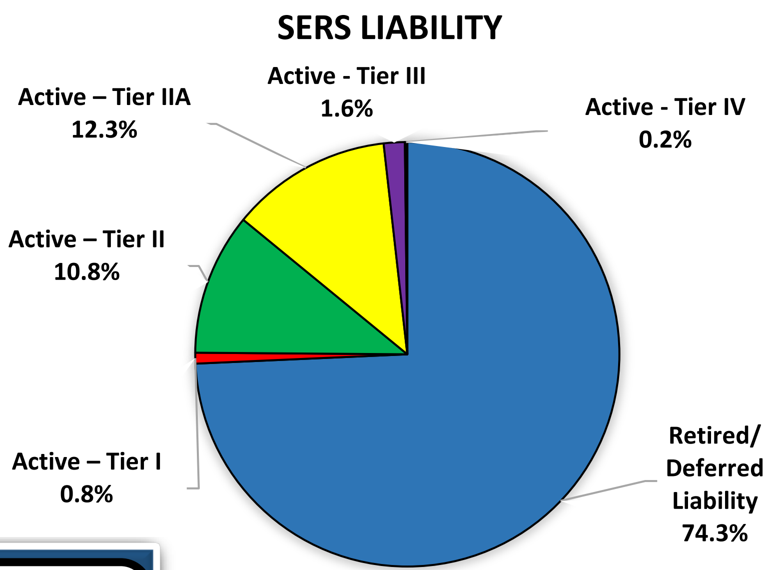


- FY 2022 increase: $84.7 million due to the Teacher's Pension Obligation Bond repayment schedule, all other $75.5 million
- FY 2023 increase: $103.6 million due to the Teacher's Pension Obligation Bond repayment schedule, all other $60.5 million
- FY 2025 increase: primarily driven by reductions in the amount of bond premium savings. Starting in FY 2024 bond premium will not be used to offset debt service costs, but will instead be used to provide additional funds to the state's bond accounts. Approximately $84 million in the increase over those years is attributed to a reduction in bond premium savings

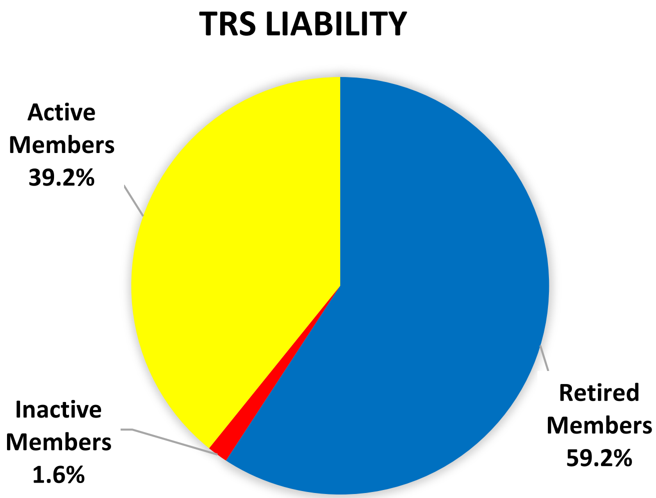
Retirement System Liabilities

State Employees Retirement System

- $37.0 billion total liability
- $22.7 billion unfunded liability
- 74.3% of the liability is related to inactive or already-retired employees
- 89.3% of the FY 2022 actuarially determined employer contribution is for the unfunded actuarial accrued liability

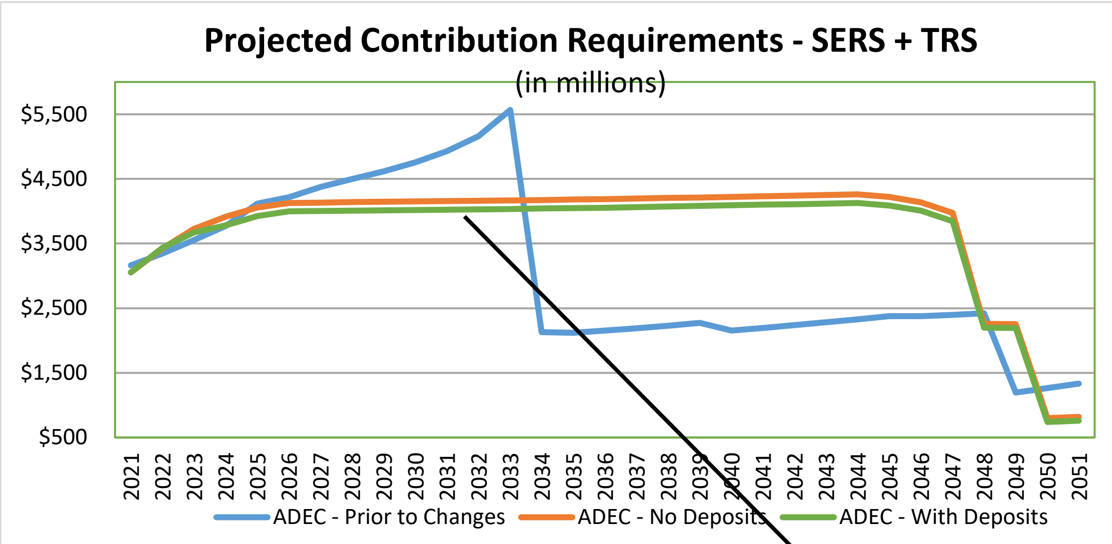


Teachers' Retirement System



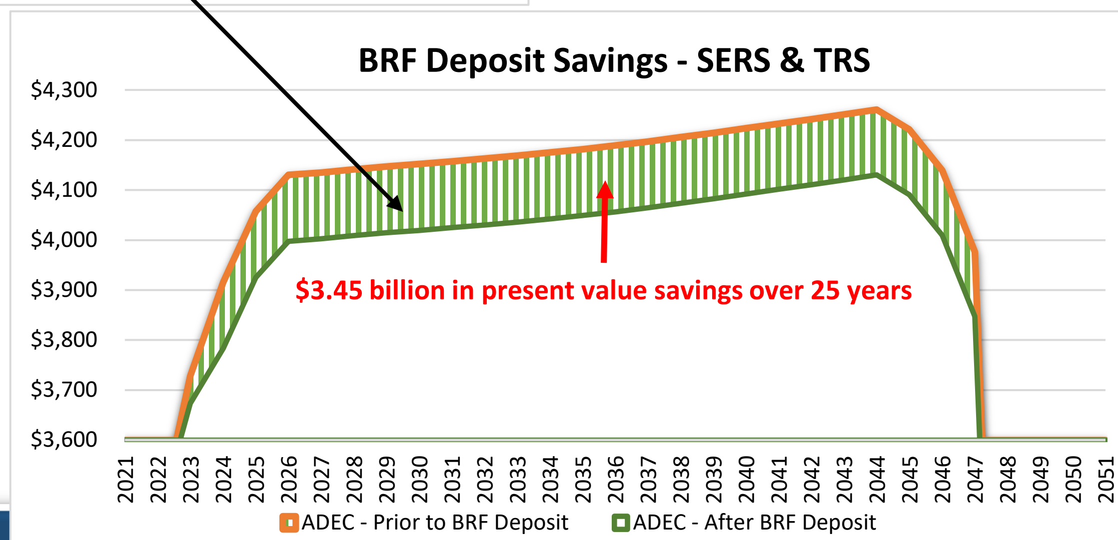
- $37.1 billion total liability
- $18.1 billion unfunded liability
- 60.8% of the liability is related to inactive or already-retired employees
- 79.7% of the FY 2022 actuarially determined employer contribution is for the unfunded actuarial accrued liability

Outlook for SERS and TRS



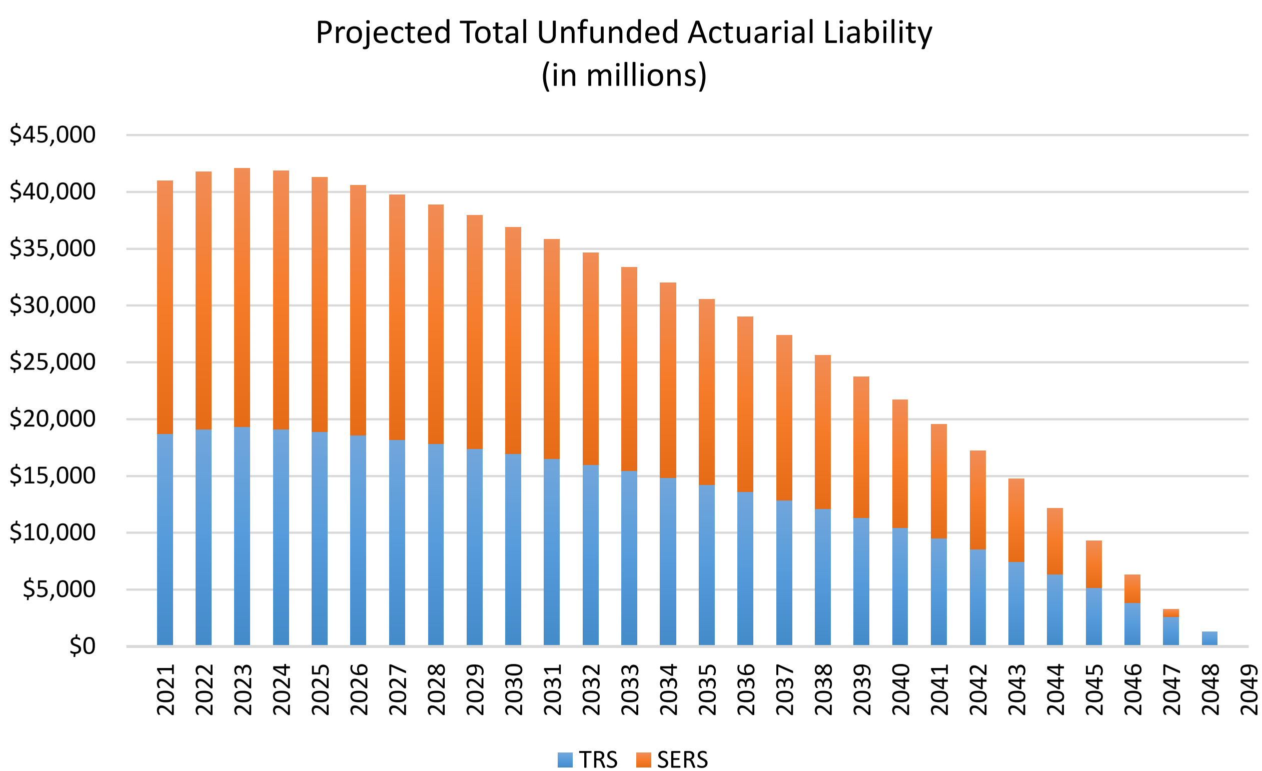
- Structural changes have made the state's projected contributions much more stable and predictable

- The recent additional pension payments related to the BRF exceeding the 15% cap have further eased budgetary requirements for the next 25 years

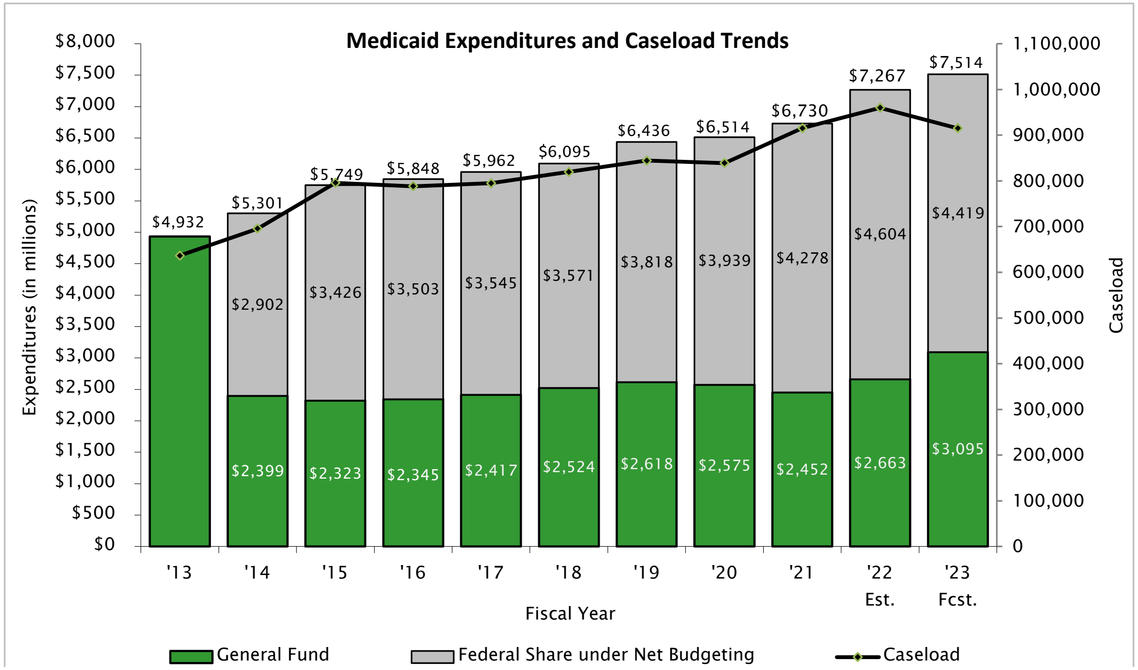


Outlook for SERS and TRS

- **Funding discipline will eliminate the unfunded liability in SERS in 2048 and TRS in 2050**



Medicaid – Expenditures and Caseload



Beginning with the budget adopted in 2013, the Medicaid account in the Department of Social Services was "net appropriated." A total of $2,768.7 million was removed from both budgeted revenues and appropriations to accomplish this transition in FY 2014.

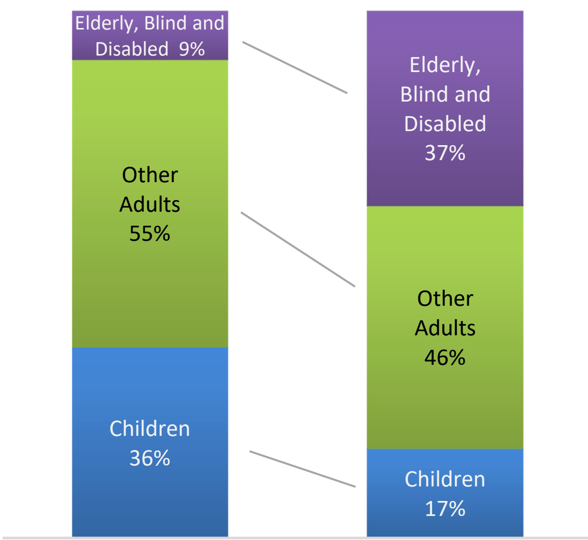
Expenditures have been adjusted to include funds transferred to DSS from DMHAS for behavioral health services which qualify for Medicaid reimbursement. Expenditures exclude hospital supplemental payments given the significant variance in that area over the years. Caseload figures exclude the limited benefit COVID-19 testing group.

Note: FY 2020 - FY 2022 General Fund requirements have been reduced due to enhanced federal reimbursement of 6.2% related to the public health emergency. This enhanced reimbursement does not apply to the Medicaid expansion population, which is reimbursed at 90%.

FY 2022 and FY 2023 estimates include projected expenditures related to the ARPA home and community-based services reinvestment plan and the substance use disorder waiver.

Medicaid – Enrollment and Cost Trends

Medicaid - FY 2021



Enrollment

Average Monthly Enrollment = 915,309 *

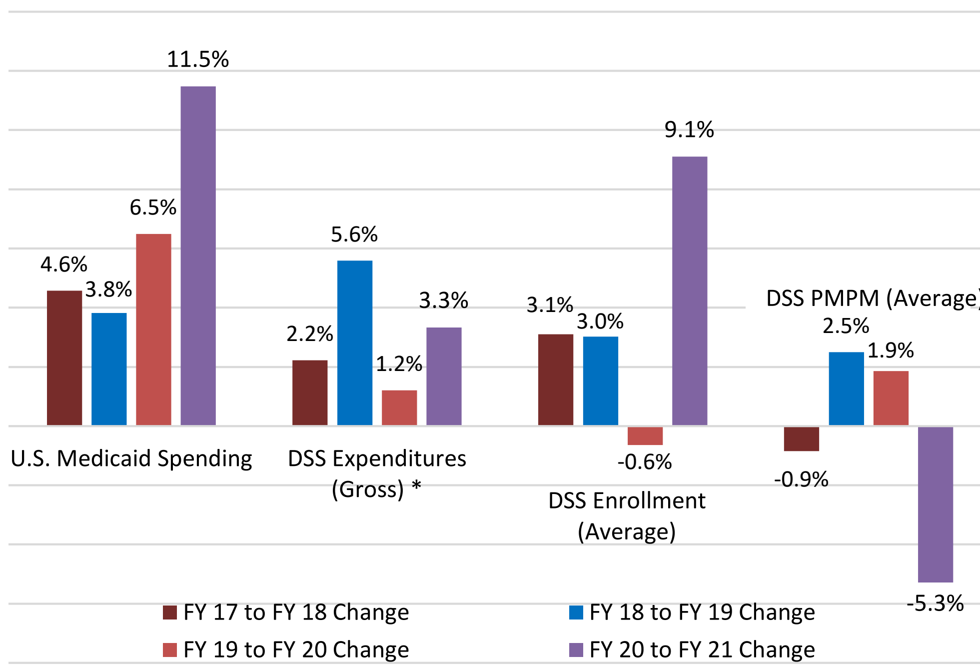
Expenditures

Total Annual Expenditures = $6,730 million

Average Per Member Per Month = $613

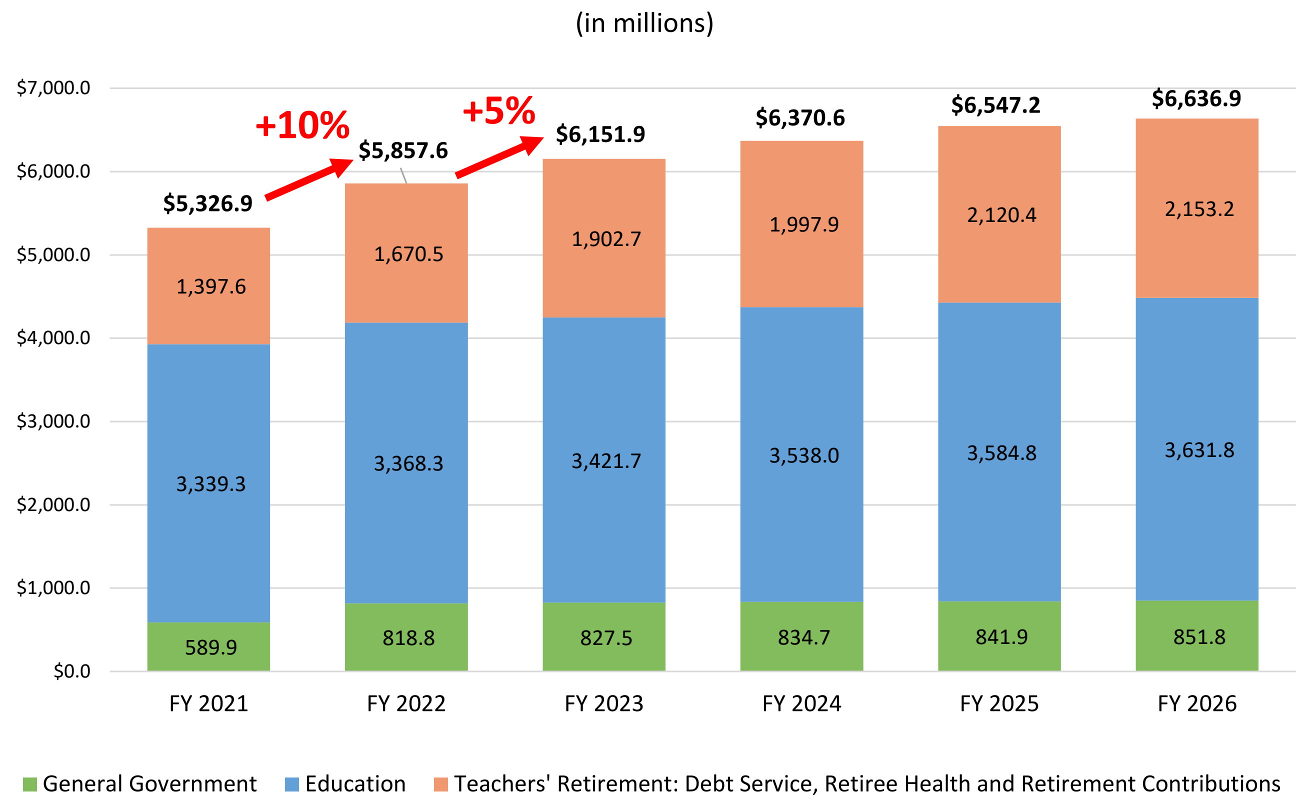
* Excludes the limited benefit COVID-19 testing group

Medicaid Growth Trends



** Expenditures are net of drug rebates and exclude hospital supplemental payments given the significant variance in that area over the years. Enrollment and PMPM figures exclude the limited benefit COVID-19 testing group.*

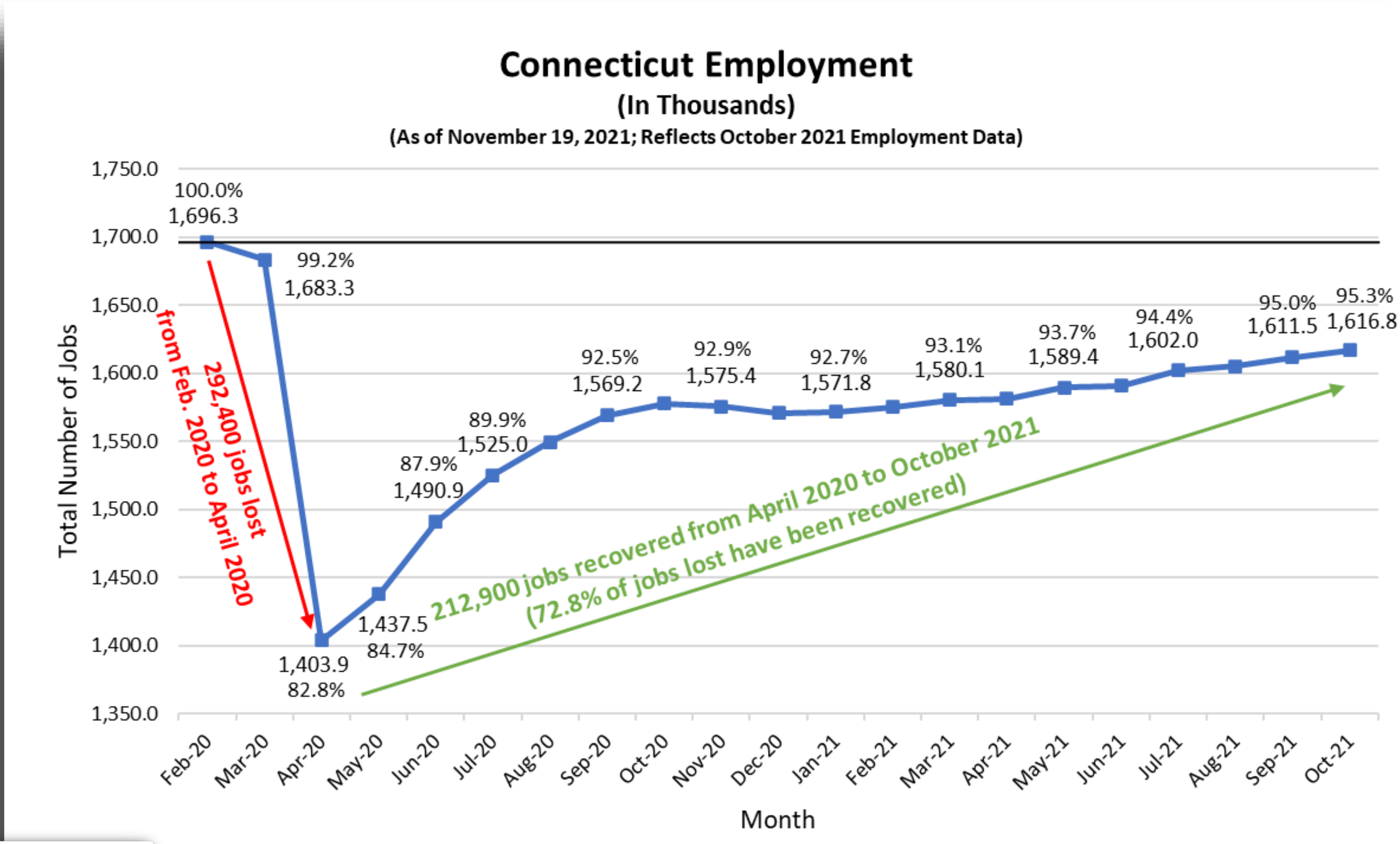
State Aid to Municipalities



- **Estimates for FY 2023 – FY 2026 are according to formulas and appropriations in current law and do not assume future legislative action. Includes bonded aid**
- **10% increase from FY 2021 to FY 2022 due largely to expansion of the PILOT and MRSA programs, and debt service schedule on pension obligation bonds for the Teachers' Retirement System**
- **5% increase from FY 2022 to FY 2023 due mainly to debt service on pension obligation bonds**

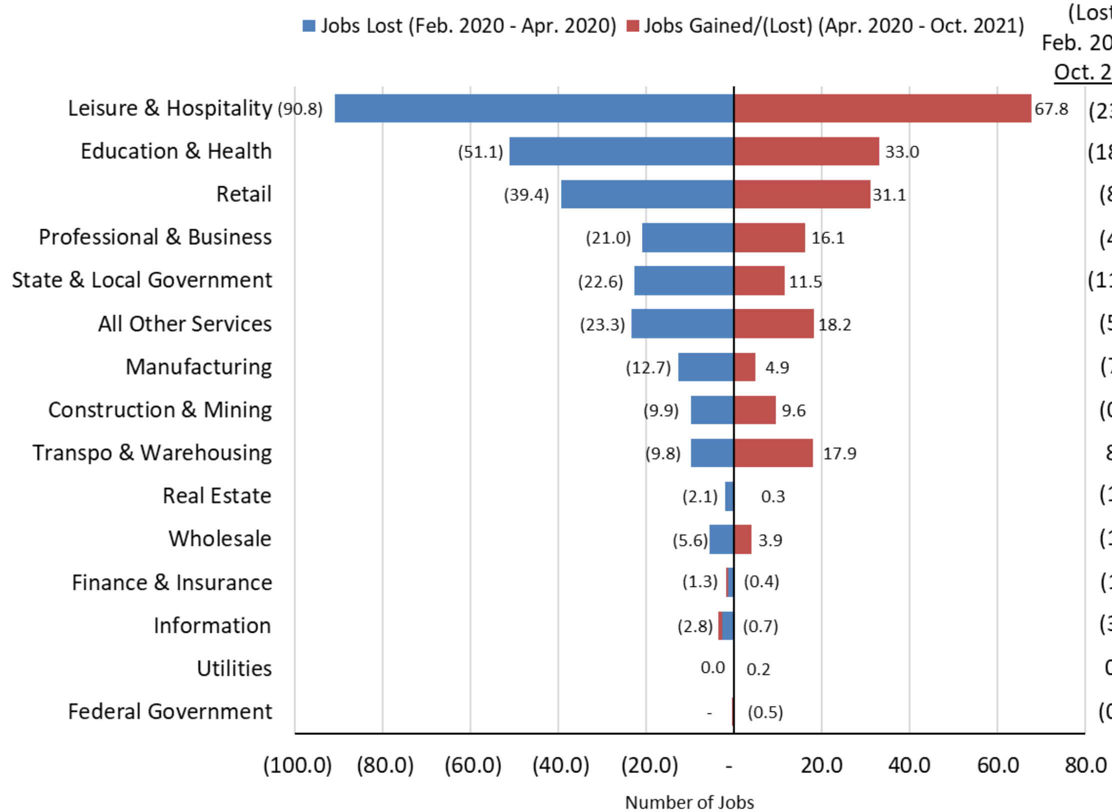
Economy

Pandemic Impact on Employment



Pandemic Impact on Employment by Sector

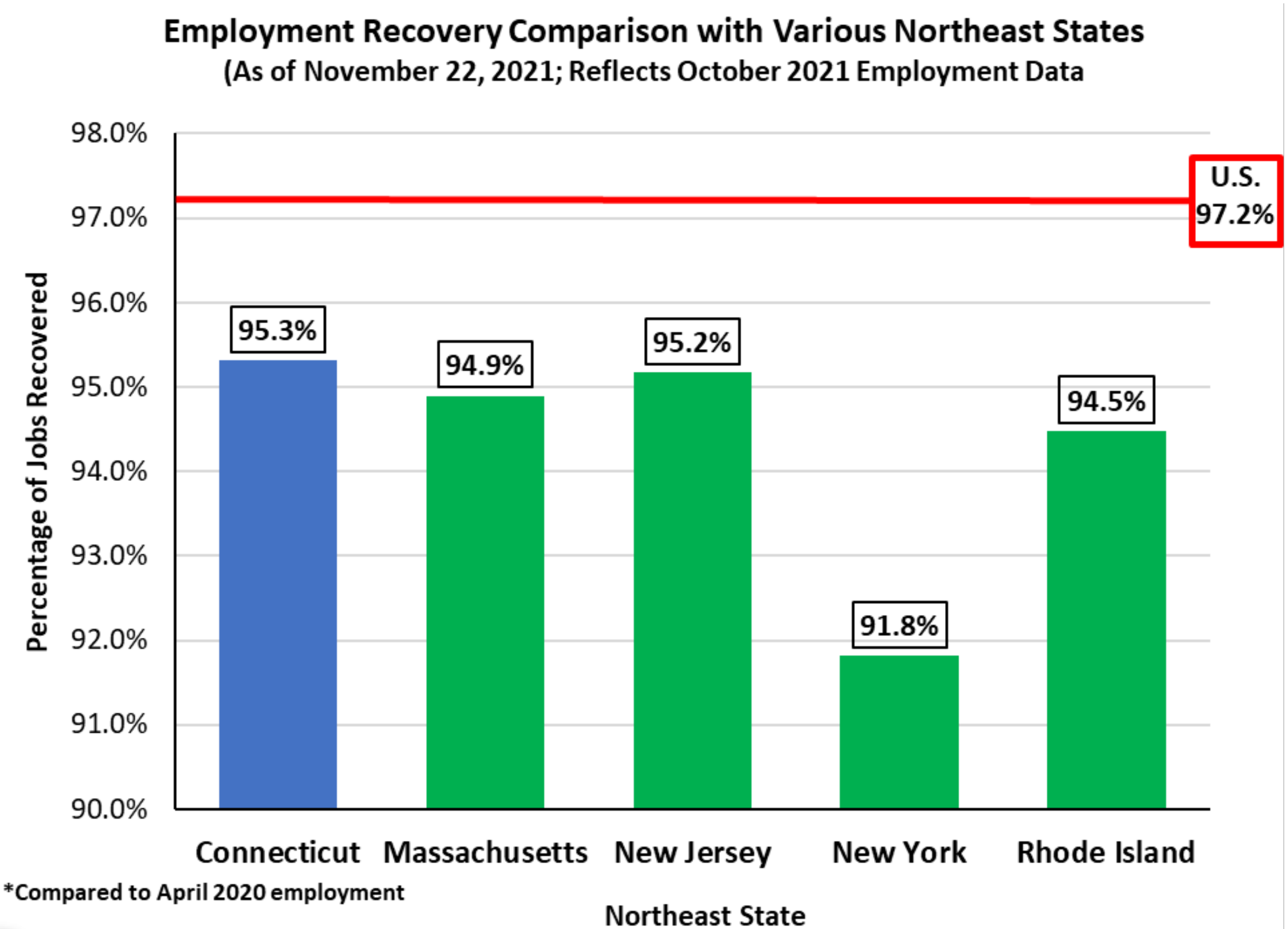
Connecticut Employment by Sectors
Current Employment Estimate Comparison
(in thousands)



Sector	Jobs Lost (Feb. 2020 - Apr. 2020)	Jobs Gained/(Lost) (Apr. 2020 - Oct. 2021)	Jobs Gained/ (Lost) - Feb. 2020 to Oct. 2021	Total Jobs Feb. 2020	Current Job Levels as a % of Feb. 2020 Peak
Leisure & Hospitality	(90.8)	67.8	(23.0)	158.2	85.5%
Education & Health	(51.1)	33.0	(18.1)	351.6	94.9%
Retail	(39.4)	31.1	(8.3)	173.7	95.2%
Professional & Business	(21.0)	16.1	(4.9)	216.8	97.7%
State & Local Government	(22.6)	11.5	(11.1)	217.2	94.9%
All Other Services	(23.3)	18.2	(5.1)	65.7	92.2%
Manufacturing	(12.7)	4.9	(7.8)	160.9	95.2%
Construction & Mining	(9.9)	9.6	(0.3)	59.9	99.5%
Transpo & Warehousing	(9.8)	17.9	8.1	55.5	114.7%
Real Estate	(2.1)	0.3	(1.8)	20.2	91.1%
Wholesale	(5.6)	3.9	(1.7)	58.9	97.1%
Finance & Insurance	(1.3)	(0.4)	(1.7)	102.6	98.3%
Information	(2.8)	(0.7)	(3.5)	31.4	88.9%
Utilities	0.0	0.2	0.2	5.1	103.2%
Federal Government	-	(0.5)	(0.5)	18.6	97.3%

Source: IHS Markit

CT Employment Compared to Neighboring States



Latest Economic Forecast

State of Connecticut
Key Economic Indicator Recoveries
From COVID-19 Pandemic

	Pre-Pandemic Peak	Low Point	Current Data (Compared to Peak)	Years Until Recovery
Real Gross State Product (2012 $B)	$ 252,864.9 Q4 2019	-12.6% Q2 2020	-2.8% $ 245,803.0 ------ Q2 2021 ------	2.5 Q2 2022
Wages and Salaries ($B)	$ 122,196.6 Q4 2019	-6.0% Q2 2020	3.1% $ 126,040.0 ------ Q2 2021 ------	1.0 Q4 2020
Employment (K)	1,696.3 Feb. 2020	-17.2% April 2020	-4.7% 1,616.8 --- October 2021 ---	Unknown At This Time
Unemployment Rate*	3.70% Feb. 2020	11.40% May 2020	6.40% October 2021	Unknown At This Time

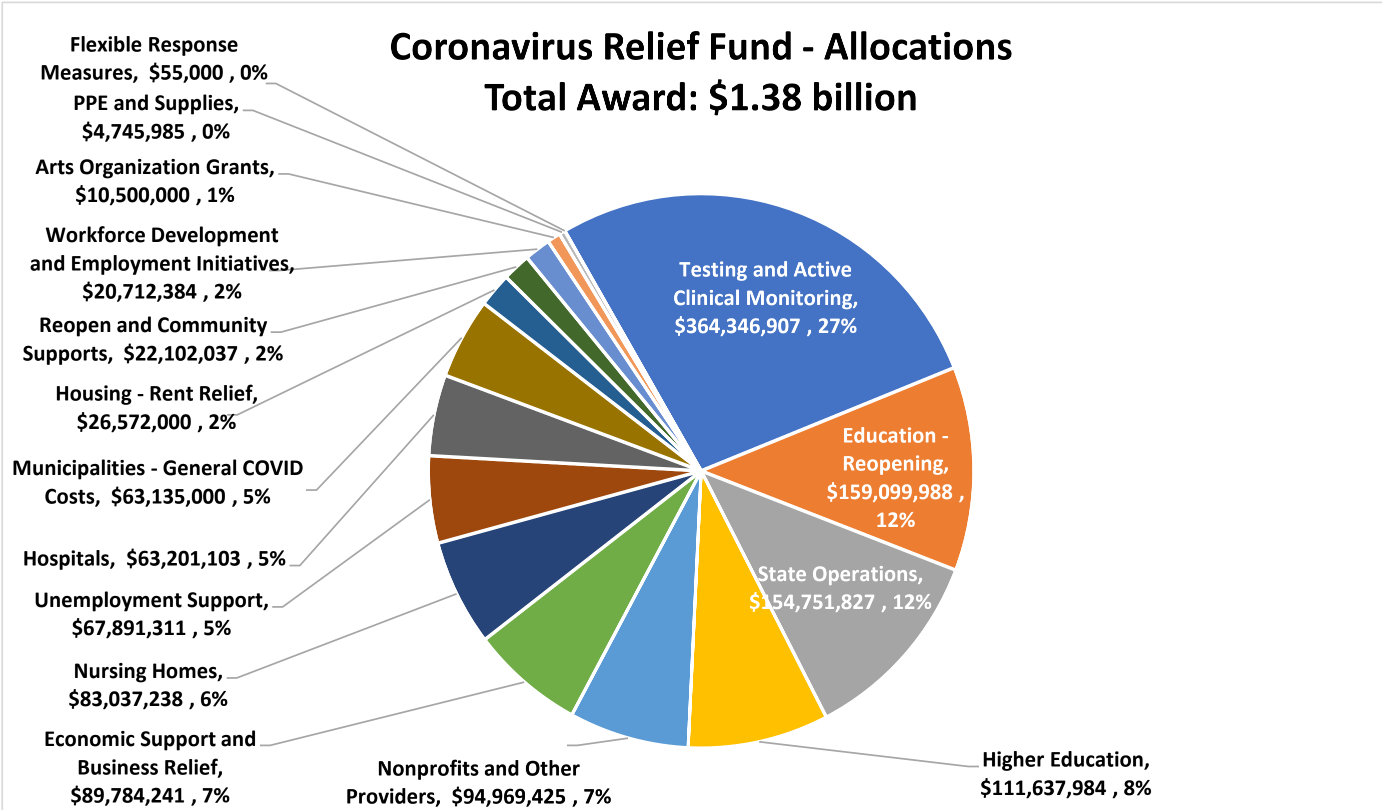
When we expect to reach pre-pandemic levels

*Low point indicates the actual unemlpoyment rate for May 2020.

Source: IHS Markit, CT Dept. of Labor
As of November 22, 2021

Miscellaneous Topics

Coronavirus Relief Fund



As of November 19, 2021

- **$1,336.5 million (97%) has been allocated. The remaining $47.7 million is pending allocation**
- **Funds are on track to be fully obligated by the December 31, 2021, deadline**

ARPA Coronavirus State Fiscal Recovery Fund

Coronavirus State Fiscal Recovery Fund (CSFRF)

Special Act 21-15 as amended by Public Act 21-2, June Special Session

Agency	FY 2022	FY 2023	FY 2024
Board of Regents	6,500,000	6,500,000	6,500,000
Connecticut State Colleges and Universities	10,000,000	5,000,000	
Dept. of Aging and Disability Services	2,000,000		
Dept. of Agriculture	1,450,000	450,000	
Dept. of Children and Families	15,660,000	5,160,000	
Dept. of Correction	20,750,000	750,000	
Dept. of Developmental Services	3,000,000		
Dept. of Economic and Community Development	137,432,019	5,375,019	
Dept. of Education	10,516,750	18,554,750	12,860,000
Dept. of Energy and Environmenal Protection	14,770,000	500,000	500,000
Dept. of Housing	300,000		
Dept. of Mental Health and Addiction Services	25,000,000	25,000,000	
Dept. of Public Health	4,250,000	4,000,000	
Dept. of Social Services	29,750,000		
Dept. of Transportation	100,000	100,000	
Judicial Dept.	10,125,000	10,025,000	
Labor Dept.	171,640,000	1,640,000	
Labor Dept. - Banking Fund	550,000	550,000	
Legislative Management	1,000,000		
Office of Early Childhood	16,800,000		
Office of Higher Education	21,500,000	20,000,000	
Office of Policy and Management	60,000,000	40,000,000	
Revenue	559,900,000	1,194,900,000	
Univ. of Connecticut	20,000,000	5,000,000	
Univ. of Connecticut Health Center	73,000,000		
Grand Total - Allocations	$1,215,993,769	$1,343,504,769	$19,860,000

Federal Award	**$2,812,288,082**
Grand Total Allocated	**$2,579,358,538**
Remaining Unallocated	**$232,929,544**

- Funds must be used to cover eligible costs incurred during the period that begins on March 3, 2021, and ends on December 31, 2024
- Funds must be obligated by December 31, 2024, and expended by December 31, 2026

Interim Final Rule 2021-10283.pdf (govinfo.gov)

SLFRF Compliance and Reporting Guidance Update 2.1 final (treasury.gov)

ARPA Coronavirus Capital Projects Fund

Coronavirus Capital Projects Fund (CCPF)	
Special Act 21-15 as amended by Public Act 21-2, June Special Session	
Agency	Allocation
Office of Policy and Management	34,532,000
Dept. of Energy and Environmenal Protection	20,000,000
Dept. of Administrative Services	10,000,000
Grand Total - Allocations	$64,532,000
Federal Award	**$141,531,000**
Grand Total Allocated	**$64,532,000**
Remaining Unallocated	**$76,999,000**

- Per Treasury rules, eligible projects must meet all of the following criteria:
  1. The capital project invests in capital assets designed to directly enable work, education, and health monitoring
  2. The capital project is designed to address a critical need that resulted from or was made apparent or exacerbated by the COVID-19 public health emergency
  3. The capital project is designed to address a critical need of the community to be served by it
- Projects must be pre-approved by the Treasury Department prior to award of funds
- All funds must be expended by December 31, 2026, which is the end of the period of performance

GUIDANCE FOR THE CORONAVIRUS CAPITAL PROJECTS FUND (treasury.gov)

ARPA Home and Community-Based Services

ARPA HCBS Reinvestment Plan

(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Projected Revenue					
Federal Grants Revenue	$172.9	$51.8	$32.5	$5.3	$5.3
*DSS Medicaid Federal Share **	*$53.6*	*$44.2*	*$37.9*	*$19.3*	*$19.3*
Projected Expenditures					
Office of State Comptroller (Fringes)	$0.2	$0.4	$0.4	$0.4	$0.4
Department of Developmental Services	21.5	43.0	33.6	6.3	6.3
Department of Mental Health & Addiction Services	1.0	1.2	1.0	0.7	0.7
Department of Social Services	(3.6)	116.3	79.4	23.4	23.4
Total	$19.1	$160.9	$114.5	$30.9	$30.9
Net State Impact - Surplus / (Deficit)	$153.9	($109.1)	($82.0)	($25.7)	($25.7)

** Reflects federal share associated with DSS net-funded Medicaid account - no appropriation or revenue impact.*

- **FY 2022 revenues will be needed to support program costs over the three-year reinvestment period**
- **Additional appropriations of up to $19.1 million in FY 2022 and $160.9 million in FY 2023 will be needed to support the implementation of the ARPA HCBS plan**

Medicaid 1115 Substance Use Disorder Waiver

SUD Waiver
(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Projected Revenue					
Federal Grants Revenue	$5.3	$29.6	$45.7	$52.2	$52.2
*DSS Medicaid Federal Share **	*$44.3*	*$106.2*	*$106.2*	*$106.2*	*$106.2*
Projected Expenditures					
Office of State Comptroller (Fringes)	$0.3	$0.9	$0.9	$0.9	$1.0
Department of Mental Health & Addiction Services	1.0	(5.7)	(5.8)	(5.8)	(5.8)
Department of Social Services	10.4	33.7	49.8	56.3	56.3
Department of Children & Families	0.2	0.6	0.6	0.6	0.6
Judicial - Court Support Services Division	0.0	0.2	0.2	0.2	0.2
Total	$11.9	$29.6	$45.7	$52.2	$52.2
Net State Impact - Surplus / (Deficit)	($6.6)	$0.0	$0.0	$0.0	$0.0

** Reflects federal share associated with DSS net-funded Medicaid account - no appropriation or revenue impact.*

- **Additional appropriations of up to $11.9 million in FY 2022 and $29.6 million in FY 2023 will be needed to support the implementation of the SUD waiver**

Bipartisan IIJA - Impact On Connecticut

The Infrastructure Improvement and Jobs Act (IIJA) represents at least a **$6.04 billion** federal investment in Connecticut, including $5.38 billion for Connecticut's transportation infrastructure and systems – a **$1.62 billion increase for Connecticut over the last transportation bill** (enacted in 2015)

- **Enables Connecticut to repair and rebuild its roads and bridges** and invest in major projects with safety, equity, resiliency and sustainability at its core
- **Represents the largest investment of federal dollars in passenger rail in the past 50 years** (since the creation of Amtrak), helping to bring the Northeast Corridor, including Connecticut's rail assets, into a state-of-good-repair and advance Time for CT
- **Fundamentally moves Connecticut forward in reducing transportation emissions** and accelerating investments in a cleaner, more equitable and resilient transportation system

Source: CONNECTICUT_The-Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf (whitehouse.gov)

Bipartisan IIJA - Impact On Connecticut (cont.)

Specifically, over 5 years, Connecticut is expected to receive:

- **$3.5 billion for highway programs and $561 million for bridge replacement & repair** with a focus on climate change mitigation, resilience, equity, and safety for cyclists and pedestrians
- **$1.3 billion to improve public transportation** further developing healthy and sustainable transportation options in Connecticut
- **$53 million to support expansion of the electric vehicle (EV) charging network,** building a network of EV chargers to facilitate long-distance travel and provide convenient charging options
- **$100 million to provide broadband coverage across state**, helping connect every citizen to reliable high-speed internet
- **$6.4 million to protect against wildfires and $13 million to protect against cyberattacks** and prepare our infrastructure for the impacts of climate change and extreme weather events
- **$445 million to improve water infrastructure** across the state and ensure that clean, safe drinking water is a right in all communities by eliminating Connecticut's lead service lines and pipes
- **$62 million for airport infrastructure development**, improving and modernizing Connecticut's airports

Source: CONNECTICUT_The-Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf (whitehouse.gov)

Conclusion

Key Takeaways

- A General Fund operating surplus of $894.7 million is projected in FY 2022
- While revenues continue to outpace targets, a significant component is due to non-recurring federal grants
- Without one-time funds, the General Fund would have a modest 1% surplus in FY 2022, but a nearly $1 billion deficit in FY 2023
- The state will need to experience significant revenue growth this biennium to prevent a large budgetary gap in FY 2024 and beyond

Key Takeaways

- The Rainy Day Fund holds over $3 billion and is at the 15% target at the beginning of FY 2022. Balances in excess of 15% will continue to be used to pay down pension liabilities
- “Fixed” costs are rising faster than revenue growth in FY 2023 and FY 2024 – primarily due to loss of non-recurring federal aid – but revenues and fixed costs are roughly aligned in FY 2025 and FY 2026
- From FY 2024 to FY 2026, the spending cap is projected to allow growth of 3.3% to 3.9% per year, but this exceeds the level of revenue growth
- Future budgetary choices will be impacted by the need to generate organic revenue growth to replace significant reliance on one-time revenues in FY 2022 and FY 2023