

December 5, 2022



CONNECTICUT GENERAL ASSEMBLY
Office of Fiscal Analysis

FISCAL ACCOUNTABILITY REPORT

OFA DIRECTOR
Neil Ayers

Structure of the Fiscal Accountability Report

General Fund (GF) FY 23 Update

**American Rescue Plan Act (ARPA) &
Carryforwards**

General Fund Out-Years

Economic Trends

Special Transportation Fund (STF), Bonding, & Tax Expenditures

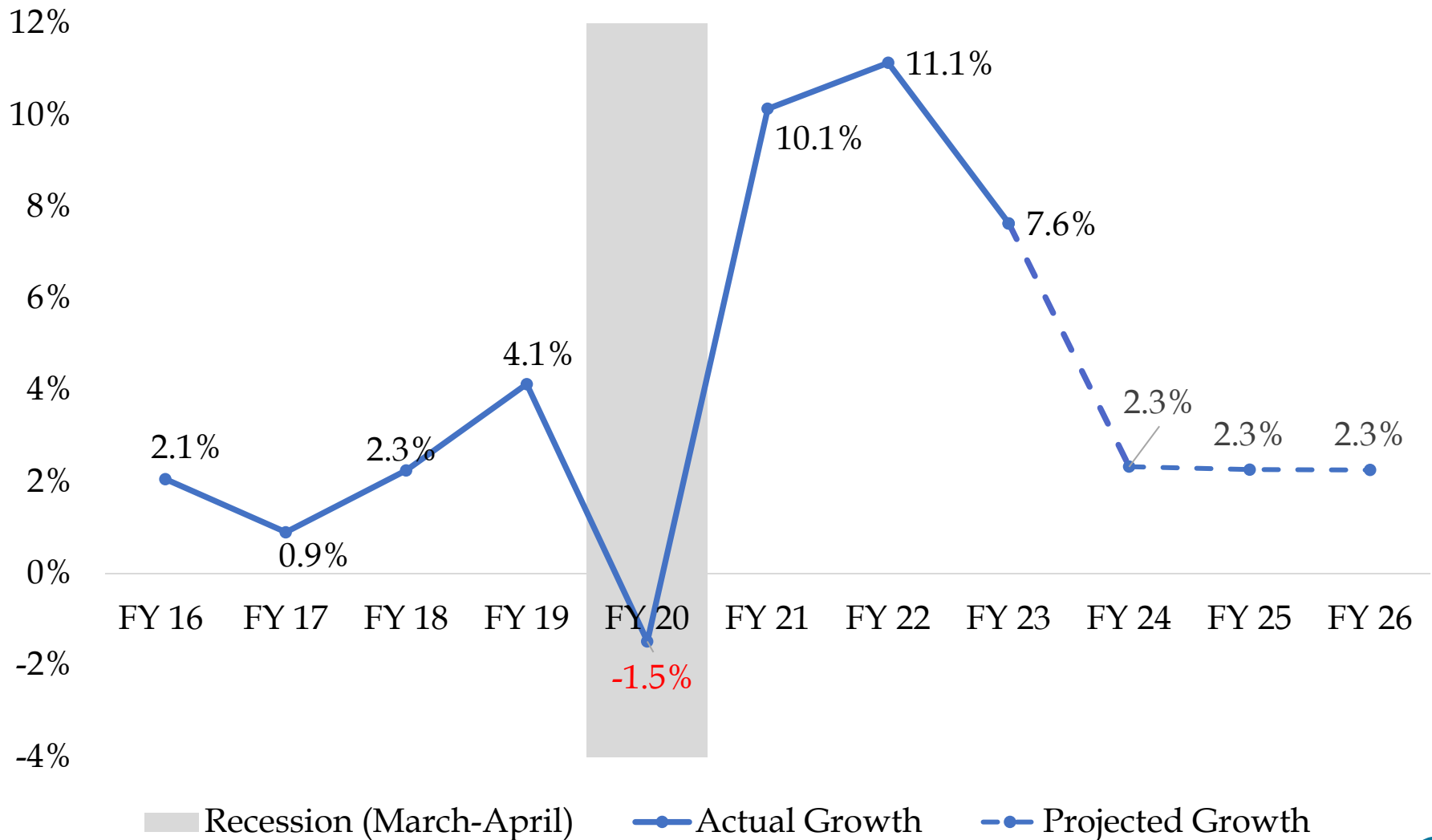
November Updates to FY 23 General Fund Estimates

In Millions of Dollars

Summary	FY 23
Budgeted Balance	299.0
Revenue	
Budgeted	22,388.2
Consensus Adjustment	
Sales and Use	280.0
Investment Income	180.2
Transfers – Special Revenue	(10.0)
Other Revenue (net)	120.8
Subtotal	571.0
Expenditures	
Budgeted	22,089.2
Net Lapses	144.0
Deficiencies	(82.3)
Subtotal	61.7
SURPLUS/(DEFICIT)	931.7

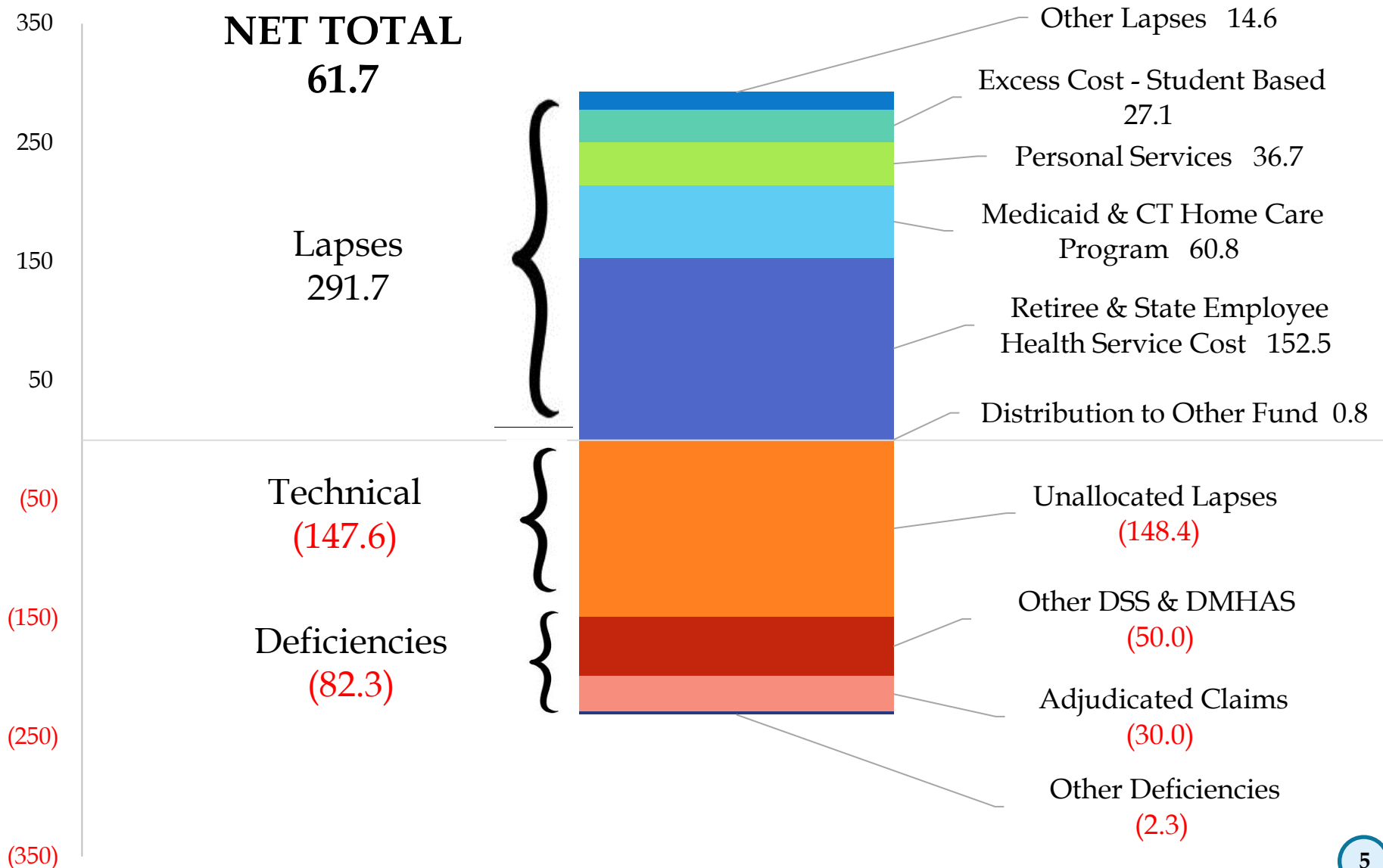
Sales Tax Growth Rate Trend

All Funds



FY 23 Expenditure Adjustments

In Millions of Dollars



Budget Reserve Fund (BRF) in the Biennium

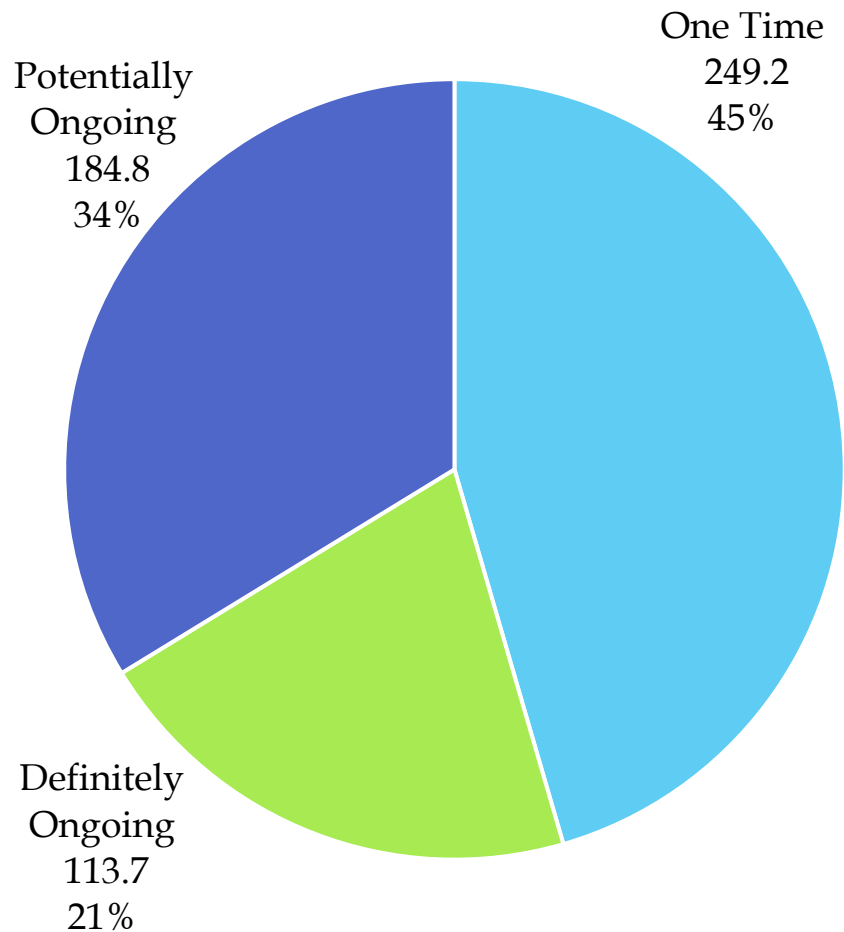
In Millions of Dollars

Description	FY 22	FY 23 Est.
Budget Reserve Fund Balance Starting Point	3,112.0	3,313.4
Volatility Deposit	3,047.5	1,847.5
Surplus	1,261.4	931.7
Volatility Deposit and Surplus Subtotal	4,308.9	2,779.2
Budget Reserve Fund Capped Balance	3,313.4	3,345.9
Funds in Excess of Budget Reserve Fund Cap	4,107.4	2,746.7

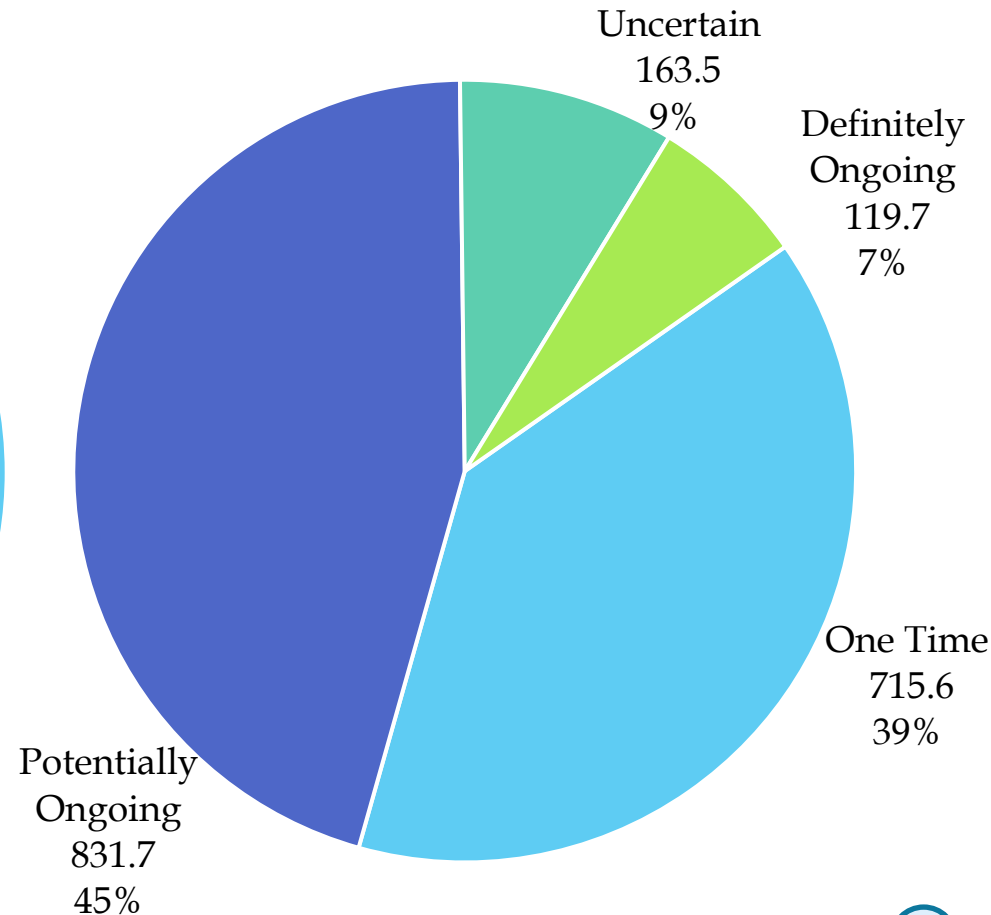
Carryforward and ARPA Expenditure Pressure

In Millions of Dollars

FY 23 Carryforward
\$547.6 Million Total

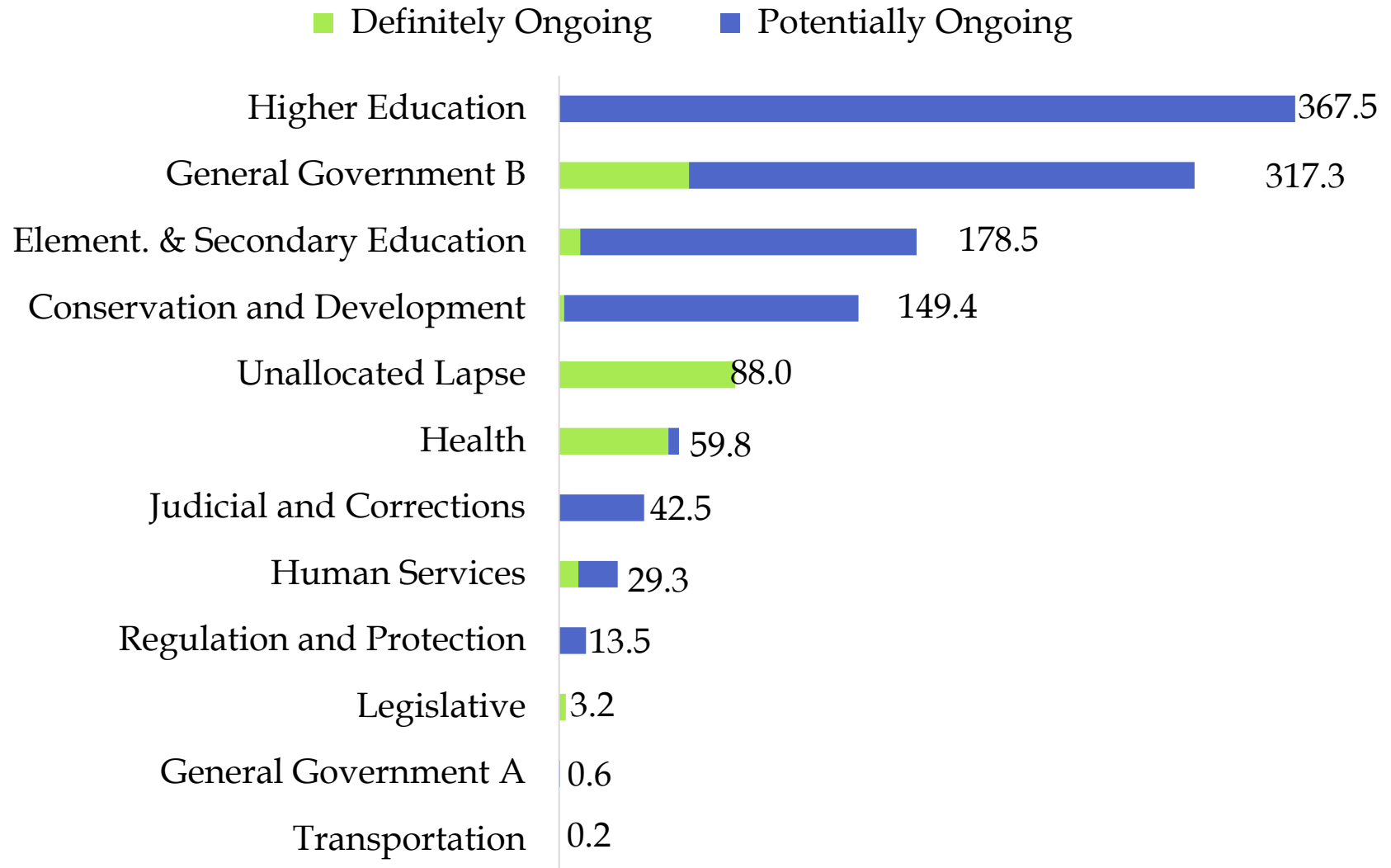


FY 23 ARPA
\$1,830.4 Million Total



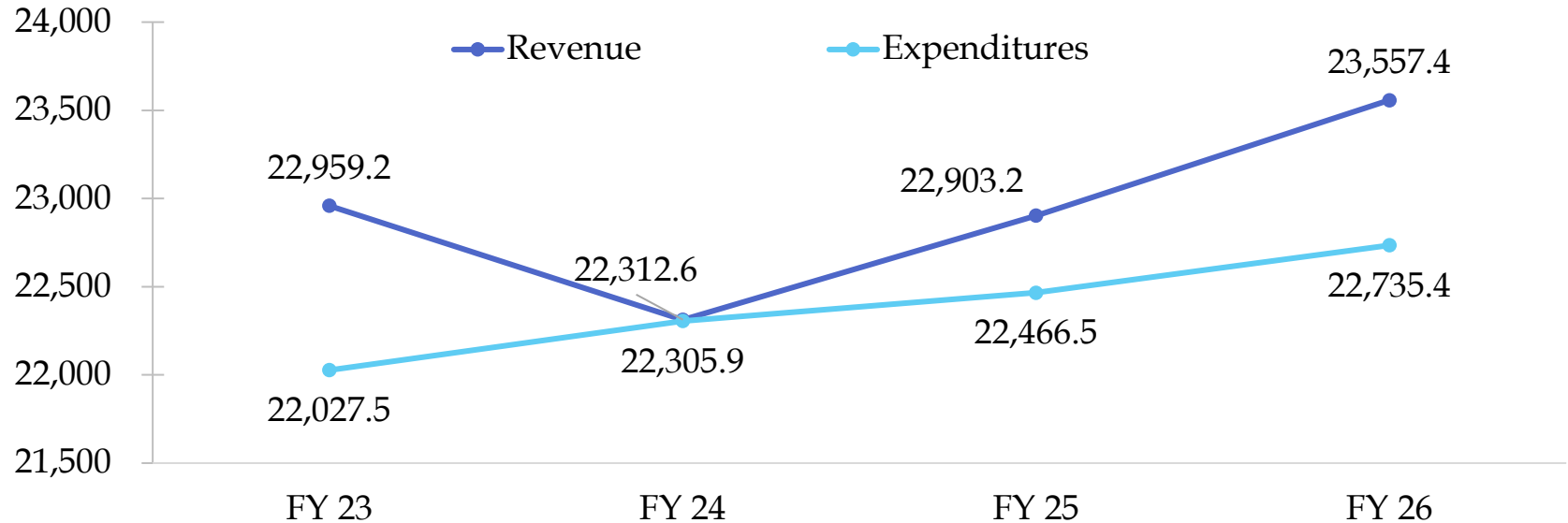
FY 23 Carryforward and ARPA Combined Ongoing Expenditures by Subcommittee

In Millions of Dollars



Out-Year Projections

In Millions of Dollars



Fund	FY 23	FY 24	FY 25	FY 26
November Consensus Revenue	22,959.2	22,312.6	22,903.2	23,557.4
Expenditures				
Previous Year Expenditure		22,027.5	22,305.9	22,466.5
Fixed Cost Growth		278.4	160.7	268.9
Non-Fixed Cost Expenditure Reduction		-	-	-
Subtotal - Expenditures	22,027.5	22,305.9	22,466.5	22,735.4
BALANCE	931.7	6.7	436.7	822.0

Projected General Fund Changes from FY 23 to FY 24

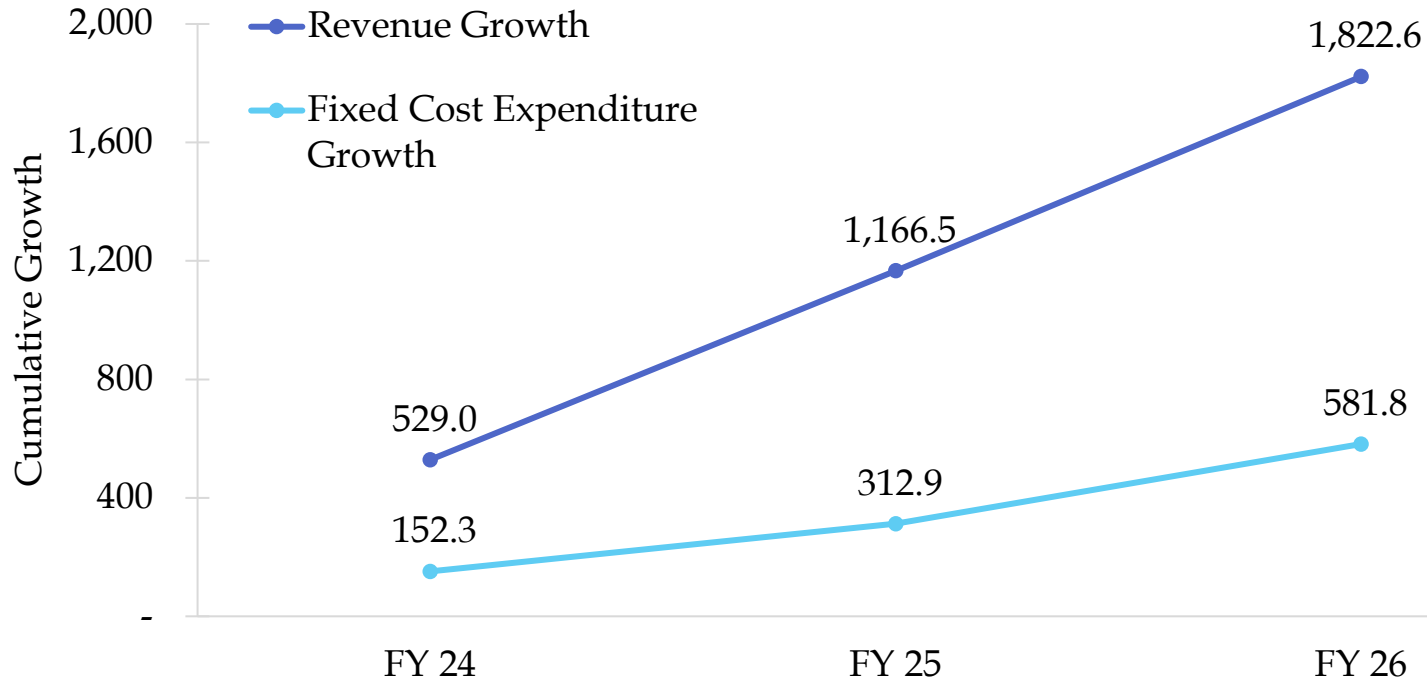
In Millions of Dollars

Structural Balance: 376.7	376.7	Revenue growth 529.0 vs. Fixed Cost Growth (152.3)
Technical: (480.7)	(126.1)	Carryforward Expenditure Adjustment
	(354.6)	Federal Grant Adjustments and Other Technical Revenue
Revenue Policy: (821.0)	(314.9)	Federal Stimulus as Revenue Expires
	(276.3)	Temporary MRSA Transfer to the General Fund Expires
TOTAL: (925.0)	(229.8)	Other Revenue Policy (Net) Expiration of Temporary Measures (181.7) Scheduled Tax Reduction (53.0) Other Minor Policies 4.9

Structural Balance

In Millions of Dollars

Category	FY 24	FY 25	FY 26	Total	Average Growth	
					\$	%
Revenue Growth	529.0	637.5	656.1	1,822.6	607.5	2.7%
Fixed Cost Growth	152.3	160.7	268.9	581.8	193.9	1.6%
BALANCE	376.7	476.9	387.2	1,240.8	413.6	



Out-Year Revenue Growth

In Millions of Dollars

Source	FY 24	FY 25	FY 26
Personal Income Tax	418.4	512.9	532.0
Sales Tax	120.3	115.9	120.0
Business Taxes	53.9	60.2	61.5
Other Revenue	1.0	8.3	4.3
Refunds	(64.6)	(59.8)	(61.7)
TOTAL GROWTH	529.0	637.5	656.1
PERCENT GROWTH %	2.3%	2.9%	2.9%

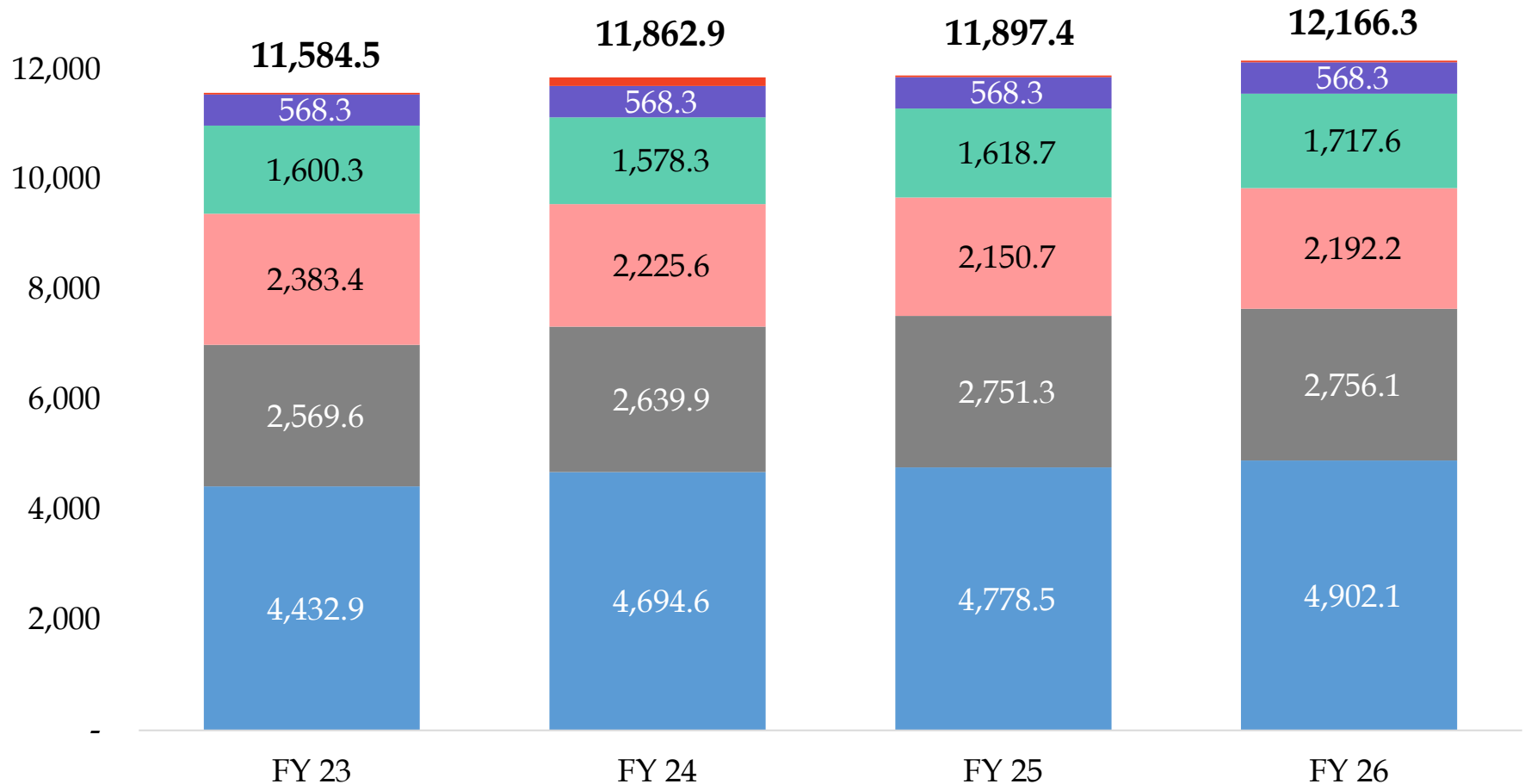
Out-Year Fixed Cost Growth

In Millions of Dollars

Category	FY 24	FY 25	FY 26
Entitlements	261.7	83.9	123.6
Debt Service	70.3	111.3	4.9
State Employee Pension & Retiree Health Care	(157.8)	(75.0)	41.5
Teachers' Retirement & Retiree Health Care	(22.0)	40.4	98.9
Hospitals	-	-	-
Adjudicated Claims	-	-	-
TOTAL	152.3	160.7	268.9
Technical Adjustment	126.1	-	-
Grand Total	278.4	160.7	268.9

Out-Year Fixed Cost Expenditures

In Millions of Dollars



- Other: Adjudicated Claims and Technical Adjustment
- Teachers' Retirement Pension and Retiree Health Care
- Debt Service
- Hospital Supplemental Payments
- State Employees Retirement and Retiree Health Care
- Entitlements

SERS & TRS

Additional Deposits to Pensions

In Millions of Dollars

Deposit Year	SERS	TRS ¹	Total
2022	3,203.8	903.6	4,107.4
Est. 2023	1,890.2	856.5	2,746.7
TOTAL	5,094.0	1,760.1	6,854.1

Estimated Marginal ADEC Reductions

In Millions of Dollars

Fiscal Year	SERS	TRS ¹	Total
FY 24	194.3	146.4	340.7
FY 25	114.5	68.8	183.3
TOTAL	308.8	215.2	524.0

¹The FY 24 TRS ADEC savings reflects a deposit of \$903.6 million in both 2021 and 2022. The 2021 deposit was not reflected in the FY 23 ADEC because the system previously had valuations completed on a biennial basis.

Inflation: Consumer Price Index (CPI)

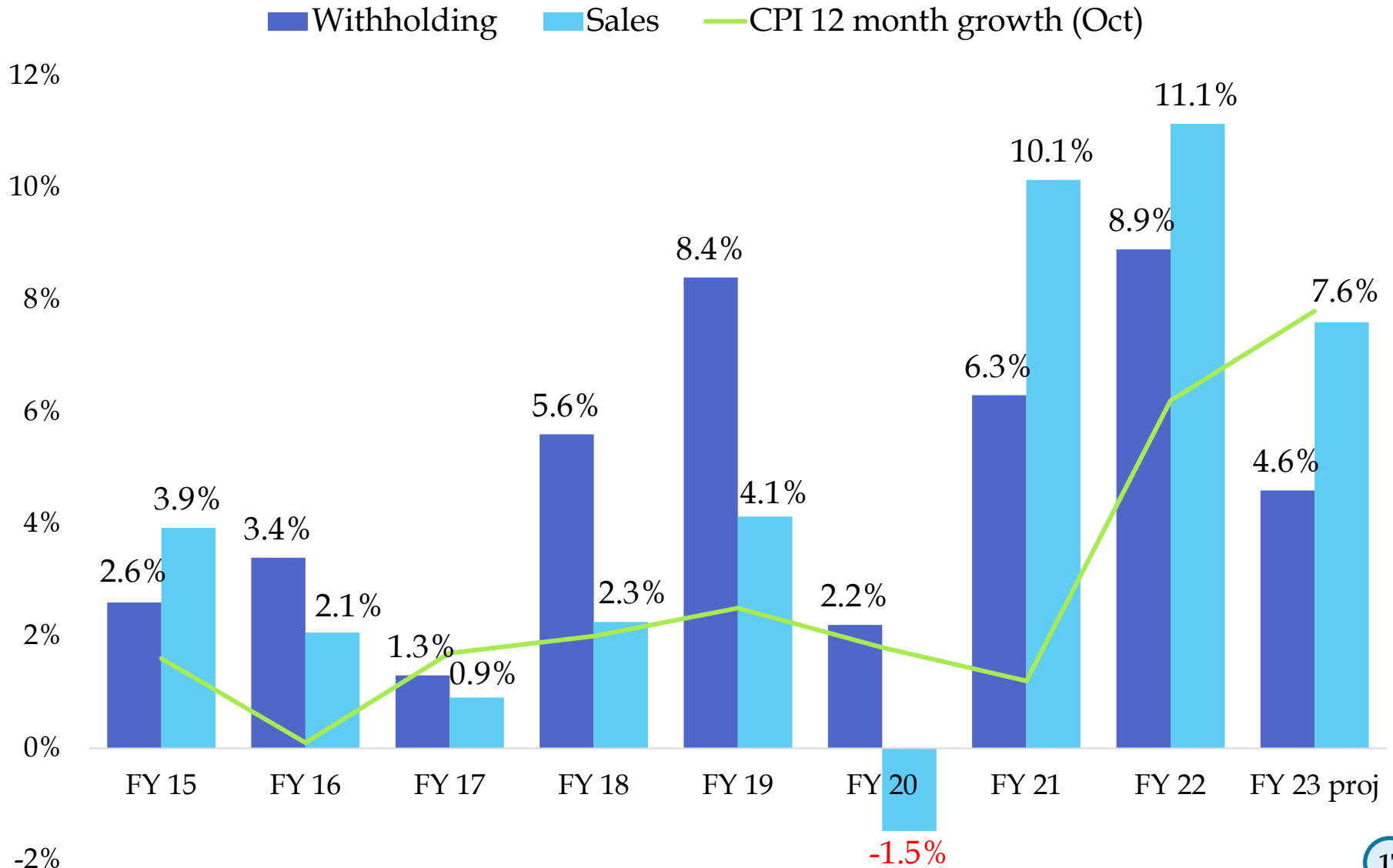
As of October 2022

— All — Core Federal Reserve Target



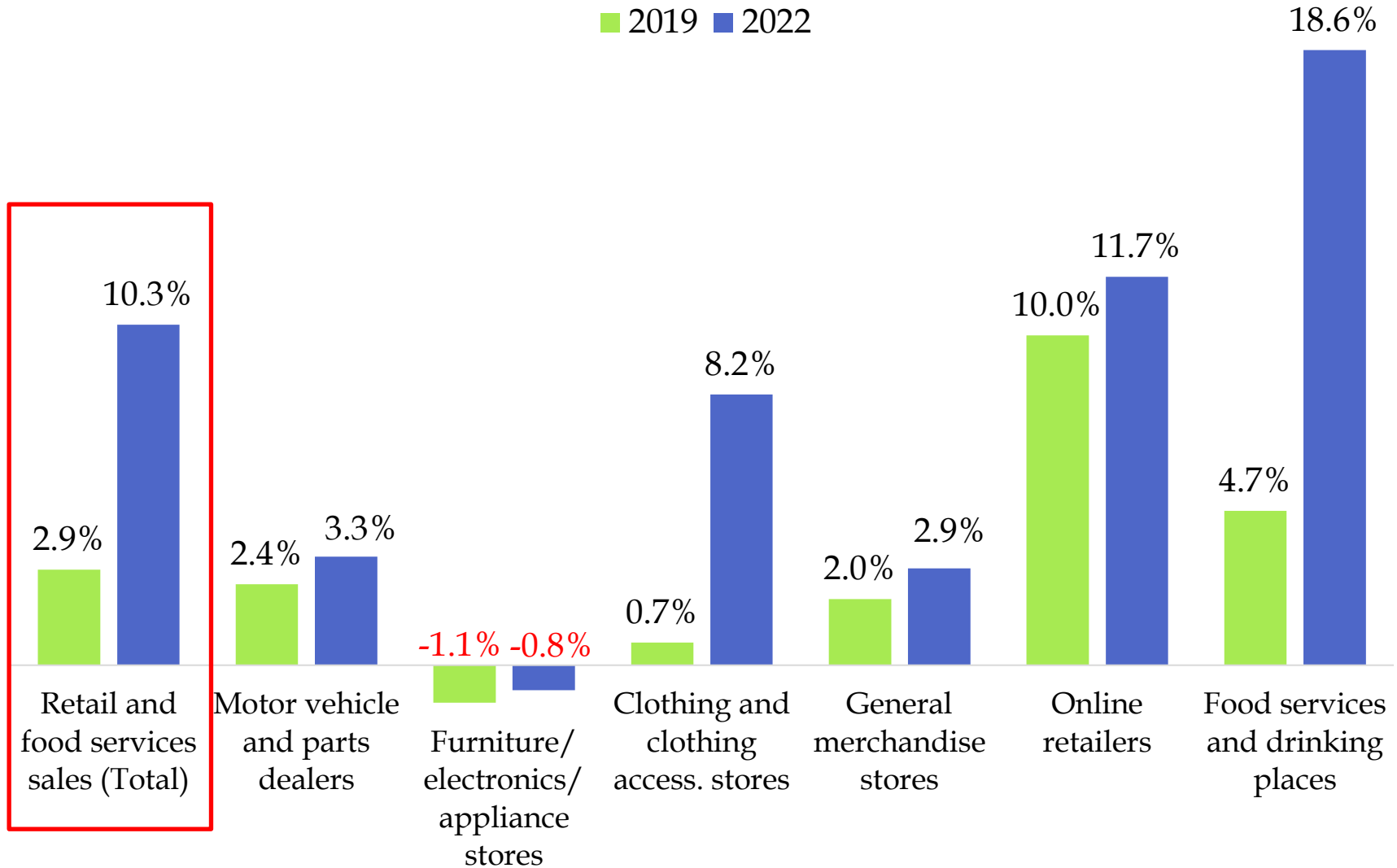
Impact of Inflation on Historical Revenues

Withholding Income and Sales Tax Annual Growth Relative to CPI



Trends in Retail Sales

U.S. Monthly Retail Sales Year-Over-Year Growth Comparison, 2019 & 2022
(January – August)



Projected Budget Reserve Fund Balances

In Millions of Dollars

Description	FY 23	FY 24	FY 25	FY 26
Budget Reserve Fund Balance Starting Point	3,313.4	3,345.9	3,370.0	3,410.3
Projected Volatility Deposit	1,847.5	1,149.5	1,191.4	1,228.9
Projected Surplus	931.7	-	-	-
Volatility Deposit and Surplus Subtotal	2,779.2	1,149.5	1,191.4	1,228.9
Budget Reserve Fund Capped Balance	3,345.9	3,370.0	3,410.3	3,410.3
Funds in Excess of Budget Reserve Fund Cap	2,746.7	1,125.4	1,151.1	1,228.9

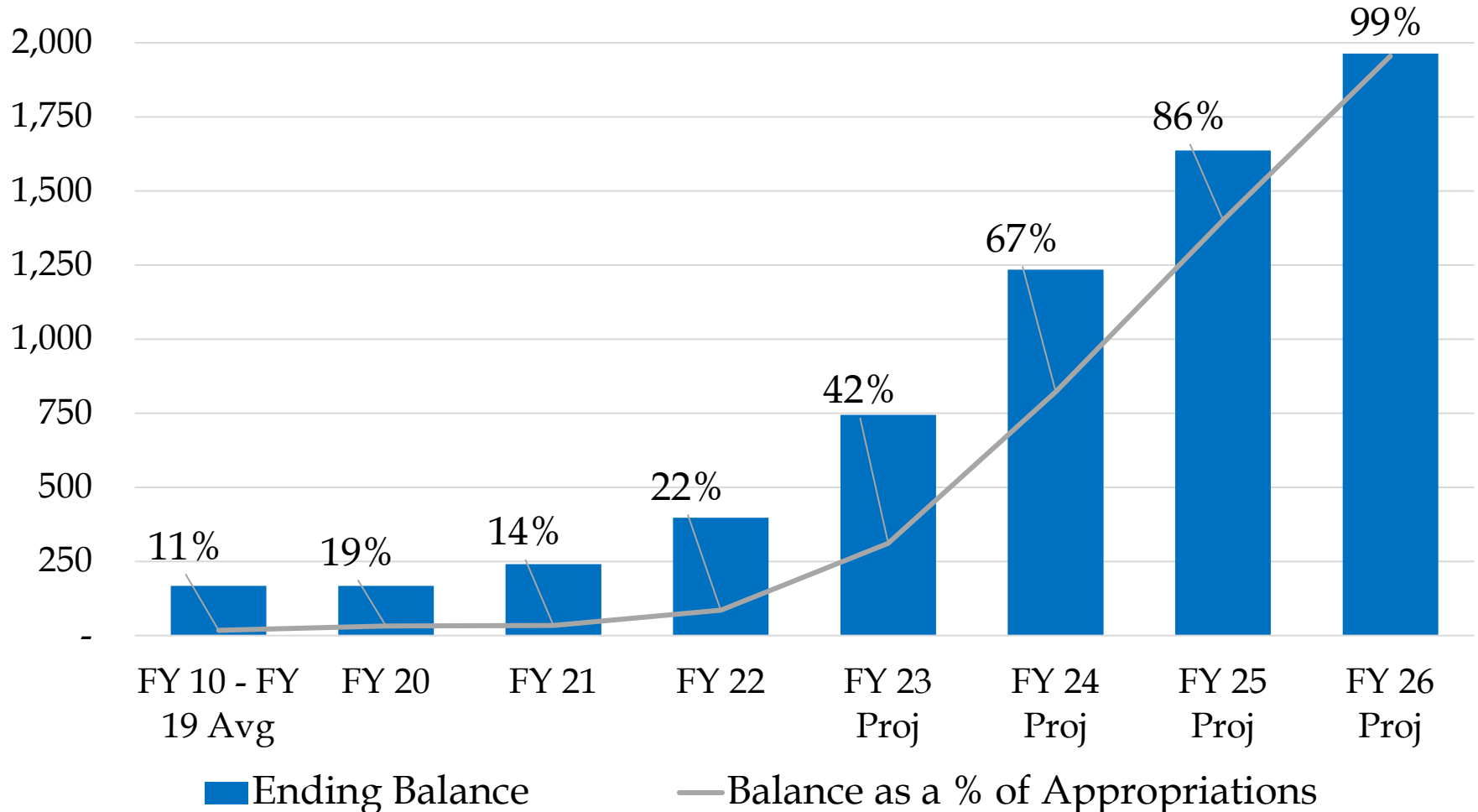
Special Transportation Fund Summary

In Millions of Dollars

Components	FY 23	FY 24	FY 25	FY 26
Expenditures				
Temporary Federal Support	(100.0)	-	-	-
Debt Service	802.5	876.9	948.2	1,009.4
All Other	1,082.6	976.0	962.5	962.5
TOTAL	1,785.1	1,852.9	1,910.7	1,971.9
Revenue				
Sales Taxes	820.1	835.9	856.1	875.7
Fuel Taxes	730.6	879.0	831.9	796.1
Highway Use Tax	45.0	90.0	94.1	98.3
All Other	536.9	537.3	530.8	528.9
TOTAL	2,132.6	2,342.2	2,312.9	2,299.0
Operating Balance				
Surplus/ (Deficit)	347.5	489.3	402.4	327.1
Year End Cumulative Balance	745.3	1,234.6	1,636.8	1,963.9
Debt Service Ratio	2.7	2.7	2.4	2.3

Special Transportation Fund Balances

In Millions of Dollars



Special Transportation Fund

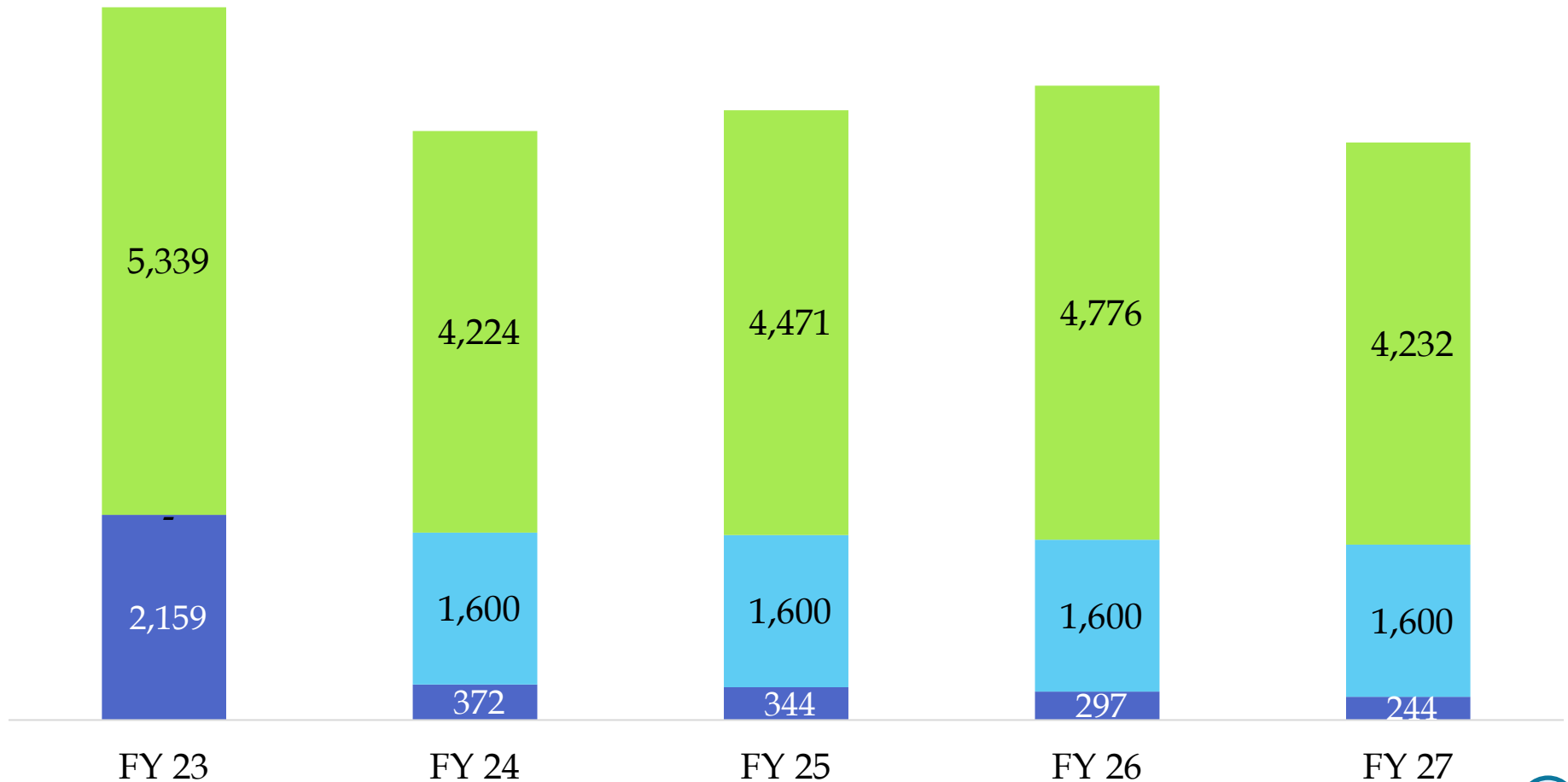
Select Growth Rates

Component	CAGR FY 16-FY 23	FY 24	FY 25	FY 26
Expenditures (Total)	3.5%	3.8%	3.1%	3.2%
Revenues (Total)	6.7%	9.8%	-1.3%	-0.6%
Revenues (Less: Sales Tax)	0.8%	14.8%	-3.3%	-2.3%

Estimates of General Obligation Bond Fund Use

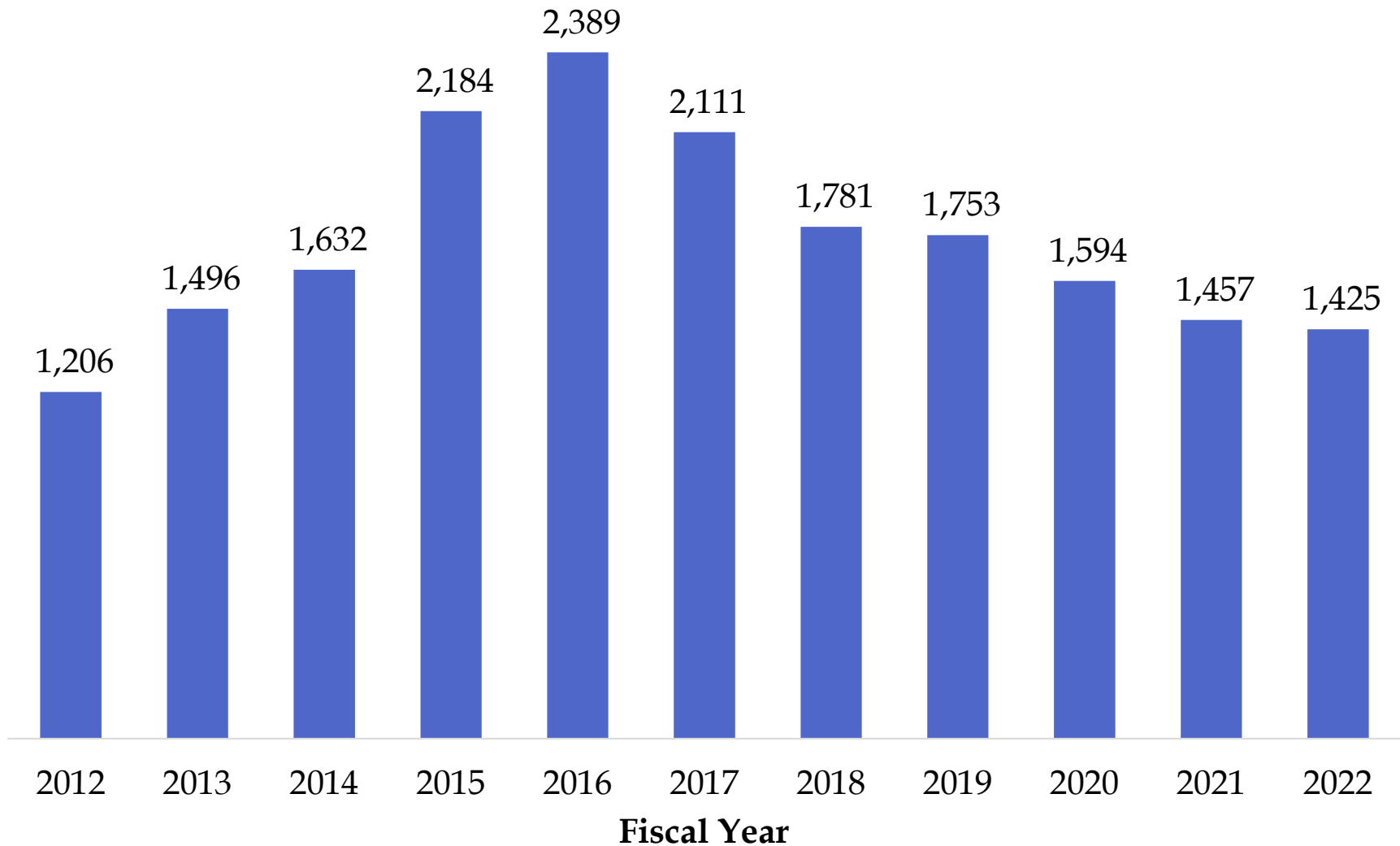
In Millions of Dollars

■ Prior Authorization ■ Projected New Authorization ■ Additional Space Under 90%



General Obligation Bond Project Spending

In Millions of Dollars



Tax Expenditure Estimates

In Millions of Dollars

Category	FY 23	FY 24	FY 25	FY 26
Personal Income Tax	702.1	751.3	779.3	812.1
Sales and Use Tax	5,404.2	5,530.1	5,656.5	5,784.6
Corporation and Insurance Taxes	440.9	445.5	485.8	486.1
Petroleum Companies Gross Earnings Tax	376.4	351.4	323.9	298.9
Motor Fuels and Motor Carrier Road Taxes	2,178.2	1,248.1	1,248.1	1,248.1
All Other Taxes	190.7	186.6	188.3	190.1
TOTAL	9,292.4	8,512.8	8,681.9	8,819.8

Sales and Use Tax Category Comparison

In Millions of Dollars

Category	FY 23	% of Total
Consumer Goods	2,140.3	39.6%
Business Exemptions	339.4	6.3%
Service Exemptions	982.5	18.2%
Government and Nonprofit Organizations	1,730.5	32.0%
Miscellaneous	211.3	3.9%
TOTAL	5,404.2	100.0%

Questions and Answers Following OPM's Presentation

*Thank
you!*

