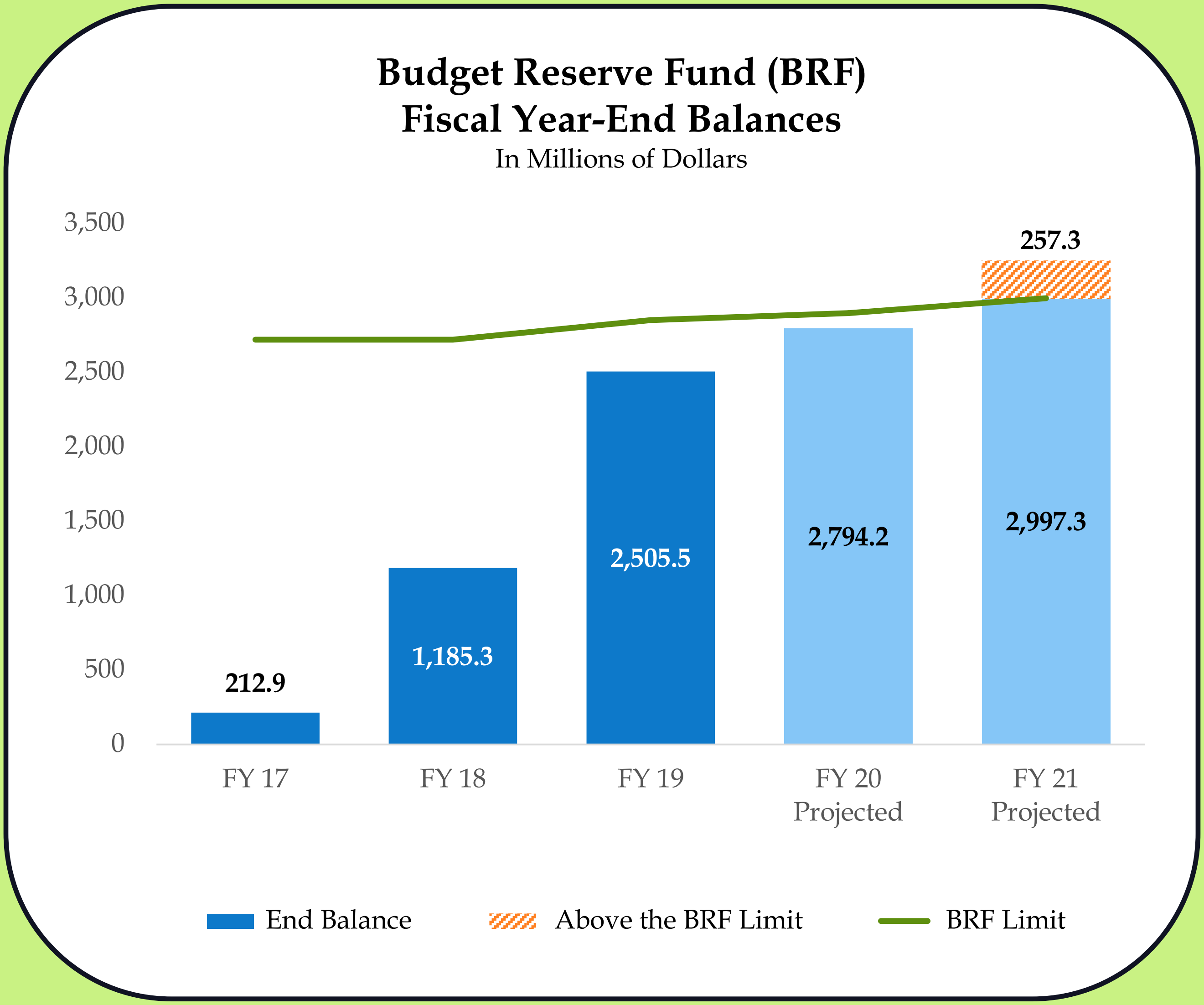
CONNECTICUT GENERAL ASSEMBLY
OFFICE OF FISCAL ANALYSIS

OFA

FISCAL ACCOUNTABILITY REPORT

FY 20 – FY 24



November 20, 2019

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NOTE TO READERS
Totals in tables and charts within the report may appear to be incorrect due to rounding.

Table of Contents

Section I. Executive Summary

The Office of Fiscal Analysis (OFA) is statutorily required to produce the Fiscal Accountability Report (FAR) every November. The FAR must explain:

1. The level of spending changes from current year spending allowed by consensus revenue estimates,

2. Any changes to current year spending necessary because of "fixed cost drivers," and

3. The total change to current year spending that is required to accommodate fixed cost drivers, without exceeding current revenue estimates.

For this report, fixed cost drivers include debt service, pension contributions, retiree health care, entitlement programs, and adjudicated claims.

Deficit in the Current Fiscal Year; Surplus in the Second Year of the Biennium

OFA is projecting a General Fund (GF) deficit of $29.7 million in the current year. This is primarily due to two factors: (1) refunds of taxes totaling approximately $100 million, and (2) agency deficiencies of $84.3 million across seven agencies. The budget as adopted had a surplus of $141.1 million.

OFA is estimating a GF surplus of $183.8 million in FY 21. This surplus is a slight improvement over the budgeted surplus of $166.2 million.

Deficits in Out Years: FY 22 through FY 24

OFA is projecting GF deficits in FY 22 ($757 million), FY 23 ($1.2 billion) and FY 24 ($917 million). These deficits are largely the result of changes in revenue policies, including: (1) a Municipal Revenue Sharing Account diversion of $375.9 million, (2) a Special Transportation Fund diversion of $184.3 million, and (3) the loss of temporary revenue of $245.1 million.

Utilizing the methodology required by CGS Section 2-36(b), out year spending projections must be aligned with consensus revenue estimates through non-fixed cost reductions, thereby eliminating any deficits. In FY 22, $757 million in non-fixed costs reductions would be necessary to balance the budget. In FY 23, additional non-fixed costs reductions of $408.4 million, for a total of $1.2 billion, would be required. In FY 24 projected revenue growth exceeds fixed cost growth by $248.4 million; thus no additional reductions in non-fixed costs are necessary.

Budget Reserve Fund Balance

The current balance in the Budget Reserve Fund (BRF) is $2.5 billion, the highest in BRF history. A volatility adjustment transfer of $318.3 million is anticipated to be deposited in the BRF in FY 20, bringing the balance to $2.8 billion. In FY 21, a volatility adjustment transfer of $276.6 million is projected to be deposited in the BRF; the balance would increase to $3 billion, its statutory maximum level of 15% of appropriations. In FY 21 through FY 24 it is anticipated that the BRF balance will remain at the statutory cap of 15% of appropriations.

Special Transportation Fund (STF)

OFA is projecting an STF operating surplus of $8.9 million in FY 20, and a cumulative fund balance of $638.9 million in FY 24, primarily because of sales and use tax transfers from the GF into the STF.

Table 1.1 Financial Summary by Fund[1]
In Millions of Dollars

Fund	FY 20	FY 21	FY 22	FY 23	FY 24
General Fund (GF)					
November Consensus Revenue	19,375.7	20,194.5	19,734.9	20,071.3	20,606.1
Expenditures					
Previous Year Expenditure			20,010.7	19,734.9	20,071.3
Fixed Cost Growth			481.1	744.8	286.4
Expenditure Reduction[2]			(757.0)	(408.4)	-
Subtotal	**19,405.3**	**20,010.7**	**19,734.9**	**20,071.3**	**20,357.7**
GF BALANCE	**(29.6)**	**183.8**	**-**	**-**	**248.4**
Special Transportation Fund (STF)					
November Consensus Revenue	1,732.7	1,877.9	2,006.6	2,117.3	2,144.0
Expenditures					
Previous Year Expenditure			1,820.9	1,904.9	2,016.1
Fixed Cost Growth			84.0	111.1	77.9
Expenditure Reduction[2]			-	-	-
Subtotal	**1,723.8**	**1,820.9**	**1,904.9**	**2,016.1**	**2,094.0**
STF BALANCE	**8.9**	**57.0**	**101.7**	**101.2**	**50.0**
Other Appropriated Funds					
Revenue	256.0	271.0	279.1	282.1	280.7
Expenditures					
Previous Year Expenditure			267.6	269.8	274.2
Fixed Cost Growth			2.9	6.8	(2.5)
Expenditure Reduction[2]			(0.7)	(2.4)	(2.0)
Subtotal	**252.8**	**267.6**	**269.8**	**274.2**	**269.7**
OTHER APPROP. FUNDS BALANCE	**3.2**	**3.4**	**9.3**	**7.9**	**11.0**
All Appropriated Funds					
Revenue	21,364.4	22,343.4	22,020.6	22,470.7	23,030.8
Expenditures	21,382.0	22,099.2	21,909.6	22,361.5	22,721.4
ALL APPROP. FUNDS BALANCE	**(17.6)**	**244.2**	**111.0**	**109.1**	**309.4**

[1]The FY 20 Other Appropriated Funds revenue projection includes the use of $6.6 million in prior year fund balances that are needed to accommodate projected FY 20 expenditures.

[2]Pursuant to CGS Sec. 2-36(b).

Section II. Methodology and Assumptions

METHODOLOGY

CGS Sec. 2-36(b) requires the Office of Fiscal Analysis (OFA) to estimate any changes to current year expenditures due to fixed cost drivers.

This methodology compares the statutorily required annual consensus revenue estimates with the previous year's expenditures plus the annual growth in fixed costs. For years in which expenditures are greater than revenue, an adjustment is calculated. This calculation represents how much non-fixed spending will have to be decreased to achieve a zero ending balance at the end of a given fiscal year. See **Appendix C** for a list of key assumptions used to develop cost projections through FY 24.

Flat Funding of Non-Fixed Accounts

The expenditure projections contained in this report may adjust only the accounts categorized as fixed costs to reflect changes over the previous year's expenditures. Most other accounts are flat-funded at FY 21 levels.

FIXED COSTS

For this report, OFA examined all expenditure accounts to identify the array of fixed costs. **Table 2.1** below shows the categories of expenditures that comprise fixed costs, as well as major categories that, while not identified as fixed costs, make up a significant portion of the budget.

Table 2.1 Categories of Non-Fixed and Fixed Costs

Non-Fixed Costs	Fixed Costs
Education (Lower & Higher)	Entitlements
Municipal Aid	Debt Service
Wages and Active Employee Fringe Benefits[1]	Pension Payments
Criminal Justice	Retiree Healthcare Costs
Environment & Economic Development	Adjudicated Claims
Public Safety	

[1]Excluding retirement benefits.

See **Appendix D** for account-level details through FY 24 on the fixed cost expenditure categories identified above.

OTHER ADJUSTMENTS TO EXPENDITURES

In addition to fixed cost increases, OFA includes adjustments relating to: (1) collective bargaining increases that were part of the State Employees' Bargaining Agent Coalition (SEBAC) 2017 Agreement, (2) contracts that were passed in the 2019 session, and (3) non-union wage adjustments.

Section III. General Fund – Biennium

The Office of Fiscal Analysis (OFA) is currently projecting a $29.7 million General Fund (GF) deficit in FY 20, as reflected in **Table 3.1.** Also, a volatility adjustment transfer of $318.3 million is anticipated to be deposited into the Budget Reserve Fund the same fiscal year.

Table 3.1 November Updates to FY 20 General Fund Estimates
In Millions of Dollars

Summary	FY 20
Budgeted Balance[1]	141.1
Revenue	
Budgeted	19,460.2
Consensus Adjustment	
Tax Refunds	(100.0)
Sales and Use	46.8
Plastic Bags	(20.7)
Other Changes	(10.6)
Subtotal	**(84.5)**
Expenditures	
Budgeted	19,319.1
Unidentified Lapses	2.1
Agency Deficiencies	84.3
Subtotal	**86.3**
SURPLUS/(DEFICIT)	**(29.7)**

[1]Section 50 of PA 19-117 transfers $30 million out the GF in FY 20, associated with a court settlement between the state and hospitals, reducing the FY 20 GF balance to $111.1 million.

REVENUE

GF revenues are adjusted downward by $84.5 million in total. Tax refunds are outpacing expectations thus far in the fiscal year, and are expected to continue to do so through the remainder of FY 20. This results in a $100 million adjustment, which negatively impacts revenues in that fiscal year. Collections data for the newly established, 10-cent fee on single-use plastic bags indicates annual revenues of $7 million, rather than the approximate $28 million revenue included in the budget, resulting in a negative adjustment of $20.7 million. Sales tax revenues have outpaced expectations since consensus revenue estimates of April 30, 2019, contributing to a positive adjustment of $46.8 million, which partially offsets the negative impact of the adjustments described above. Lastly, a number of relatively minor and technical updates are made that result in a negative $10.6 million net adjustment.

EXPENDITURES

In PA 19-117, the biennial budget act, FY 20 appropriations totaled $19.3 billion. Currently, expenditures are projected to be $86.8 million, approximately 0.5%, higher than budgeted. As reflected in **Table 3.2**, we are estimating deficiencies of $84.3 million across seven agencies.

Table 3.2 FY 20 Estimated Deficiency Needs
In Millions of Dollars

Agency	FY 20
Department of Social Services	31.2
State Comptroller – Adjudicated Claims	27.0
State Comptroller – Fringe Benefits	11.9
Department of Correction	10.6
Office of Early Childhood	1.8
Department of Mental Health and Addiction Services	1.5
Department of Emergency Services & Public Protection	0.3
TOTAL	**84.3**

Offsetting these deficiencies are lapses totaling $209.2 million. However, $19.4 million has yet to be distributed to agencies. OFA estimates that $16.8 million in lapses will be achieved, resulting in $2.5 million in savings yet to be identified (see **Table 3.3**). Descriptions of significant agency deficiencies and lapses are provided in **Appendix G**.

Table 3.3 FY 20 Estimated Lapses

Agency	FY 20
Undistributed Budgeted Lapses	(19,372,077)
Estimated Lapses	
Auditors of Public Accounts	250,000
Commission on Women, Children, Seniors, Equity and Opportunity	150,000
Department of Administrative Services	400,000
Division of Criminal Justice	147,032
Department of Consumer Protection	427,742
Department of Housing	2,000,000
Department of Economic and Community Development	130,683
Judicial Department	169,839
Public Defender Services Commission	1,048
Teachers' Retirement Board	1,664,000
Bottom Line Lapses (various General Fund agencies)	11,509,173
Subtotal	**16,849,517**
TOTAL	**(2,522,560)**

FY 21 UPDATE

November consensus revenue adjustments positively benefit the second year of the biennium, as reflected in **Table 3.4**. The major differences between FY 20 and FY 21 adjustments in consensus revenue are as follows: (1) anticipation that the increase in tax refunds in FY 20 will not continue into FY 21; and (2) a technical update to the volatility cap threshold, which decreases the transfer to the BRF by $24.9 million.

Table 3.4 FY 21 Update due to November Consensus Revenues

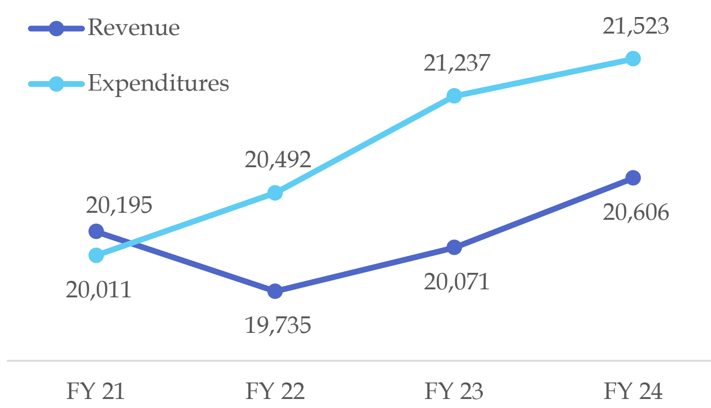
Update	FY 20	FY 21
Budget Balance	141.1	166.2
November Consensus Adjustments		
Refunds of Tax	(100.0)	-
Sales and Use Tax	46.8	51.0
Volatility Adjustment Transfer	-	24.9
Plastic Bags	(20.7)	(19.8)
Other Revenue Changes	(10.6)	(9.8)
Revenue Adjustments Subtotal	**(84.5)**	**46.3**
Expenditure Adjustments	**86.3**	**28.8**
BALANCE	**(29.7)**	**183.8**

Section IV. FY 22 to FY 24 Projections

GENERAL FUND OUT OF BALANCE IN THE OUT YEARS

Without adjustment, the Office of Fiscal Analysis (OFA) projects General Fund (GF) budget deficits of $757 million in FY 22, $1,165.4 million in FY 23, and $917 million in FY 24. In the context of Connecticut's slow economic recovery from the Great Recession, which occurred a decade ago, this is not a new situation for the state budget.

Figure 4.1 Revenue and Unadjusted Expenditures[1,2]
In Millions of Dollars



[1]Revenue amounts are post-Volatility Cap Adjustment.
[2]Changes in expenditures are limited to fixed cost accounts, excluding non-fixed cost reductions, as shown in **Table 4.1**.

As shown in **Figure 4.1**, consensus revenue drops by $459.6 million in FY 22, largely as a result of two sales tax transfers and the loss of temporary revenues. Total revenue then increases by 2.2% on average in FY 23 and FY 24.

Meanwhile, total projected fixed cost expenditures increase by an average of 4.8% annually in the out years. Fixed costs, as detailed in **Appendix D**, include: Medicaid, other entitlements, state employee and teachers' retiree costs, debt service, negotiated personnel costs and adjudicated claims**. Table 4.1** shows the fixed cost changes by type and year.

Pursuant to CGS Sec. 2-36(b), which requires certain estimates to be included in this report, non-fixed cost expenditure reductions of $757 million and an additional $408.4 million are needed to align GF expenditures with consensus revenue estimates in FY 22 and FY 23, respectively.

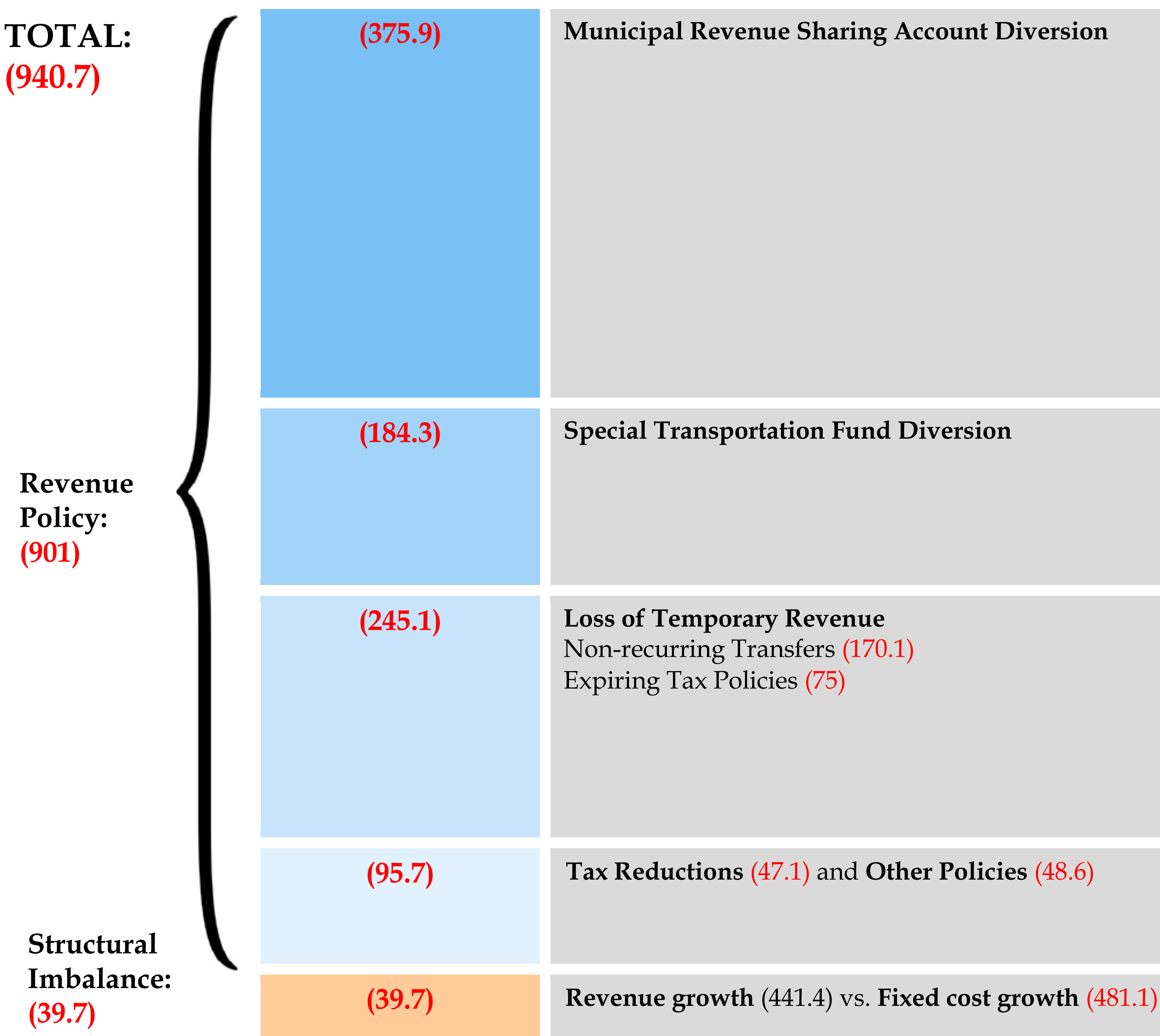
Table 4.1 General Fund Fixed Cost Changes and Non-Fixed Cost Reductions
In Millions of Dollars

Category	FY 21	FY 22	FY 23	FY 24
November Consensus Revenue	20,194.5	19,734.9	20,071.3	20,606.1
Previous year expenditures		20,010.7	19,734.9	20,071.3
Fixed Cost Changes				
Medicaid and other entitlements		101.2	106.4	109.9
State employee pension and retiree health		138.8	163.4	63.8
Teachers' retirement and retiree health		120.9	120.4	119.6
Debt service		101.8	246.5	100.8
Negotiated personnel costs		18.4	108.2	(107.7)
Subtotal - Fixed Cost Changes		**481.1**	**744.8**	**286.4**
Non-fixed cost expenditure reductions		(757.0)	(408.4)	-
Subtotal – Expenditures	20,010.7	19,734.9	20,071.3	20,357.7
BALANCE	**183.8**	**-**	**-**	**248.4**
Unadjusted Balance	**183.8**	**(757.0)**	**(1,165.4)**	**(917.0)**

FY 22 General Fund Imbalance

The projected FY 21 surplus of $183.8 million, when combined with $940.7 million in projected net negative changes from FY 21 to FY 22, results in an anticipated FY 22 deficit of $757 million. As shown in **Figure 4.2**, projected changes from FY 21 to FY 22 include policy-related revenue reductions of $901 million and a structural imbalance of $39.7 million. A structural imbalance is defined as the difference between fixed cost expenditure growth and revenue growth, which is comprised of economic growth and technical changes. The remainder of **Section IV** explores these out year changes in more detail.

Figure 4.2 Projected Changes from FY 21 to FY 22
In Millions of Dollars



REVENUE POLICY AND TECHNICAL ADJUSTMENTS

The net FY 22 revenue policy adjustment decreases the balance of the GF by a total of $901 million in FY 22. **Table 4.2** highlights the major components of that adjustment. Descriptions of specific items follow.

Table 4.2 Major Components of the FY 22 General Fund Revenue Adjustment
In Millions of Dollars

Components	FY 22
1. MRSA revenue diversion of sales tax resumes	**(375.9)**
2. STF motor vehicle sales tax revenue diversion increase: 25% to 75%	**(184.3)**
3. Expiration of temporary revenue policies	**(245.1)**
4. Other Policies	
Tax Reductions	(47.1)
All Other Policies (Net)	(48.6)
Subtotal - Other Policies	**(95.7)**
TOTAL	**(901.0)**

1. Municipal Revenue Sharing Account (MRSA) Sales Tax Diversion

Current law restores the MRSA sales and use tax diversion in FY 22, which decreases revenue to the GF by $375.9 million.

The MRSA revenue diversion was established in FY 16 for the general purpose of providing property tax relief grants to municipalities. This diversion was suspended from FY 17 to FY 21 due to budget constraints. In FY 20, MRSA-related-grants were partially funded through a GF appropriation of $70.8 million in FY 20. When it resumes in FY 22, 0.5 percentage points of the sales and use tax will be diverted from the GF to support MRSA.

2. Special Transportation Fund (STF) Motor Vehicle Sales Tax Diversion

The continual phase-in of the motor vehicle sales tax transfer to the STF decreases revenue to the GF by $184.3 million in FY 22. This represents an increase from 25% of all motor vehicle sales to 75% that is to be transferred from the GF to the STF. This transfer will be fully phased-in at 100% of all motor vehicle sales by FY 23. See **Table 4.3** for the full phase-in schedule and **Section VI** of this report for more information on the STF.

Table 4.3 Motor Vehicle Sales Tax Transfer Schedule
In Millions of Dollars

Diversion	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
% Transfer	8%	17%	25%	75%	100%	100%
Estimated Amount	29.0	61.9	91.4	275.7	369.4	371.2

3. Loss of Temporary Revenue

The following policies, listed in **Table 4.4**, cease by FY 21 and thus have a negative impact in FY 22.

Table 4.4 Loss of Temporary Revenue
In Millions of Dollars

Adjustments	FY 22
Amortization of the historical GAAP deficit resumes[1]	(85.1)
Revenue credit from FY 2020 to FY 2021 expires	(85.0)
Temporary restrictions on property tax credits expire	(53.0)
Sunset of the corporation tax 10% surcharge (Income Year 2020)	(15.0)
Sunset of 10 cent surcharge on plastic bags	(7.0)
TOTAL	**(245.1)**

[1]GAAP = Generally Accepted Accounting Principles

4. Tax Reductions and All Other Policies

All other remaining revenue policies, including scheduled tax reductions, have a net negative impact on the GF's ending balance of $95.7 million in FY 22. **Table 4.5** provides further details on these tax reductions and their estimated impacts on FY 22.

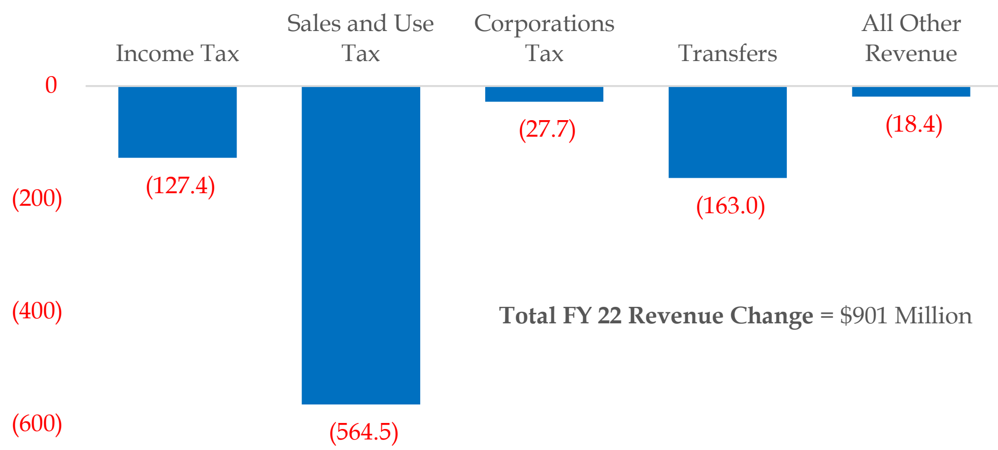
Table 4.5 All Other Revenue Policies' Impact to FY 22
In Millions of Dollars

Adjustments	FY 22
Tax Reductions	**(47.1)**
Exemption levels for annuities and other pension income increase	(16.4)
Exemption threshold for inheritance and estate tax increases: $5.1 million to $7.1 million (Income Year 2021)	(13.2)
Capital basis method for corporation tax continues to be phased out	(9.5)
Exemption rate for teachers' pension income increases from 25% to 50% (Income Year 2021)	(8.0)
All Other Policies (Net)	**(48.6)**
TOTAL	**(95.7)**

FY 22 Adjustments by Revenue Category

Figure 4.2 categorizes the FY 22 revenue policies discussed above by revenue type. Sales and use tax is most significantly impacted by a net negative of $564.5 million to the GF in FY 22. Further analysis of the status of the sales tax transfers in the out years follows.

Figure 4.2 FY 22 Revenue Impact by Category
In Millions of Dollars



Sales Tax Transfer to Various Funds

Recent policies transfer a portion of the sales and use tax to various funds and continue to do so at an accelerated pace through FY 23.[1] Although the transfers support other funds, the direct impact on the GF is a loss of revenue, growing from FY 21 to FY 22 by $569.2 million to a total of over $1 billion, or approximately 20% of all sales and use taxes collected. This increase is primarily due to the reintroduction of the transfer to MRSA, as previously discussed above, and the continued phase-in of the sales tax on motor vehicles to the STF (see **Section VI**).

Figure 4.3 Estimated Sales and Use Tax for Non-GF
In Millions of Dollars

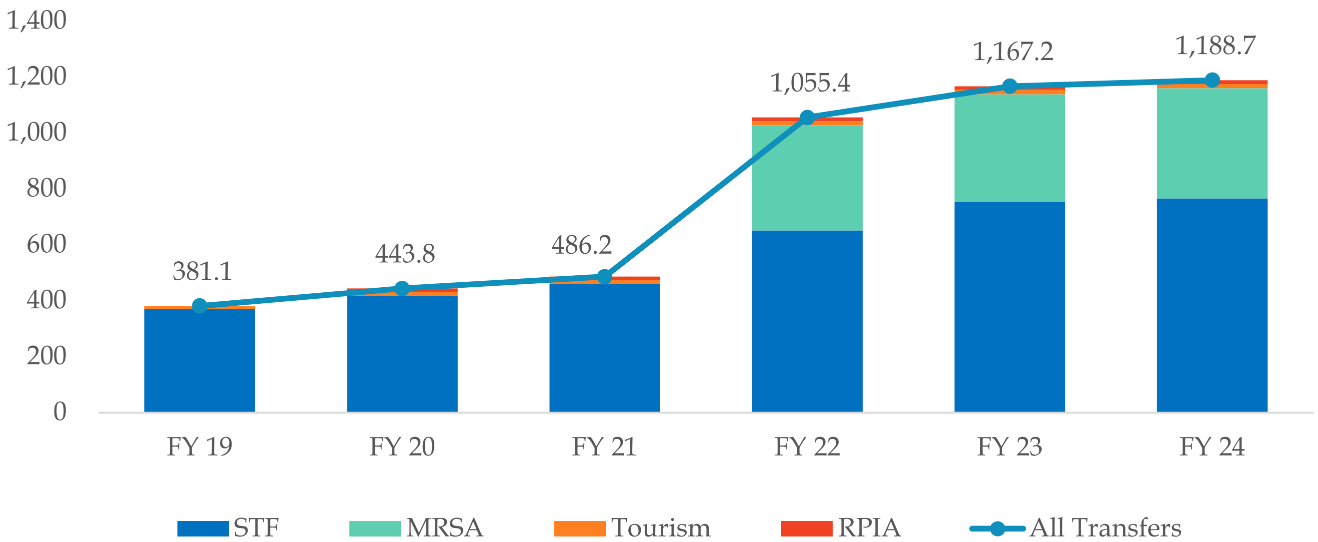
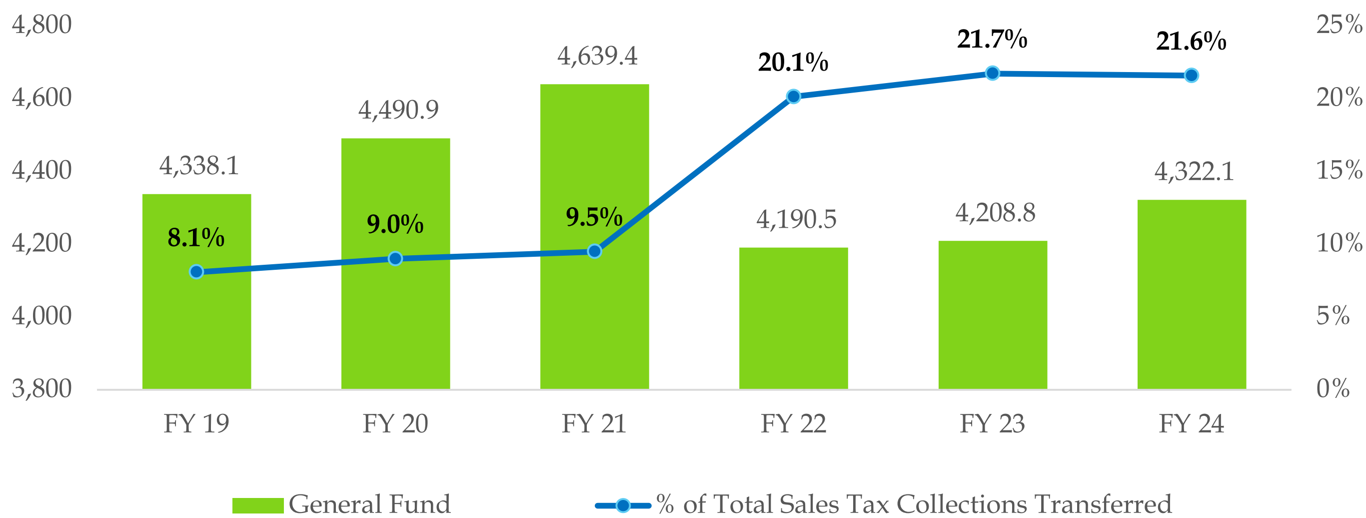


Figure 4.4 Estimated Sales and Use Tax for the General Fund
In Millions of Dollars



[1]In addition to the MRSA and STF transfers, a portion of the room occupancy tax is transferred to the Tourism Fund, and a portion of the room occupancy tax and rental car sales tax is transferred to the non-appropriated Regional Planning Incentive account.

STRUCTURAL IMBALANCE

For the purposes of this report, a structural imbalance is defined as the difference between fixed cost growth and revenue growth, which is comprised of economic growth and technical changes. Fixed cost growth is estimated to exceed revenue growth in FY 22 and FY 23, leading to a structural imbalance in those years. In FY 24, revenue growth is estimated to exceed fixed cost growth, in part due to certain fixed cost categories increasing significantly in FY 23 before leveling off or decreasing in FY 24.

Figure 4.5 Cumulative Structural Imbalance
In Millions of Dollars

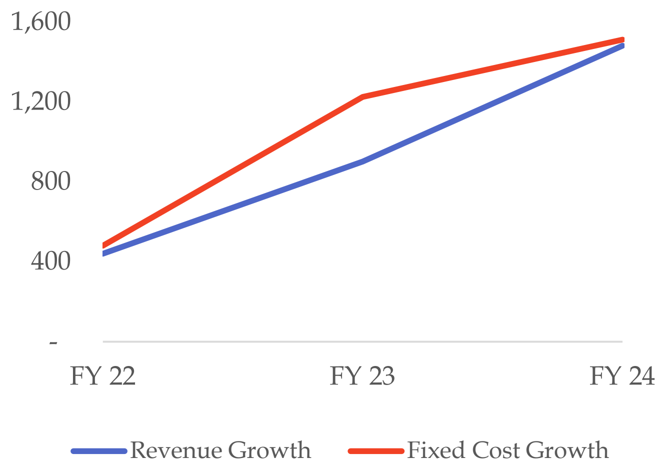


Table 4.6 displays three years, FY 22 through FY 24, of fixed cost growth compared to revenue growth. Over this time fixed cost growth is only $29.4 million more than revenue growth; a seemingly small structural imbalance. However, the average growth rate for revenue is 2.5% while the average fixed cost growth rate is 4.8%. This means that 100% of revenue growth is needed to cover fixed cost expenditure growth, which is 50% of budget expenditures.

Table 4.6 Structural Imbalance (FY 22 to FY 24)
In Millions of Dollars

Category	FY 22	FY 23	FY 24	TOTAL	Average Growth	
					$	%
Revenue Growth	441.4	461.0	580.6	1,483.0	494.3	2.5%
Fixed Cost Growth	481.1	744.8	286.4	1,512.4	504.1	4.8%
BALANCE	**(39.7)**	**(283.8)**	**294.2**	**(29.4)**	**(9.8)**	

Non-Fixed Costs Excluded from Structural Imbalance Estimate

One of the limitations of the FAR methodology of only including fixed costs is that it ignores increased costs of providing services in non-fixed cost areas. Non-fixed costs account for roughly half of all GF appropriations, or approximately $10 billion, in FY 21. In addition, the structural imbalance between fixed costs and revenue growth often results in reductions to non-fixed cost areas, or years of relatively flat-funding, as illustrated in **Table 4.7**.

Table 4.7 Fixed and Non-Fixed Costs Growth Rates

Category	Annualized Growth Rates	
	FY 08 to FY 19	FY 20 to FY 24
Fixed	4.4%	4.6%
Non-Fixed	0.7%	0.5%
TOTAL	**2.4%**	**2.6%**

Revenue Growth

Revenue growth rates in the out years range from 2.2% to 2.8% annually before taking into account revenue policy. A detailed breakout of growth amounts is reflected in **Table 4.8**.

Table 4.8 Revenue Growth by Source
In Millions of Dollars – Change from Prior Year

Source	FY 22	FY 23	FY 24
Personal Income Tax	307.6	365.7	377.7
Sales Tax	115.6	109.5	112.5
Business Taxes	50.8	28.4	69.8
Other Revenue	32.4	(15.8)	48.9
Federal Grants	9.7	31.5	32.4
Refunds	(74.7)	(58.3)	(60.7)
TOTAL GROWTH	**441.4**	**461.0**	**580.6**
PERCENT GROWTH %	**2.2**	**2.3**	**2.8**

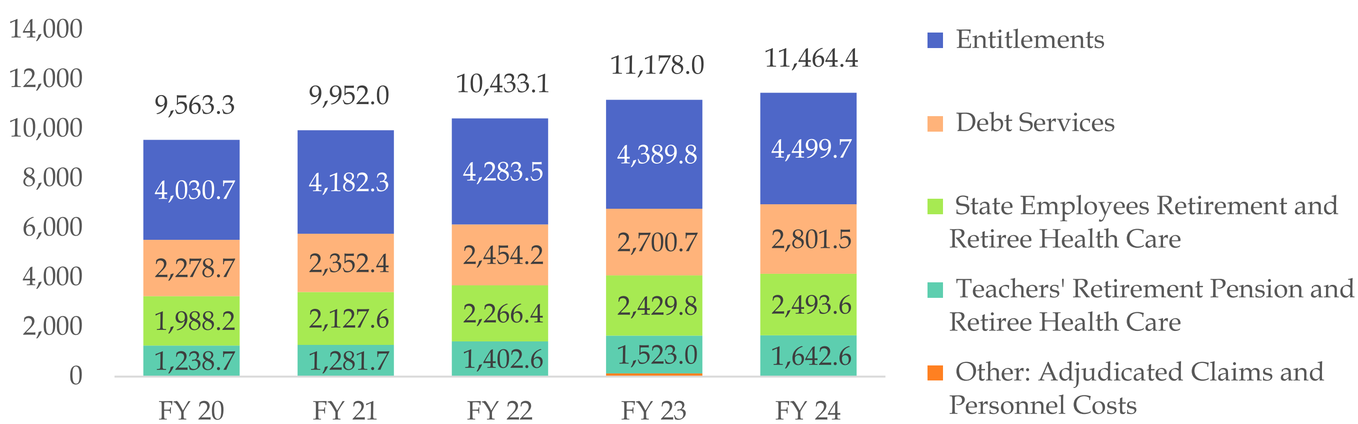
Fixed Cost Expenditures

Statutorily-defined, GF fixed costs are organized into the following five expenditure categories, listed in order of magnitude:

1. Entitlements (e.g., Medicaid and other programs),
2. Debt Service,
3. State Employees' Retirement and Retiree Health Care,
4. Teachers' Retirement and Retiree Health Care, and
5. Other: Adjudicated Claims (see **Appendix G** for details) and Negotiated Personnel Costs (see **Appendix C** for details).

GF fixed costs are projected to grow in the out years from approximately $10 billion in FY 21 to approximately $11.5 billion in FY 24; a total increase of $1.5 billion. This reflects net growth of $481.1 million from FY 21 to FY 22, $744.8 million from FY 22 to FY 23, and $286.4 million from FY 23 to FY 24, as shown in **Figure 4.6**.

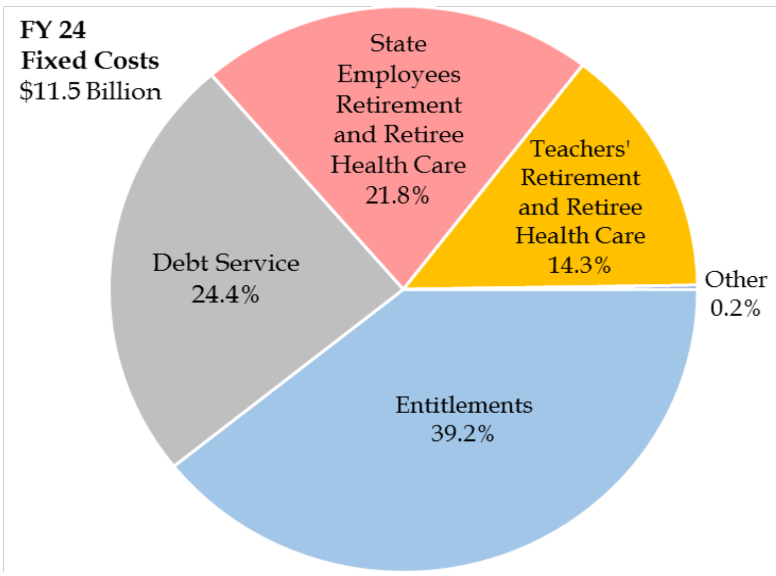
Figure 4.6 General Fund Fixed Cost Expenditures (FY 20 – FY 24)[1]
In Millions of Dollars



[1]Personnel costs reflect expenses associated with three collective bargaining contracts and the 27th payroll in FY 23.

Each of these five expenditure categories maintain their relative percentage of overall GF fixed costs, as shown in **Figure 4.7**.

Figure 4.7 FY 24 Fixed Cost General Fund Expenditures



Growth Rate

OFA projects an average annual growth rate of **4.8%** in FY 22 through FY 24 across all General Fund fixed cost expenditure categories**.**

The following sections outline the reasons for growth in the four largest fixed cost expenditure categories and the actions taken in 2019 to mitigate this growth.

Entitlements

Entitlements are the largest category of fixed costs, representing 39% of projected fixed costs in FY 24. However, the rate of growth has been the smallest of all other fixed cost categories with an average growth rate of 2.5% per year. The Medicaid and Community Residential Services accounts, appropriated in the Department of Social Services, collectively represent 84% of total projected entitlement costs in FY 24. Absent future specific state or federal policy changes impacting these programs, expenditures are anticipated to increase consistent with current historical trends.

- **Medicaid** is the largest entitlement program. It is projected to cost the GF $3.1 billion in FY 24 (or 69% of entitlements). The program is anticipated to grow by $85.7 million in FY 22, $86.5 million in FY 23, and $89.1 million in FY 24, which reflects a growth rate of approximately 3% per year from FY 22 through FY 24. The increase is primarily due to caseload growth and associated utilization costs. Despite the projected growth in this area, per member per month (PMPM) costs have been decreasing over time due to program management. Comparing FY 13 to FY 19, PMPM costs have decreased by 4.3%, from $662 in FY 13 to $633 in FY 19. This decrease mitigates the growth in program expenditures related to caseload and reimbursement changes. The Medicaid account is net funded reflecting the state's share of expenditures after federal reimbursement.

- **Community Residential Services** is the second largest entitlement program and it serves consumers of the Department of Developmental Services. The Community Residential Services account is projected to cost approximately $678 million in FY 24 (or 15% of entitlements). This program is anticipated to grow by $13.6 million in FY 22, and $13 million in FY 23 and FY 24, reflecting a rate of growth of approximately 2% per year. Growth is due to: (1) prior year annualization of community placement caseload increases, and (2) new caseload growth which is limited to community placement for individuals aging out of the Department of Children and Families and Local Education Agency placements at 21 years of age, long-term care residents (Money Follows the Person) and Southbury Training School residents. The Community Residential Services account is gross funded, reflecting the total program expenditures before factoring in the federal reimbursement of 50% under the Medicare waiver program.

Debt Service

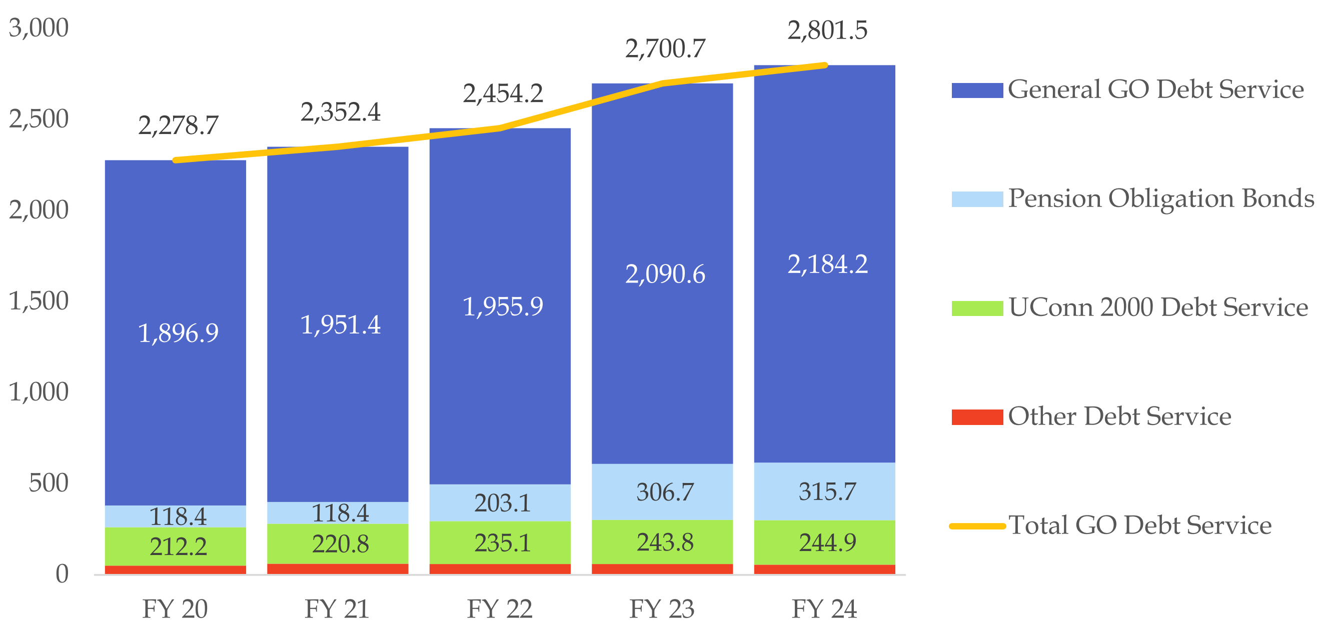
Annual GF debt service will grow by a total of $449.1 million, from $2,352.4 million in FY 21 to $2,801.5 million in FY 24. During this time, it is anticipated that the largest increases to General Obligation (GO) debt service will be the result of three factors (see **Figure 4.8** for further details):

1. ***Issuing New Debt***
   Issuing new debt results in a net increase of $232.8 million from FY 21 to FY 24 from the issuance of new bonds. This growth has been limited by recent policies, as discussed further on.

2. ***The Repayment Schedule for Teachers' Retirement System POBs***
   Annual Pension Obligation Bonds (POBs) repayment requirements vary each fiscal year per the 2008 contract. Between FY 21 to FY 24, they increase by $197.3 million, from $118.4 million to $315.7 million.[2]

3. ***UConn 2000 Program***
   Annual UConn 2000 payments are projected to increase by $24.1 million, from $220.8 million in FY 20 to $244.9 million in FY 24.

Figure 4.8 Annual Debt Service Estimates
In Millions of Dollars



[2]After FY 24, annual payment of POBs debt service will fluctuate between $269 million and $381 million before the bonds are fully repaid in FY 32.

- **Debt Service Growth Rates —** Overall annual debt service growth is estimated to be 6% from FY 21 to FY 24, with the majority of the increase due to the POBs repayment schedule changes. Growth in all other GF debt service, excluding the POBs, is anticipated to be 3.6% annually.

- **Impact of Recent Policies on Debt Service —** It takes several years to fully realize the impact of bonding decisions on debt service. Approximately 90% of the FY 21 debt service payment is based on debt that was incurred prior to FY 20. The growth from the issuance of new bonds, as described above, has been limited by several recent bonding policies, including slowed capital spending beginning in CY 17 and the current Governor's reduced capital use. Further detail on bonding-related projections is provided in **Section VII** of this report.

State Employee Retirement and Retiree Health Care

The projected GF growth in state employee retirement costs in FY 22 through FY 24 is predominately due to increases in the State Employees' Retirement System's (SERS') actuarially determined employer contribution (ADEC). Growth in the ADEC is a net result of an increase in SERS' unfunded accrued liability (UAL) payment and a decrease in the normal cost,[3] as discussed below and reflected in **Figure 4.9**.

Total ADEC Increases to $2.1 Billion by FY 24
Currently, the GF supports approximately 74% and the Special Transportation Fund supports approximately 9% of the SERS' ADEC. The balance is paid by recoveries from other funds.

The annual growth in the GF's share of the ADEC is estimated to be 5.2% in the out years, reflecting increases of approximately $89.7 million from FY 21 to FY 22, $110.4 million from FY 22 to FY 23, and $7.6 million from FY 23 to FY 24. This is a total increase of $207.8 million across the out years, with the GF ADEC growing from approximately $1.3 billion in FY 21 to approximately $1.5 billion by FY 24.

2019 Changes to the Amortization of SERS' UAL

The state and the State Employees' Bargaining Agent Coalition (SEBAC) entered into a Memorandum of Understanding on July 18, 2019 to extend the amortization period from 2032 to 2046 for the statutory portion of the UAL. This is approximately $4 billion of the total $21.2 billion UAL. As a result, the SERS' ADEC is reduced by approximately $164.2 million per fiscal year through FY 32. After which, the average increase in the ADEC is $363.9 million per fiscal year through the end of the closed amortization period in FY 47.

The UAL Payment Increases to $1.9 Billion by FY 24 and Remains Relatively Level until FY 32
Through FY 24, the UAL portion of the ADEC represents approximately 90% of the total SERS' ADEC. The UAL portion is $1.7 billion in FY 22, $1.8 billion in FY 23, and $1.9 billion in FY 24.

The Normal Cost Decreases to $192 Million by FY 24 and Slowly Declines over the Next Decade
Through FY 24, the normal cost portion of the ADEC represents 11% to 9% of the total SERS' ADEC. The normal cost portion is $202.6 million in FY 22, $198.4 million in FY 23, and $192 million in FY 24.

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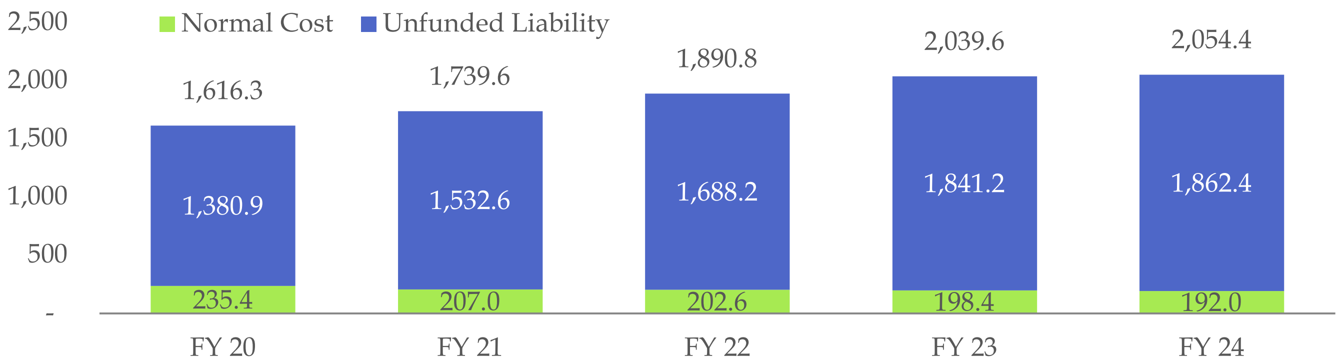
[3]The state funds three retirement systems for retired state employees': SERS, the Judges' and Compensation Commissioners' Retirement System, and the Higher Education Alternate Retirement Program (a defined contribution plan). GF support for SERS comprises 97% of the projected FY 20 expenditures for the three systems.

Figure 4.9 Trends in the State Employees' Retirement System (SERS) for All Funds[4]
In Millions of Dollars



Retiree State Employee Health Costs Projected to Increase to $949 Million in FY 24
The projected increases in retiree health care are $46 million in FY 22, $48 million in FY 23 and $51 million in FY 24, for a total increase of approximately 18%, or $145 million, over the FY 21 level of $804 million. Growth in retiree health is predominately due to increases in the costs of medical and prescription services for Medicare and non-Medicare eligible dependents. Aggregate program expenditures are projected to increase approximately 5.7% per year from FY 22 through FY 24. Retiree health care represents approximately 8.3% of GF fixed costs in FY 24.

Teachers' Retirement System Pension and Retiree Health Care Costs

The Teachers' Retirement System (TRS) provides pension and healthcare benefits for retired public school teachers. State TRS funding is appropriated to three accounts in the Teachers' Retirement Board (TRB), and debt service costs, associated with Pension Obligation Bonds (POBs), are funded out of the Office of the State Treasurer's Debt Service account.[5] This funding represents fiscal support to municipalities for expenses related to their retired public school teachers.

2019 TRS Changes

1. Reduces the discount rate from 8% to 6.9%.
2. Re-amortizes the unfunded liability over a new 30-year period.
3. Phases-in level dollar amortization methodology over five years.
4. Calculates the ADEC based on a 7% member contribution.
5. Sets credited interest percentages on member contributions to 4% from the current actuarially-determined rate of return.
6. Changes the percent reduction to members' accounts as benefits are received from 25% to 50%.

Pension Costs Grow to $1.9 Billion by FY 24
FY 24 pension-related payments of $1.9 billion reflect an increase of 40%, or $549.8 million, over total FY 21 payments of $1.4 billion.

The TRS' pension costs, shown in **Table 4.10**, are comprised of: (1) POB debt service, and (2) the state's actuarially determined employer contribution (ADEC) payments, which include both unfunded accrued liability (UAL) and normal

[4]See **Appendix H** for the OFA Fact Sheet on SERS for historical information.
[5]These three accounts, and the debt service, are fixed cost accounts. See **Appendix D** for further details on fixed costs.

pension costs. The projected increase in pension costs in the out years is predominately due to: (1) increases in UAL payments, and (2) increases to debt service from the POBs repayment schedule.[6]

TRS' ADEC Costs Grows to $1.6 Billion by FY 24

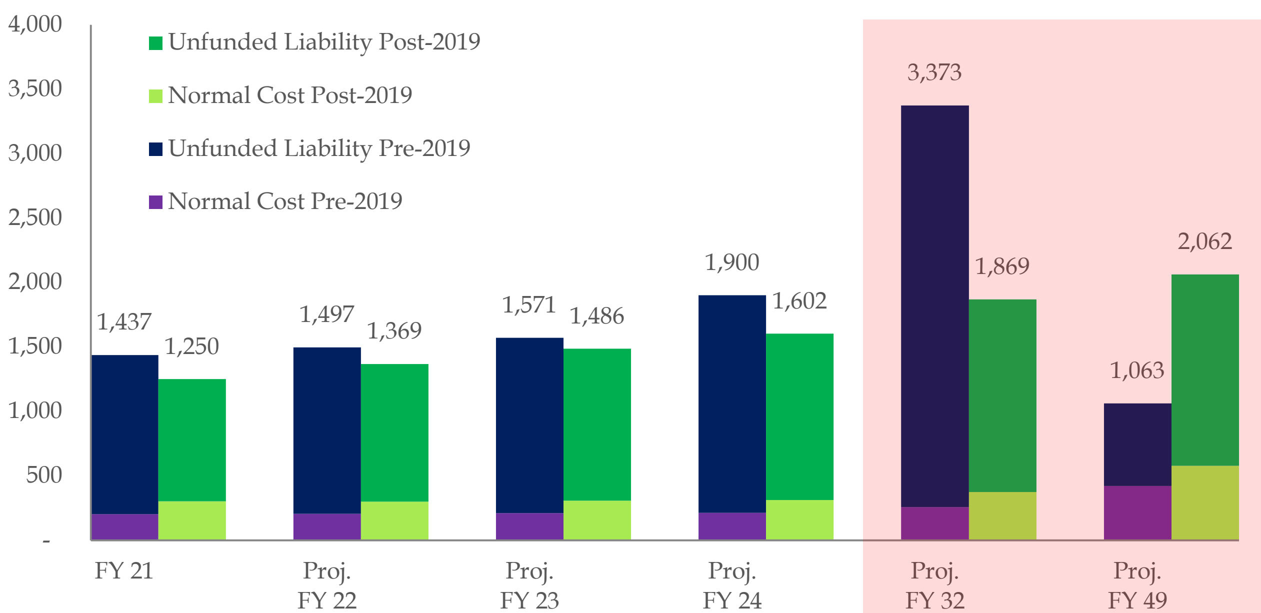
The overall annual ADEC growth is estimated to be 8.6% from FY 21 to FY 24. The state's ADEC increases by $118.8 million from FY 21 to FY 22, $117.4 million from FY 22 to FY 23, and $116.3 million from FY 23 to FY 24. This results in an overall increase of $352.5 million to the TRS' ADEC in the out years, with it growing from approximately $1.3 billion in FY 21 to approximately $1.6 billion in FY 24. This growth is primarily due to the increase in the UAL, associated with the phase-in of the level dollar methodology.

Table 4.10 State Teachers' Retirement System (TRS) Pension Costs
In Millions of Dollars

Cost	FY 21	FY 24	Change	
			$	%
Actuarially Determined Employer Contribution (ADEC)				
Unfunded Accrued Liability	947.9	1,289.5	341.6	36.0%
Normal Cost	301.9	312.8	10.9	3.6%
ADEC - Subtotal	**1,249.8**	**1,602.3**	**352.5**	**39.6%**
Debt Service	**118.4**	**315.7**	**197.3**	**166.6%**
TOTAL	**1,368.2**	**1,918.0**	**549.8**	**40.2%**

Figure 4.10 reflects the trajectory of the ADEC broken out between normal cost and UAL payments for FY 21 through FY 24, both pre- and post-2019 changes. Years shown past FY 24 are: (1) FY 32, the final year of both POB payments and pre-2019 changes to the amortization period, and (2) FY 49, the final year of the new 30-year amortization period. Payments are reduced through FY 32 as a result of the net impact of changes made in 2019 by the legislature and the TRB.

Figure 4.10 Teachers' Retirement System Actuarially Determined Employer Contribution Trajectory[7]
In Millions of Dollars



[6]Per the original bond covenant, the annual repayment requirements for the POBs are back-loaded, with 26% of total repayment occurring in the first 11 years (FY 09 to FY 20) and 74% occurring in the final 11 years (FY 21 to FY 32).
[7]See **Appendix I** to view the OFA TRS Fact Sheet for historical information.

State Costs for TRS Retiree Health Care Grow to $40.3 Million by FY 24

State funding for the two retiree health options provided by the TRB represents 2% of the state's TRS expenditures in FY 24:

1. TRB retiree health plan expenditures are anticipated to grow by $2.2 million from FY 21 to FY 22, $3 million from FY 22 to FY 23, and $3.3 million from FY 23 to FY 24. Total TRB retiree health plan expenditures grow from $26.4 million in FY 21 to $34.8 million by FY 24. This is an increase of approximately 32%, or $8.4 million, from FY 21 to FY 24. Projected retiree health plan expenditures increase in the out years due to growth in medical and prescription drug coverage and health plan membership.

2. The municipal retiree health insurance account is projected to remain flat-funded at $5.5 million annually, based on the fixed monthly subsidy and steady membership.

Section V. Recession Challenges

As of July 2019, the country is currently experiencing the longest time period between recessions in its history.[8] Therefore, it is useful to consider how well our state is positioned to weather the stress of the next recession.

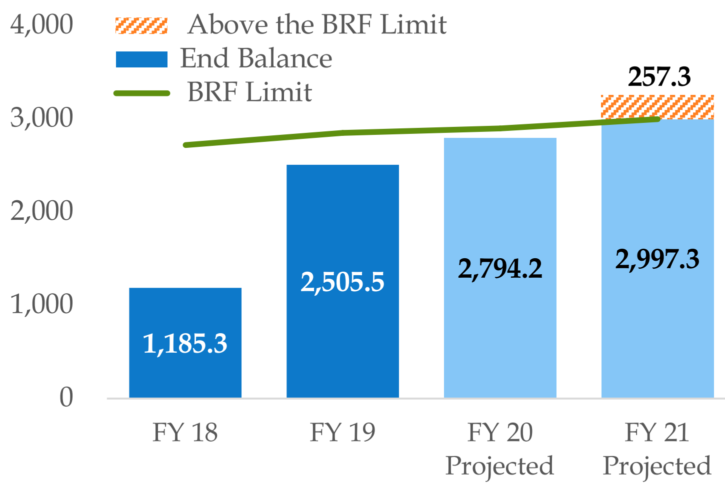
This section will discuss how the Budget Reserve Fund (BRF), or "rainy day" fund, could be used to help mitigate the revenue loss associated with a recession, and how a recession makes a structural imbalance significantly worse due to forgone revenue growth.[9]

1. Based on the impact of recessions in the past, approximately $3 billion will be needed from the BRF to offset two years of General Fund (GF) **revenue loss** from a recession.
2. In addition to this revenue loss, **forgone revenue growth** of approximately $1.5 billion will accumulate during a recession, worsening the state's structural imbalance at its end.

REVENUE LOSS

As indicated above, the Office of Fiscal Analysis (OFA) estimates $3 billion will be needed in the BRF to offset the revenue loss associated with a recession. As of the end of FY 19, the BRF balance is $2.5 billion, the largest balance in its 36 year history.[10] The balance is estimated to grow further in FY 20 and FY 21. However, per statute, the maximum BRF balance cannot exceed 15% of GF appropriations, or approximately $2.9 billion in FY 20 and $3 billion in FY 21.

Figure 5.1 BRF Year-End Balances
In Millions of Dollars



The BRF balance is projected to increase to $2.8 billion in FY 20 and exceed its statutory maximum or "cap" by approximately $257.3 million at the end of FY 21. The State Treasurer must apply all funds over the 15% cap to the State Employees' Retirement System, the Teachers' Retirement System, or both, to reduce these systems' unfunded liabilities.[11]

Statutory BRF Restrictions

The "bond lock" law restricts the use of BRF resources through FY 23 except under limited circumstances[12] to: (1) cover a deficit for the immediately preceding fiscal year; (2) finance a projected decline in GF revenue of 1% or more for the current or next biennium; or (3) pay unfunded pension

[8]See Section V of FAR 2018 for further discussion on economic transition, recession, and additional options/constraints to mitigating a shortfall.
[9]See OFA's BRF Quick Facts for more information at: https://www.cga.ct.gov/ofa/Documents/year/SMF/2020SMF-20191118_Budget%20Reserve%20Fund%20Quick%20Facts%20(November%202019).pdf
[10]See **Appendix F** for historical BRF balances and **Appendix J** for details on the FY 19 Update to the BRF.
[11]Currently, the unfunded liability of the State Employees' Retirement System is $21.2 billion, and the Teachers' Retirement System's is $16.8 billion.
[12]See the Office of Legislative Research's Issue Brief on Connecticut's Volatility Cap for more information at: https://www.cga.ct.gov/2018/rpt/pdf/2018-R-0296.pdf.

liabilities when the fund's balance equals 5% or more of net GF appropriations for the current fiscal year, per CGS Sec. 4-30a.

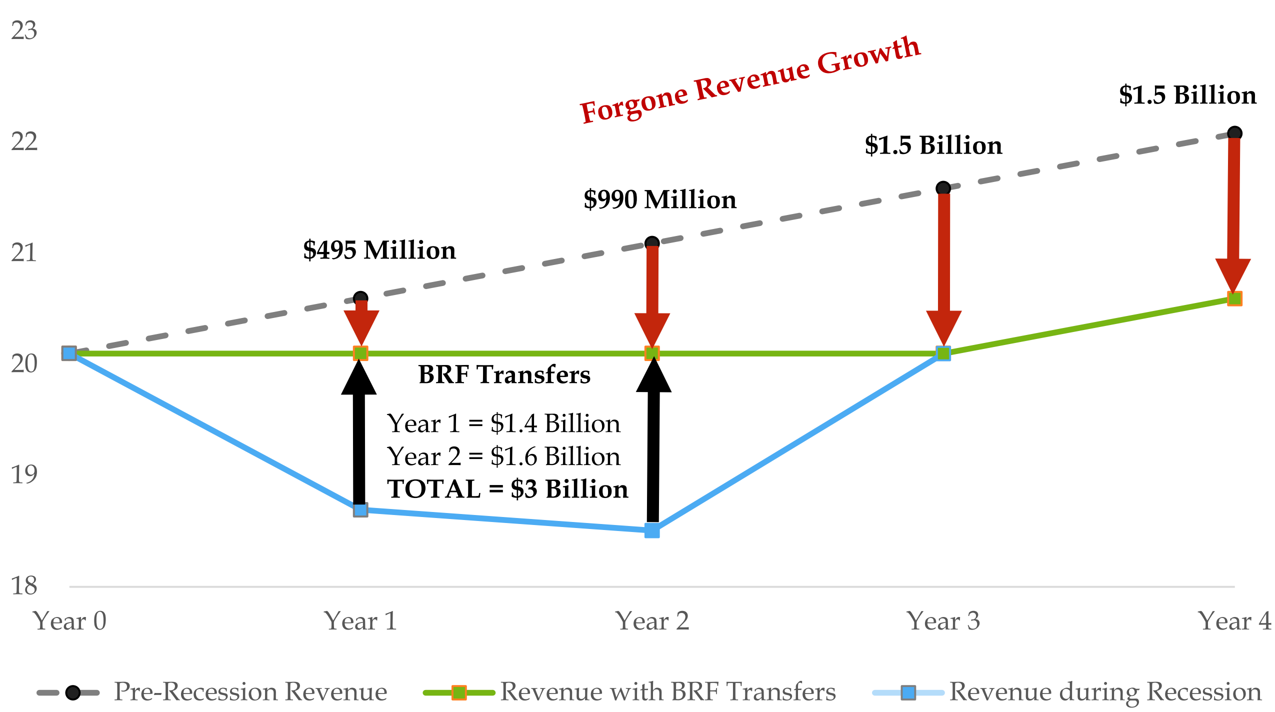
FORGONE REVENUE GROWTH

During and after a recession, the state faces the challenge of a significantly larger structural imbalance. A recession permanently alters the trajectory of revenue downward while fixed costs continue to grow. A fully-funded BRF can largely mitigate the revenue loss of a recession for two years, but it does not replace the forgone revenue growth that likely would have been generated in the absence of a recession.

Figure 5.2 illustrates the phenomenon of revenue loss and forgone revenue growth by using a simplified example of a typical recession.[13] In this scenario the entirety of the BRF is used to address the anticipated revenue loss—$1.4 billion in Year 1 and $1.6 billion in Year 2—in order to maintain revenue at pre-recession levels. In addition, forgone revenue growth results in large annual differences between pre and post recession revenue. In Year 1 this amount equals $495 million and grows to $1.5 billion in Year 3. By Year 4 revenue growth is anticipated to return to pre-recession growth rates and the impact of forgone revenue growth stabilizes at $1.5 billion per year.

The forgone revenue growth has a permanent impact on the structural imbalance as fixed cost expenditures continue to grow while revenue remains flat for three years. Enduring solutions will be needed to address this ongoing problem, which cannot be fixed through temporary measures like the use of the BRF.

Figure 5.2 Estimated Impact of a Recession on Revenue
In Billions of Dollars



[13]The actual impact of revenue loss and forgone revenue growth from a recession depends on the severity of the recession as well as the nature of the recovery. A quick recovery can significantly decrease the problem but a slow recovery, like Connecticut had with the last recession, can significantly increase the impact.

Section VI. Special Transportation Fund

The Office of Fiscal Analysis (OFA) anticipates that the Special Transportation Fund (STF) will have a positive FY 20 operating surplus of $8.9 million, which will increase the Fund's cumulative balance to $329 million by the end of the fiscal year.[14]

In the current biennium, the overall positive STF balance trend reflects a healthy revenue-to-debt ratio. The projected STF debt service growth of 6.7% in the out years, however, creates longer-term instability within the STF without additional revenue. In FY 20 through FY 24, anticipated revenue growth of 5.5% is anticipated, aided by sales and use tax transfers from the General Fund to the STF. Absent these transfers, STF revenue growth would be 1.3%. The disparity between debt service growth and revenue growth will continue into the future, which will put pressure on the operating balance and the debt service ratio.

FY 20 REVENUE AND EXPENDITURE HIGHLIGHTS

STF revenues are projected to be $9.3 million more than budgeted in FY 20. Most of this increase, approximately $25.7 million, is from an increase in motor vehicle receipts as a result of PA 19-165 which extends the renewal period for licenses and registrations. This is partially offset by a decrease in the oil companies tax and an increase in refunds of taxes to reflect current trends in collections.

The FY 20 debt service estimate assumes that $850 million of Special Tax Obligation (STO) bonds are issued in the Fall of 2019. The STF debt service amount for FY 20 would change to the extent the timing or amount deviate from budget expectations. Estimates will be revised if and when new information is available regarding the STO issuance.

Table 1.1 Special Transportation Fund (STF) Summary (FY 20 – FY 24)
In Millions of Dollars

Components	FY 20	FY 21	FY 22	FY 23	FY 24
Appropriations					
Starting Cumulative Balance	320.1	329.0	386.0	487.6	588.0
Appropriations	1,026.7	1,059.4	1,100.6	1,149.8	1,167.6
Debt Service	697.1	761.5	804.4	867.1	924.5
Subtotal	**1,723.8**	**1,820.9**	**1,904.9**	**2,016.1**	**2,094.0**
Revenue					
Other revenue	1,315.3	1,418.9	1,355.0	1,363.3	1,378.7
0.5% Sales Tax	355.5	367.6	375.9	384.6	394.1
Motor Vehicle Sales Tax	61.9	91.4	275.7	369.4	371.2
Subtotal	**417.4**	**459**	**651.6**	**754**	**765.3**
TOTAL	**1,732.7**	**1,877.9**	**2,006.6**	**2,117.3**	**2,144.0**
Operating Surplus/Deficit	8.9	57.0	101.7	101.2	50.0
ENDING CUMULATIVE BALANCE	**329.0**	**386.0**	**487.7**	**588.9**	**638.9**
Debt Service Ratio	2.5	2.5	2.5	2.4	2.3

[14]Historically, the STF has maintained an operating surplus every fiscal year to support the state's credit rating. The cost to repay bonds decreases as the state's credit rating rises.

Statute requires OFA to project bond authorizations, allocations and issuances, along with their impact on the debt service, for future years. The projections for Special Tax Obligation (STO) bonds are provided in the following table.

Figure 7.1 Estimates of STO Bond Fund Use
In Millions of Dollars

FY	Debt Service	Authorization	Allocation	Issuance
20	697	1,483[15]	850	850
21	762	782	875	875
22	804	782	875	875
23	867	782	875	875
24	925	782	875	875

No Bond Package Adopted for the Biennium

To date, no bond package has been adopted in calendar year 2019, which has a major impact on the ability to project current and future bond use. The projected authorizations for the biennium are based on the amounts proposed by the Finance, Revenue and Bonding Committee when a bond bill was approved by the committee in May.[16] If no bond package is adopted during the biennium, estimates for all capital use would decline substantially from the figures in this report.

[15]FY 20 Authorizations include $706 million of Let's Go, CT! authorization which became effective July 1, 2019. FY 20 was the last of five years of Let's Go, CT! authorizations.
[16]sSB 876

Section VII. General Obligation Bonding

Bonding is a financing mechanism in which long-term borrowing is used to finance capital projects or other programs not directly funded by appropriations. State statute requires the Office of Fiscal Analysis (OFA) to project bond authorizations, allocations, and issuances, along with their impact on the debt service, for future years. The projections for General Obligation (GO) bonds are provided in **Table 7.1** with a discussion of each aspect to follow.[17]

No Bond Package Adopted

Table 7.1 Estimates of GO Bond Fund Use
In Millions of Dollars

Fiscal Year	Debt Service	Authorizations	CY Allocations	Issuances
20	2,279	1,729	1,797	1,797
21	2,352	1,628	1,860	1,860
22	2,454	1,800	1,791	1,791
23	2,701	1,800	1,725	1,725
24	2,802	1,800	1,685	1,685

To date, no bond package has been adopted in Calendar Year (CY) 2019, which has a major impact on OFA's ability to project current and future bond use. The projected authorizations for the biennium are based on the amounts proposed by the Finance, Revenue and Bonding Committee (FRB) in a bond bill that was approved by the committee in May.[18] If no bond package is adopted during the biennium, all capital use estimates will decline substantially from the figures in this report.

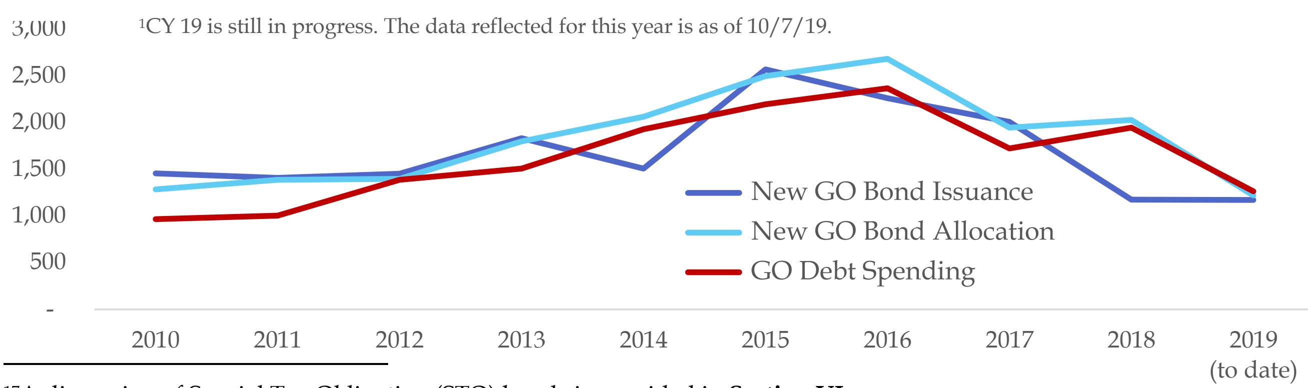
Governor's Debt Diet

The Governor has repeatedly called for a "debt diet" to control growth in debt service paid from the General Fund (GF). As the Governor has a substantial role in capital use and spending, which includes control of the State Bond Commission, the projections above assume adherence to the administration's scaled back use of capital funds. Both the allocation and issuance projections assume a flat $1.6 billion figure annually plus the scheduled annual UConn 2000 program bonding.

Capital Program Declining

The Governor's reduced capital use and the lack of a bond package have both held capital use to relatively low levels thus far in CY 19. However, use of bonding has been declining across several measures since it peaked in CY 16, as reflected in **Figure 7.1.**

Figure 7.1 Capital Program's Bond Usage by Calendar Year[1]



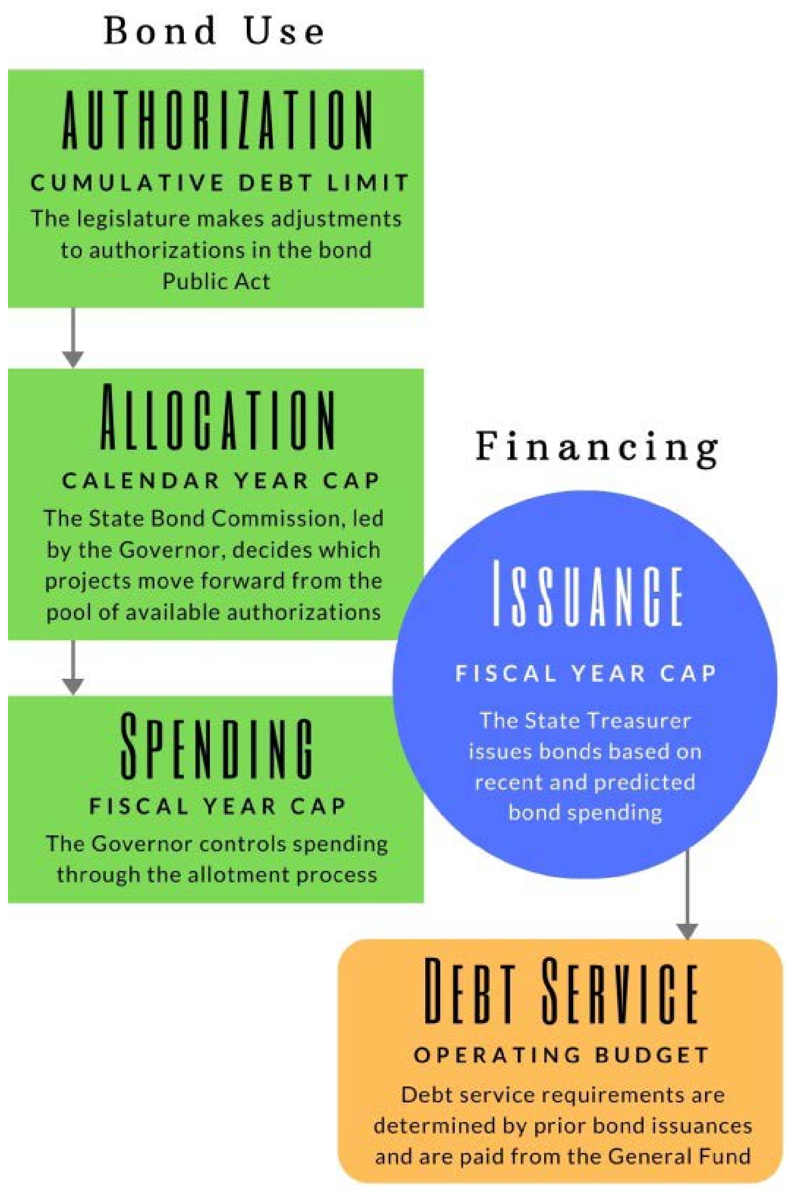
[17]A discussion of Special Tax Obligation (STO) bonds is provided in **Section VI**.
[18]sSB 876

There was a one-time drop in bond usage during CY 17, which was likely the result of the delayed budget adoption. (There were no bond commission meetings between May and November that year.) Additionally, that budget implemented new annual caps on various stages of bonding, with the immediate impact of lowering new allocations from $2.7 billion in CY 16 to $1.9 billion in CY 17. Issuance and debt spending show parallel trends with an overall reduction since 2016.

Bond Process

Using bond funds for programs involves several steps overseen by the legislature, the State Bond Commission, the Governor, and the State Treasurer. **Figure 7.2** provides an overview of the process, a description of how and if its use is capped, and the controlling party for each step. The various steps in the bond process can be broken into two sub-groups: **Bond Use** and **Financing**.

Figure 7.2 General Obligation Bond Process



Bond Use

Authorizations

Bond authorizations are restricted by the state's statutory debt limit. The debt limit is determined by the ratio of GF-supported debt to net tax revenues. In the calculation, GF-supported debt includes bonds that have been legislatively authorized, but not yet allocated by the State Bond Commission.

Using Fiscal Year (FY) 20 net tax revenues as adopted by FRB, the State Treasurer's July 1, 2019 debt certification showed there to be approximately $2,874 million of space under the relevant 90% threshold for new FY 20 bonding. Absent the adoption of a bond package, available space under the threshold will increase to $4,764 million by FY 21.[19] If the bond package passed out of FRB in May were to be adopted, the state would remain at least $2.1 billion below the threshold to start

[19]The debt limit is required by statute to be calculated using FRB adopted net tax revenues. If updated for changes due to November consensus, the amount available to start FY 21 would increase to $5,452 million.

FY 21. Because the debt limit is cumulative, any unused portion in FY 20 will remain available in FY 21 and beyond.

Throughout the next five years, debt levels are expected to be consistently under 85% of the debt limit, after accounting for consensus revenues and the above projected authorizations. To start FY 24, the state is projected to be 83.5% under the debt limit, or $1,859 million below the 90% threshold.

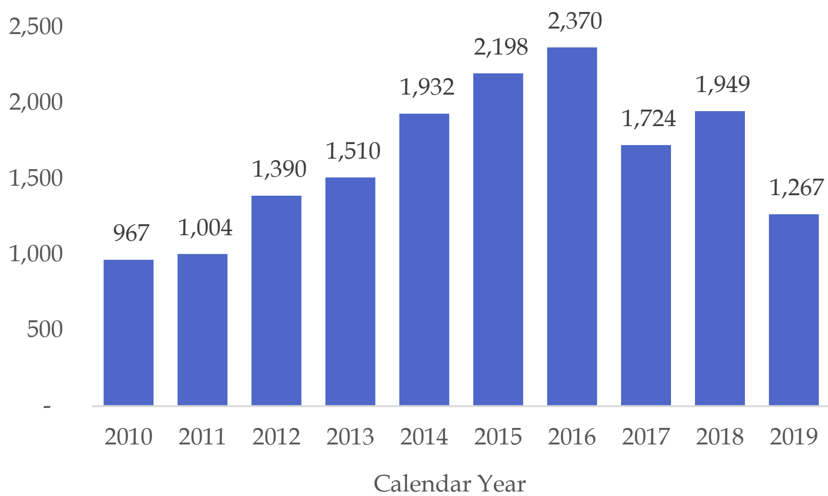
Allocations[20]

Projected allocations, between $1,685 million and $1,860 million per calendar year, are based on the Governor's planned GO bond issuance ($1.6 billion plus funds available annually for the UConn 2000 program), but actual allocations could be substantially lower than these figures. To date in CY 19, $1.1 billion has been allocated. While additional allocations are anticipated before the end of CY 19, total allocations for the year are anticipated to be hundreds of millions less than both recent years[21] and the annual allocation cap.[22] By CY 24, the annual allocation cap is expected to increase to $2.3 billion based on projected inflation.[23]

Bond Spending

Bond fund expenditures tend to lag behind allocations for several reasons. The long-term nature of capital projects often leads to predetermined payment schedules, with a portion of payments required at the beginning of a project and the balance paid months or years later upon the project's completion. Similarly, not all allocations are made for shovel-ready projects, so spending may be delayed as projects start up.

Figure 7.3 General Obligation Bond Project Spending[1]
In Millions of Dollars



[1]CY 19 is still in progress. The data reflected for this year is as of 10/7/19.

Regardless of the lag, GO bond spending on projects increased year over year from CY 10 through a peak in CY 16 at $2,370 million, as shown in **Figure 7.3**. Spending noticeably slowed during CY 17 largely due to uncertainty from the delay of the passage of the FY 18 and FY 19 Budget until the Fall.

A categorical look at bond fund spending reflects the growth from CY 10 to CY 16. It also illustrates the subsequent decline across most bond categories and five categorical themes:

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[20]GO bond allocations are made through the State Bond Commission. Allocations are measured by CY due to the statutory limit (CGS Sec. 3-20).

[21]A peak of $2.7 billion was allocated in CY 16.

[22]The annual allocation cap for CY 19 is $2,079 million.

[23]Statute requires inflation of the allocation, issuance, and allotment caps by the Bureau of Labor Statistics' Consumer Price Index, less Food and Energy. This section assumes rates of 2.1, 2.2, 2.4, 2.2, 2.3, and 2.3% respectively for CY 18 through CY 23, respectively.

1. **Reimbursements** to districts for school construction expenses remain the single largest bond program, although it has been trending downward for some time. Prior to CY 10, local school construction regularly accounted for more than half of all GO bond project costs. These costs have been reduced to less than 25% of overall expenditures in recent years.

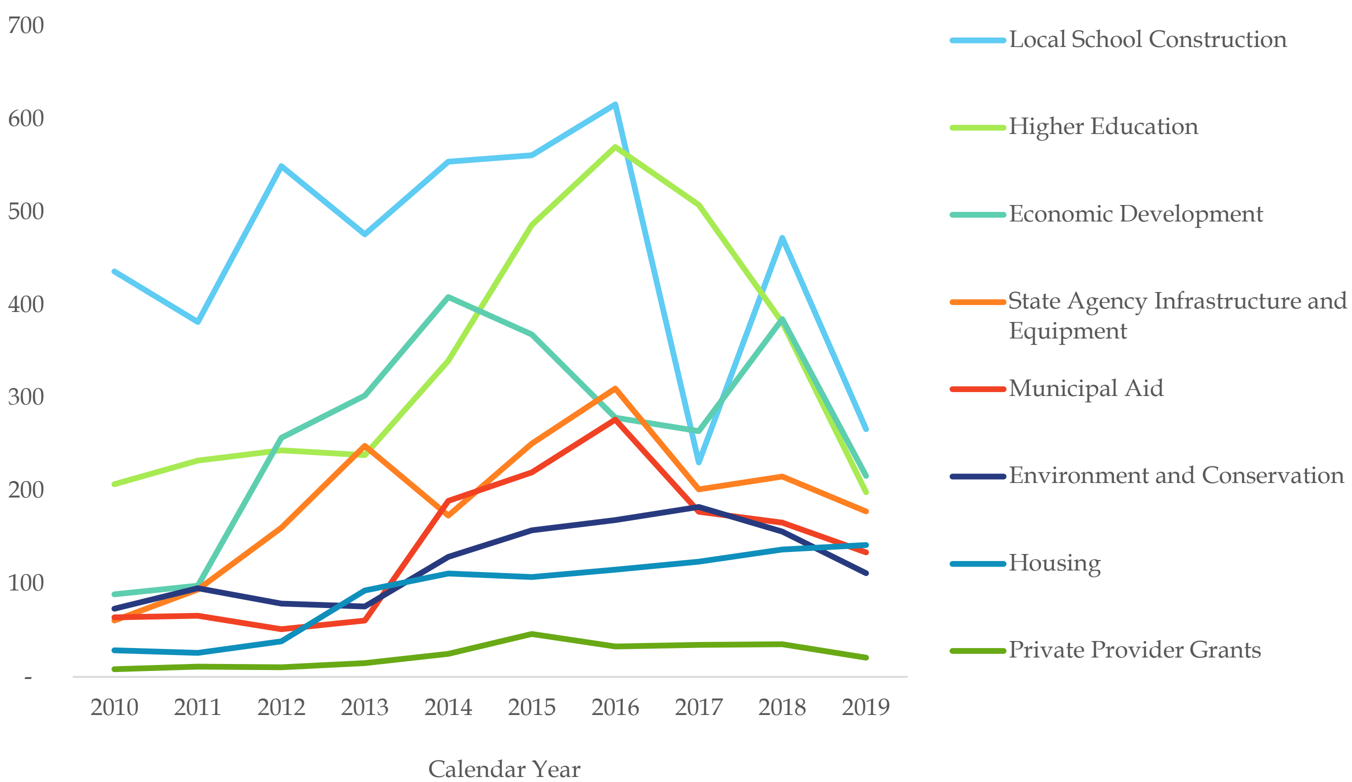
2. Higher education spending grew steadily through 2016 as two major programs, UConn 2000 and CSUS 2020, reached peak annual levels. It is expected to steadily decrease going forward, as new bond authorizations for the CSUS 2020 program finish in the biennium and authorization levels for UConn 2000 decrease through the program's end in FY 27.

3. Bond spending for economic development projects ramped up under the Malloy administration before peaking in CY 14. Together with housing, economic development projects accounted for over 30% of bond project spending in CY 18, the prior administration's last full calendar year.

4. Municipal aid increased substantially in CY 14, which coincides with moving some operating grants to towns to the capital package. In recent years, bonded municipal aid has started with $150 million of statewide grants: $30 million for Local Capital Improvement (LoCIP), $60 million for Town Aid Road (TAR) split between GO and transportation bonds, and $60 million for grants for municipal purposes.

5. Environment and conservation programs, along with grants to non-municipal, private providers, largely follow the same peak and decline trend over the last decade, although environmental program spending peaked slightly later than most other programs.

Figure 7.3 General Obligation Bond Process Project Spending[1]
In Millions of Dollars



Bond Financing

Issuance

Bonds are issued by the State Treasurer based on expected need and past programmatic spending rates, not immediately when allocated. As recent allocations and overall spending from bond funds have declined in recent years, issuances are expected to remain relatively low and well below the annual cap. Issuances in FY 20 and beyond are expected to be limited by the Governor's reduced capital use to no more than $1.6 billion annually, in addition to fully issuing annual allocations to the UConn 2000 program. The lack of an adopted bond package for the biennium could lead to lower than expected issuance in FY 20, but that will not be seen until closer to the end of the fiscal year. By CY 24, the annual issuance cap is expected to increase to $2,124 million based on projected inflation.[24]

Debt Service

Debt repayment requirements are part of the contract agreed to when bonds are first issued. Besides the amount and type of bonds issued, debt service payments from any particular bond issuance can vary with changes in the bond market and changes to Connecticut's creditworthiness.[25] While several of these factors have been trending positively for the state, it is important to note that the vast majority of debt service payments in the out years are based on decisions made, and expenditures from, fiscal years prior to the current biennium.

[24]The CPI rates used to inflate the allocation cap, see above, are also used to inflate the issuance cap. The issuance and allotment caps both exempt the UConn 2000 and CSUS 2020 programs.

[25]The debt service estimates shown here, and discussed in greater detail in **Section IV**, are based on market borrowing rates, including interest rates for 20 year fixed rate tax exempt bonds of 5% in the biennium and 5.25% thereafter.

Section VIII. Tax Expenditure Estimates

State law currently permits various tax expenditures in the form of tax credits, exemptions, and deductions, which amount to an estimated $6.6 billion in FY 20. This amount is approximately 31.4% of the total projected FY 20 General Fund and Special Transportation Fund revenue. The majority of tax expenditures occur in the sales and use tax and motor fuels tax (approximately 61.8% and 19.3%, respectively). **Table 8.1** reflects the Office of Fiscal Analysis' estimated total tax credits, exemptions, and deductions for FY 20 through FY 24.[26]

Table 8.1 Summary of Major Identifiable State Tax Expenditure Estimates[1]
In Millions of Dollars

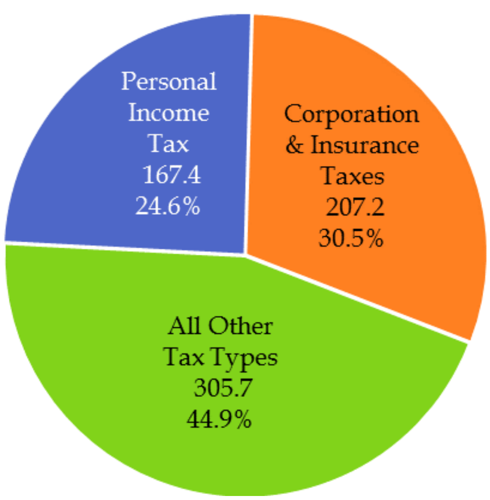
Category	FY 20	FY 21	FY 22	FY 23	FY 24
Personal Income Tax	412.6	443.6	536.7	569.1	602.4
Sales and Use Tax	4,104.1	4,196.2	4,290.3	4,386.6	4,488.8
Corporate and Insurance Taxes	399.7	404.9	406.0	410.8	419.9
Petroleum Companies Gross Earnings Tax	226.1	231.1	237.4	237.4	237.4
Motor Fuels and Motor Carrier Road Taxes	1,279.5	1,280.5	1,281.5	1,282.5	1,283.5
All Other Taxes	215.1	217.5	219.2	224.9	230.8
TOTAL	**6,637.1**	**6,773.8**	**6,971.1**	**7,111.3**	**7,262.7**

[1]Includes estimated identifiable revenue reductions of $100,000 or more.

Tax Credits

Tax credits are estimated to be $680.3 million in FY 20 or 10.2% of all projected FY 20 tax expenditures. The remaining $6 billion in FY 20 in total tax expenditures includes all exemptions and deductions. A breakout of credits by tax type is provided in **Figure 8.1.**

Figure 8.1 FY 20 Tax Credit Estimates by Revenue Type
In Millions of Dollars



Types of Tax Expenditures

A credit directly reduces a taxpayer's tax liability. An exemption excludes specified transactions from tax (e.g., sales tax on food products). A deduction lowers the taxable amount of a specific transaction (e.g., contributions to CHET).

[26]For more information, please see the Connecticut Tax Expenditure Report, Office of Fiscal Analysis (February 2018). Please note that this report includes updated estimates on certain expenditures where necessary. The next report will be released in February 2020.
https://www.cga.ct.gov/ofa/Documents/year/TER/2018TER20180201_Tax%20Expenditure%20Report%20FY%2018.pdf

Sales and Use Tax

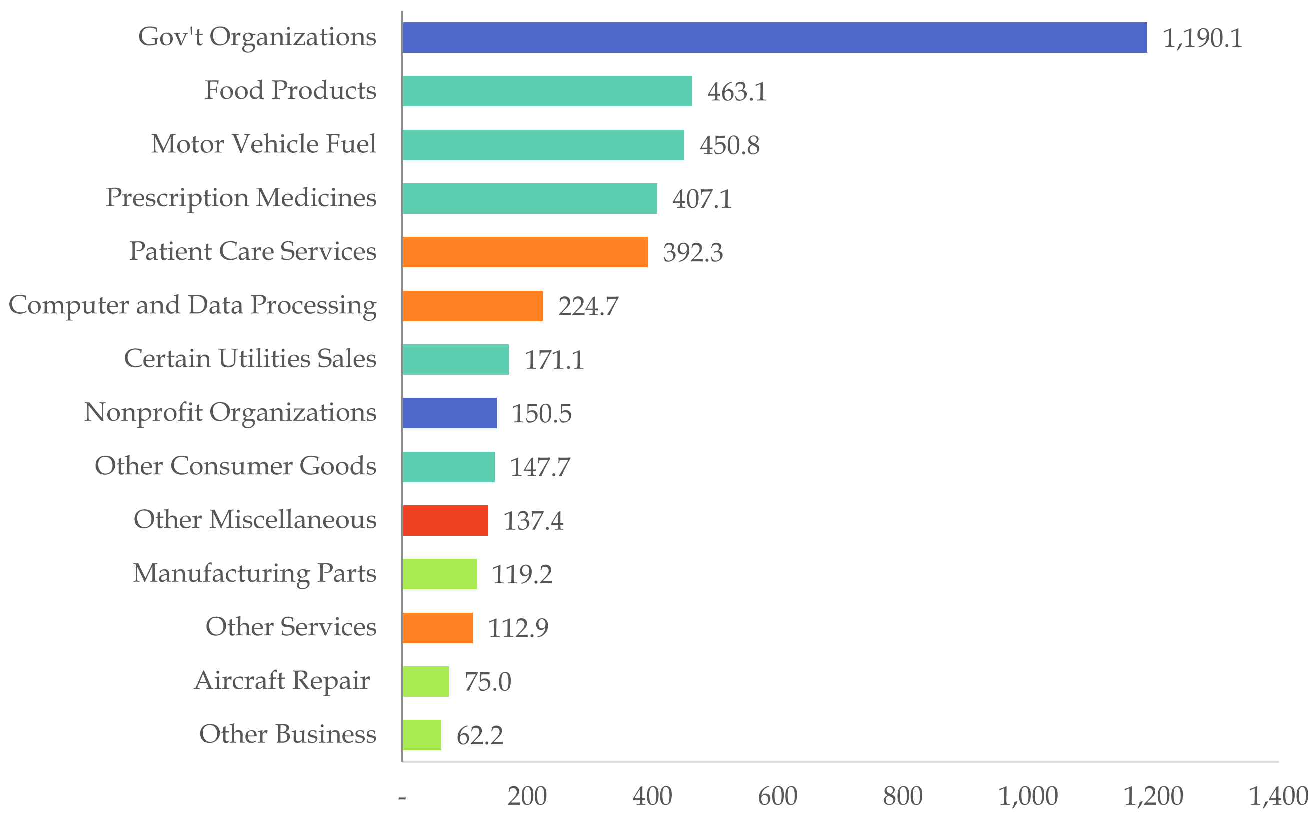
Sales and use tax expenditures represent approximately **61.8%** of all identifiable tax expenditures and are estimated to be **$4.1 billion** in FY 20.

Consumer goods consist of approximately 40% of all total sales and use tax exemptions. Government Organizations make up the single largest type of exemption at over $1.3 billion estimated for FY 20. **Table 8.2** details the categories of sales and use tax expenditures available, as well as the value of each category.

Table 8.2 Sales and Use Tax Category Comparison
In Millions of Dollars

	Category	FY 20	% of Total
	Consumer Goods	1,639.8	40.0%
	Business Exemptions	256.4	6.2%
	Service Exemptions	729.9	17.8%
	Government and Nonprofit Organizations	1,340.6	32.7%
	Miscellaneous	137.4	3.3%
TOTAL SALES AND USE TAX EXEMPTIONS		**4,104.1**	**100.0%**

Figure 8.2 Major Sales and Use Tax Expenditures (FY 20)
In Millions of Dollars



Appendix A. Consensus Revenues

Revenue Estimates for FY 20 - FY 21 and the Out Years
In Millions of Dollars

Fund/Component	FY 20	FY 21	FY 22	FY 23	FY 24
General Fund					
Taxes					
Personal Income Tax - Withholding	6,910.5	7,168.5	7,333.4	7,555.0	7,783.8
Personal Income Tax - Estimates and Finals	2,762.5	2,836.9	2,966.3	3,065.5	3,168.1
Sales & Use	4,490.9	4,639.4	4,190.5	4,208.8	4,322.1
Corporation	1,099.8	1,059.2	1,065.9	1,063.4	1,098.8
Pass-through Entity Tax	850.0	850.0	850.0	850.0	850.0
Public Service	237.7	244.7	250.2	256.8	263.7
Inheritance & Estate	165.8	146.3	138.4	133.5	132.5
Insurance Companies	203.3	205.8	208.3	211.2	214.0
Cigarettes	344.7	326.9	310.9	295.4	280.6
Real Estate Conveyance	217.4	230.6	239.0	246.4	254.1
Alcoholic Beverages	68.9	69.7	70.1	70.4	70.7
Admissions & Dues	41.9	41.5	41.8	42.1	42.4
Health Provider Tax	1,050.1	1,051.6	1,053.0	1,063.5	1,074.2
Miscellaneous	20.7	21.5	22.0	22.5	23.0
Total - Taxes	**18,464.2**	**18,892.6**	**18,739.8**	**19,084.5**	**19,578.0**
Refund of Taxes	(1,409.3)	(1,378.9)	(1,551.4)	(1,605.7)	(1,662.2)
Earned Income Tax Credit	(97.3)	(100.6)	(104.0)	(107.0)	(110.1)
R&D Credit Exchange	(7.1)	(7.2)	(7.7)	(7.9)	(8.1)
Total - Taxes Less Refunds	**16,950.5**	**17,405.9**	**17,076.7**	**17,363.9**	**17,797.6**
Other Revenue					
Transfers - Special Revenue	368.0	376.6	384.3	391.0	397.9
Indian Gaming Payments	226.0	225.4	221.4	217.5	213.6
Licenses, Permits, Fees	341.2	384.3	410.1	386.0	421.2
Sales of Commodities	30.2	31.0	31.8	32.6	33.5
Rents, Fines, Escheats	163.5	165.9	168.3	170.7	173.2
Investment Income	57.6	57.9	58.2	58.9	59.6
Miscellaneous	203.1	204.5	218.8	222.5	226.3
Refund of Payments	(66.4)	(67.7)	(69.0)	(70.3)	(71.7)
Total - Other Revenue	**1,323.2**	**1,377.9**	**1,423.9**	**1,408.9**	**1,453.6**
Other Sources					
Federal Grants	1,524.4	1,530.8	1,540.5	1,572.0	1,604.4
Transfer From Tobacco Fund	136.0	114.5	113.1	112.2	111.5
Transfers From/ (To) Other Funds	(240.1)	42.0	(131.6)	(126.5)	(131.6)
Transfers to BRF - Volatility Adjustment	(318.3)	(276.6)	(287.7)	(259.2)	(229.4)
Total - Other Sources	**1,102.0**	**1,410.7**	**1,234.3**	**1,298.5**	**1,354.9**
TOTAL - GENERAL FUND	**19,375.7**	**20,194.5**	**19,734.9**	**20,071.3**	**20,606.1**

Fund/Component	FY 20	FY 21	FY 22	FY 23	FY 24
Special Transportation Fund (STF)					
Taxes					
Motor Fuels Tax	510.8	510.2	506.6	504.0	501.6
Oil Companies Tax	309.0	316.5	327.5	335.7	344.3
Sales & Use Tax	417.4	459.0	651.6	754.0	765.3
Sales Tax - DMV	86.5	86.9	87.6	88.3	88.9
Refunds of Taxes	(24.3)	(15.0)	(15.6)	(16.2)	(16.8)
Total-Taxes Less Refunds	1,299.4	1,357.6	1,557.7	1,665.8	1,683.3
Other Sources					
Motor Vehicle Receipts	280.1	305.9	263.5	265.6	274.4
Licenses, Permits, Fees	145.5	146.6	147.6	148.2	148.8
Interest Income	36.1	36.7	37.3	38.1	38.8
Federal Grants	12.1	11.8	11.0	10.1	9.2
Transfers From/ (To) Other Funds	(35.5)	24.5	(5.5)	(5.5)	(5.5)
Refunds of Payments	(5.0)	(5.2)	(5.0)	(5.0)	(5.0)
Total Other Revenues	433.3	520.3	448.9	451.5	460.7
TOTAL - STF	**1,732.7**	**1,877.9**	**2,006.6**	**2,117.3**	**2,144.0**

Appendix B. Other Appropriated Funds

Fund	Actual FY 19[1]	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23	Projected FY 24
Mashantucket Pequot and Mohegan Fund						
Beginning Balance	23,390	23,397	23,397	23,397	23,397	23,397
Revenue	-	-	-	-	-	-
Expenditures	(49,942,789)	(51,472,796)	(51,472,796)	(51,472,796)	(51,472,796)	(51,472,796)
Transfers	49,942,796	51,472,796	51,472,796	51,472,796	51,472,796	51,472,796
Ending Balance	23,397	23,397	23,397	23,397	23,397	23,397
Regional Market Operating Fund						
Beginning Balance	(96,324)	(186,308)	(170,986)	(177,843)	(205,971)	(281,366)
Revenue	875,393	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Expenditures	(965,377)	(1,084,678)	(1,106,857)	(1,128,128)	(1,175,395)	(1,158,275)
Transfers	-	-				
Ending Balance	(186,308)	(170,986)	(177,843)	(205,971)	(281,366)	(339,641)
Banking Fund						
Beginning Balance	1,938,517	1,734,648	3,888,708	4,913,895	10,558,731	14,684,936
Revenue	35,965,970	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Expenditures	(26,969,840)	(27,645,940)	(28,774,813)	(29,355,164)	(30,873,795)	(30,260,669)
Transfers	(9,200,000)	(5,200,000)	(5,200,000)	-	-	-
Ending Balance	1,734,648	3,888,708	4,913,895	10,558,731	14,684,936	19,424,267
Insurance Fund						
Beginning Balance	1,305,451	15,696,438	10,204,057	10,252,578	10,484,452	11,067,176
Revenue	107,038,042	98,509,342	113,110,765	114,221,615	116,903,361	115,132,853
Expenditures	(92,717,870)	(104,001,723)	(113,062,244)	(113,989,741)	(116,320,637)	(115,370,410)
Transfers	70,815	-	-	-	-	-
Ending Balance	15,696,438	10,204,057	10,252,578	10,484,452	11,067,176	10,829,619
Consumer Counsel and Public Utility Control Fund						
Beginning Balance	4,783,793	6,966,283	7,040,007	7,044,682	6,339,322	4,055,807
Revenue	26,086,309	27,500,000	28,500,000	28,500,000	28,500,000	28,500,000
Expenditures	(23,903,819)	(27,426,276)	(28,495,325)	(29,205,360)	(30,783,515)	(30,233,505)
Transfers	-	-	-	-	-	-
Ending Balance	6,966,283	7,040,007	7,044,682	6,339,322	4,055,807	2,322,302
Workers' Compensation Fund						
Beginning Balance	14,138,068	12,737,353	11,587,739	12,562,090	14,326,824	14,678,161
Revenue	21,774,760	23,974,564	29,627,996	31,121,052	30,988,070	30,953,855
Expenditures	(23,175,476)	(25,124,178)	(28,653,645)	(29,356,318)	(30,636,733)	(30,313,647)
Transfers	-	-	-	-	-	-
Ending Balance	12,737,353	11,587,739	12,562,090	14,326,824	14,678,161	15,318,369
Criminal Injuries Compensation Fund						
Beginning Balance	3,964,507	3,811,419	3,877,331	3,943,243	4,009,155	4,075,067
Revenue	2,715,709	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

Fund	Actual FY 19[1]	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23	Projected FY 24
Expenditures	(2,868,797)	(2,934,088)	(2,934,088)	(2,934,088)	(2,934,088)	(2,934,088)
Transfers	-	-	-	-	-	-
Ending Balance	3,811,419	3,877,331	3,943,243	4,009,155	4,075,067	4,140,979
Tourism Fund						
Beginning Balance	-	(2,445,500)	(1,590,488)	(260,476)	1,369,536	3,399,548
Revenue	10,535,922	14,000,000	14,400,000	14,700,000	15,100,000	15,500,000
Expenditures	(12,981,422)	(13,144,988)	(13,069,988)	(13,069,988)	(13,069,988)	(13,069,988)
Transfers	-	-	-	-	-	-
Ending Balance	(2,445,500)	(1,590,488)	(260,476)	1,369,536	3,399,548	5,829,560
TOTALS						
Beginning Balance	26,057,402	38,337,730	34,859,765	38,301,566	46,905,446	51,702,726
Revenue	204,992,106	203,083,906	224,738,761	227,642,667	230,591,431	229,186,708
Expenditures	(233,525,390)	(252,834,667)	(267,569,756)	(270,511,583)	(277,266,947)	(274,813,378)
Transfers	40,813,611	46,272,796	46,272,796	51,472,796	51,472,796	51,472,796
BALANCE	**38,337,730**	**34,859,765**	**38,301,566**	**46,905,446**	**51,702,726**	**57,548,852**

[1]FY 19 ending balances /FY 20 beginning balances according to Exhibit C of the Comptroller's Report, June 30, 2019 (Appropriations Continued + Fund Balances and Surplus).

EXPENDITURE ASSUMPTIONS

Expenditures in the other appropriated funds are non-fixed costs, and as such are flat-funded through FY 24, except for certain wage and fringe benefit costs that are considered fixed throughout this report.

REVENUE ASSUMPTIONS

Banking Fund

Through FY 24, revenue from statutory banking licenses and fees, as well as assessments, is anticipated to remain constant at approximately $35 million annually.

Consumer Counsel/Department of Public Utility Control Fund

There is no assumed growth from fees and assessments in the out years, as the fund has experienced variation in year to year revenue.

Criminal Injuries Compensation Fund

Annual revenue from criminal fines, which are set by statute, is anticipated to remain flat at approximately $3 million.

Insurance Fund

The Insurance Department annually assesses insurers to cover the Insurance Fund's costs, adjusting the assessment by the fund balance at the close of the fiscal year. As such, out year revenue is assumed to grow in line with the fund's fixed cost expenditure growth.

Mashantucket Pequot/Mohegan Fund

Out year projections assume a General Fund transfer to the Pequot Fund equal to the FY 21 appropriation of $51.5 million. Pursuant to PA 14-217, General Fund transfers to the Pequot Fund are equal to the amount appropriated for Pequot Fund grants in a given fiscal year.

Regional Market Operation Fund

Revenue is based on incoming rents from fifteen tenant leases, including two long-term land leases. Additional revenue is generated from outdoor billboard advertising, farmers' market stalls, rail cars, and office rents. Revenue through FY 24 is projected based on the anticipated terms of current leases.

Tourism Fund

Revenue from 10% of room occupancy tax collections supports this fund. Out year estimates assume a growth rate of approximately 2.4% for room occupancy tax collections.

Workers' Compensation Fund

The State Treasurer assesses private insurance companies and employers to cover the Commission's annual costs. Revenue is based on the statutorily-defined assessment formula. In fiscal years following a fund sweep, the amount of the revenue (assessment) reflects the impact of the fund sweep. In fiscal years where the impact of a fund sweep is not reflected in the revenue, the fund balance at the end of the fiscal year should reflect a sum equal to approximately six months' worth of expenditures, which has historically been approximately $10 to $14 million.

Appendix C. Key Assumptions, Sources, and Methodologies

FIXED COST ASSUMPTIONS

The following assumptions were used to develop fixed cost projections.

Department of Children and Families (DCF)

No Nexus Special Education
Expenditures are flat-funded as residential treatment special education caseloads are anticipated to remain at approximately the current levels in FY 22 through FY 24.

Board and Care for Children – Adoption
Expenditures for this account reflect a growth rate of approximately 2% in each fiscal year. Also, an extra per diem of approximately $256,484 is included in FY 23 related to the leap year.

Board and Care for Children – Foster
Funding is projected to decrease slightly through FY 24, primarily due to a Department of Housing rental assistance program expansion and the establishment of a central transportation unit. In addition, an extra per diem of approximately $229,200 is included in FY 23 related to the leap year.

Board and Care for Children – Short-term and Residential
It is anticipated that the caseload for this account will continue to trend downward in FY 20 and in the out years. An extra per diem of approximately $123,183 is included in FY 23 related to the leap year.

Individualized Family Supports
This wraparound services account is projected to remain at approximately FY 20 expenditure levels in the out years.

Department of Mental Health and Addiction Services

General Assistance Managed Care
An average account growth of 3% to accommodate cost and caseload needs is assumed.

Medicaid Adult Rehabilitation Option
An average account growth of 4% to support Medicaid claiming needs is assumed.

Department of Social Services

Medicaid
Reflects average growth of 3% per year.

HUSKY B
Reflects average growth of 4.5% per year.

Community Residential Services
Reflects new and annualized caseload growth for community placements, including individuals aging out of services provided by the DCF and Local Education Agencies, long-term care residents (Money Follows the Person), and Southbury Training School residents.

Other Entitlements
Annual growth for State Administered General Assistance, Temporary Family Assistance, Old Age Assistance, Aid to the Disabled, and Aid to the Blind are all flat-funded based on caseload trends in recent years.

Office of Early Childhood

Birth to Three
Projections reflect a 5% growth rate per fiscal year based on recent service expenditures.

Care4Kids TANF/CCDF
This account is currently flat-funded. Projections for this account only reflect the state's share of costs, due to net appropriation of the account. While overall program costs are estimated to increase in the out years, federal funds are anticipated to be available to support expenditures, based on currently available information.

SEBAC 2017 Agreement and Various Other Collective Bargaining Contracts

Wages
Growth of 4.9% in FY 21 and 1% in FY 22 is assumed based on: (1) the 2017 SEBAC agreement, (2) collective bargaining contracts that were passed in the 2019 session, and (3) non-union wage adjustments. The majority of union contracts expire on June 30, 2021. The State Police and Judicial Information Technology and Legal Services' contracts expire on June 30, 2022. Except for the annualization of these FY 22 contract increments, no other wage increases are projected in FY 23 and FY 24. Every 10 years an extra pay period occurs (27 pay periods as opposed to 26). This will occur again in FY 23 and is projected to cost the state approximately $108 million.

State Comptroller – Fringe Benefits

State Employee Retirement (SERS)
Reflects actuarial projections of the unfunded accrued liability payment (UAL), and the normal cost, based on assumptions in the June 30, 2018 SERS valuation. Projections assume: (1) level percentage of payroll amortization and a closed five-year phase-in to level dollar, (2) a 6.9% discount rate, and (3) amortization of UAL over the remaining 28 years for both statutory and transitional bases.

Higher Education Alternative Retirement System
Reflects growth based on projected changes in personnel services.

Pensions & Retirements - Other Statutory
Assumes approximately 5% growth per fiscal year based on average, historical changes in the account, including Cost Of Living Adjustments.

Judges and Compensation Commissioners' Retirement System
Reflects the unfunded accrued liability payment, and the normal cost, based on actuarial projections and assumptions in the most recent June 30, 2018 valuation. Projections assume: (1) level percentage of payroll amortization, (2) a 6.9% discount rate, and (3) a 13-year closed amortization period.

Retired State Employees Health Service Cost
Reflects an average annual account growth of 5.7% per year. Growth is based on projected changes in medical, dental, and pharmacy trends for non-Medicare covered retirees and dependents, and projections for the Medicare Advantage Plan for Medicare covered retirees and dependents.

State Treasurer

Debt service

Estimates were made using outstanding debt payments plus modeled projections that used current market interest rates.

Debt limit

Reflects consensus net tax revenues.

Annual Limits on Bond Usage

The allocation and issuance bond caps reflect statutorily required adjustments, as per the Bureau of Labor Statistics Consumer Price Index (CPI) Less Food and Energy. Adjustments to those bond caps reflect estimated annual growth in the CPI.

Teachers' Retirement Board

Retirement Contributions

This account's growth reflects the Actuarially Determined Employer Contribution (ADEC), which is calculated by pension plan actuaries. The account projections assume: (1) a transition to a level-dollar amortization methodology, (2) a 6.9% discount rate, and (3) a reamortization of the unfunded liability over a new 30-year period.

Retiree Health Service Cost

Reflects the state share of one-third of the basic plan premium costs as provided by statute and incorporates projected premium costs and membership trends.

Municipal Retiree Health Insurance Costs

Reflects the state share of one-third of the municipal subsidy, which assumes flat growth in both the statutory subsidy and participation.

TAX EXPENDITURE SOURCES, METHODOLOGIES, AND ASSUMPTIONS

The Department of Revenue Services (DRS) is the primary source for data on tax expenditures. However, if DRS does not have information available, other viable sources are utilized. Such sources include federal agencies (such as the Census Bureau and the Energy Information Administration), other Connecticut state agencies outside of DRS, and state agencies from other U.S. states.

To provide estimates for the current fiscal year and the out years, collected data was analyzed and grown on an individual basis, holding constant all other tax provisions. Certain tax expenditures have no growth in the out years or follow a historical trending pattern. In other cases, a variety of sources are utilized when applicable. These include, but are not limited to:

1. Growth rates, calculated with consensus revenue estimates,
2. Economic indicator projections provided by Moody's Analytics,
3. CPI growth rates reported by the Bureau of Labor Statistics, and
4. Federal Open Market Committee statements.

Appendix D. Fixed Cost Details

In Millions of Dollars

Fixed Cost Account	FY 20	FY 21	FY 22	FY 23	FY 24
GENERAL FUND					
Debt Service - State Treasurer					
Debt Service	1,896.9	1,951.4	1,955.9	2,090.6	2,184.2
UConn 2000 - Debt Service	212.2	220.8	235.1	243.8	244.9
CHEFA Day Care Security	5.5	5.5	5.5	5.5	5.5
Pension Obligation Bonds - Teachers' Retirement Board	118.4	118.4	203.1	306.7	315.7
Municipal Restructuring	45.7	56.3	54.7	54.1	51.3
Debt Service - State Treasurer Total	**2,278.7**	**2,352.4**	**2,454.2**	**2,700.7**	**2,801.5**
Office of the State Comptroller (OSC) - Miscellaneous					
Adjudicated Claims	27.0	8.0	8.0	8.0	8.0
OSC - Miscellaneous Total	**27.0**	**8.0**	**8.0**	**8.0**	**8.0**
OSC - Fringe Benefits					
Higher Education Alternative Retirement System	-	14.5	15.6	17.1	19.0
Pensions and Retirements - Other Statutory	2.0	2.0	2.1	2.2	2.3
Judges and Compensation Commissioners Retirement	27.0	28.5	29.5	30.8	32.2
Retired State Employees Health Service Cost	760.4	803.7	849.5	897.9	949.1
State Employees Retirement Contributions - UAL	1,027.4	1,125.5	1,218.4	1,328.9	1,344.2
SERS Defined Contribution Match	3.2	4.3	5.4	7.0	8.6
State Employees Retirement Contributions - Normal Cost	168.3	149.0	145.9	145.9	138.2
OSC - Fringe Benefits Total	**1,988.2**	**2,127.6**	**2,266.4**	**2,429.8**	**2,493.6**
Department of Mental Health and Addiction Services (DMHAS)					
General Assistance Managed Care	40.2	40.6	41.8	43.1	44.3
Medicaid Adult Rehabilitation Option	4.2	4.2	4.3	4.5	4.7
DMHAS Total	**44.4**	**44.8**	**46.1**	**47.6**	**49.0**
Department of Social Services (DSS)					
HUSKY B Program	9.3	15.2	15.9	16.6	17.4
Medicaid	2,731.6	2,856.9	2,942.6	3,029.1	3,118.1
Old Age Assistance	40.6	41.6	41.6	41.6	41.6
Aid To The Blind	0.5	0.5	0.5	0.5	0.5
Aid To The Disabled	57.2	57.7	57.7	57.7	57.7
Temporary Family Assistance - TANF	57.7	56.9	56.9	56.9	56.9
Connecticut Home Care Program	34.0	35.8	35.8	35.8	35.8
Community Residential Services	622.4	638.0	651.7	664.7	677.7
State Administered General Assistance	18.3	18.0	18.0	18.0	18.0
DSS Total	**3,571.7**	**3,720.6**	**3,820.6**	**3,920.9**	**4,023.7**
Office of Early Childhood (OEC)					
Birth to Three	24.6	25.3	28.5	31.9	35.5
Care4Kids TANF/CCDF	54.6	59.5	59.5	59.5	59.5
OEC Total	**79.3**	**84.8**	**88.0**	**91.5**	**95.1**

Fixed Cost Account	FY 20	FY 21	FY 22	FY 23	FY 24
Teachers' Retirement Board (TRB)					
Retirement Contributions	1,208.8	1,249.8	1,368.6	1,486.0	1,602.3
Retirees Health Service Cost	24.3	26.3	28.5	31.5	34.8
Municipal Retiree Health Insurance Costs	5.5	5.5	5.5	5.5	5.5
TRB Total	**1,238.7**	**1,281.7**	**1,402.6**	**1,523.0**	**1,642.6**
Department of Children and Families (DCF)					
No Nexus Special Education	1.9	2.0	2.0	2.0	2.0
Board and Care for Children (B and C) - Adoption	101.1	102.9	104.9	107.0	109.4
B and C - Foster	140.4	138.2	134.3	134.3	134.6
B and C - Short-term and Residential	85.9	83.2	81.6	80.8	80.1
Individualized Family Supports	5.9	5.9	5.9	5.9	5.9
DCF Total	**335.2**	**332.2**	**328.7**	**330.0**	**331.9**
Various Agencies					
State employee wages: 27th payroll and contractual increases	-	-	18.4	126.6	18.9
TOTAL – GENERAL FUND	**9,563.3**	**9,952.0**	**10,433.1**	**11,178.0**	**11,464.4**

SPECIAL TRANSPORTATION FUND					
Debt Service - State Treasurer					
Debt Service	697.1	761.5	804.4	867.1	924.5
Debt Service - State Treasurer Total	**697.1**	**761.5**	**804.4**	**867.1**	**924.5**
State Comptroller - Fringe Benefits					
State Employees Retirement Contributions - UAL	125.5	137.1	151.2	164.9	166.8
SERS Defined Contribution Match	0.2	0.4	0.4	0.5	0.6
State Employees Retirement Contributions - Normal Cost	21.6	19.1	18.7	18.3	17.7
State Comptroller - Fringe Benefits Total	**147.3**	**156.6**	**170.3**	**183.7**	**185.1**
Department of Transportation (DOT)					
Rail Operations	215.6	215.9	231.0	246.0	261.1
Bus Operations	196.6	201.5	213.5	225.4	237.4
DOT Total	**412.2**	**417.5**	**444.5**	**471.4**	**498.5**
Various Agencies					
State employee wages: 27th payroll and contractual increases	-	-	0.5	8.4	0.5
TOTAL - SPECIAL TRANSPORTATION FUND	**1,256.6**	**1,335.5**	**1,419.6**	**1,530.7**	**1,608.6**

Appendix E. Municipal Aid

Municipal aid[27] is estimated to total $3.05 billion in FY 20, a $61.5 million (2.05%) increase over FY 19 figures. Compared to FY 19, most grants remain level, or increase slightly, in FY 20. FY 20 growth is primarily driven by a $38 million increase in the Education Cost Sharing (ECS) appropriation, which is part of a formula phase-in schedule that began in FY 19. The schedule will result in full ECS funding for every town in FY 28 if no changes are made to statute.

Municipal aid continues to represent a large portion of the General Fund. Appropriated municipal aid from the General Fund is estimated to total $3 billion in FY 20, or 15.5% of expenditures. When including $1.3 billion in state assistance from the Teacher's Retirement System (TRS), this figure increases to $4.36 billion, or 22.6% of the General Fund.

To note, the legislature has not yet approved a bond package for FY 20, which typically includes various infrastructure grants to municipalities. In FY 19, three major grants OFA included in its analysis (Town Aid Road, Grants for Municipal Projects, and Local Capital Improvement Projects) totaled $155 million. It is uncertain when municipalities will have access to this funding.

Municipal Aid Funding (FY 19 Actual - FY 23 Estimated)

Grant or Account	FY 19 Actual	FY 20 Estimated	FY 21 Estimated	FY 22 Estimated	FY 23 Estimated
Property Tax Relief and General Aid					
State Property- Payment in Lieu of Taxes (PILOT)	54,944,031	54,944,031	54,944,031	54,944,031	54,944,031
College and Hospital - PILOT	105,889,432	109,889,434	109,889,434	109,889,434	109,889,434
Disability Exemption	364,713	364,713	364,713	364,713	364,713
Elderly Freeze Program	37,719	40,000	40,000	40,000	40,000
Property Tax Relief for Veterans	2,596,640	2,708,107	2,708,107	2,708,107	2,708,107
Municipal Revenue Sharing	36,819,135	36,819,135	36,819,135	36,819,135	36,819,135
Municipal Transition (Car Tax Grant)	28,138,552	29,917,078	29,917,078	29,917,078	29,917,078
Municipal Stabilization Grant	37,753,333	37,953,333	37,953,333	37,953,333	37,953,333
Municipal Restructuring	29,300,000	7,300,000	7,300,000	7,300,000	7,300,000
Municipal Restructuring - Debt Service	24,343,404	45,666,625	56,314,629	54,677,710	54,098,049
Pequot Grant	49,942,789	51,472,789	51,472,789	51,472,789	51,472,789
Subtotal	**370,129,747**	**377,075,245**	**387,723,249**	**386,086,330**	**385,506,669**
ECS and other Education Aid					
Vocational Agriculture	13,759,589	14,952,000	15,400,560	15,862,577	16,338,454
Adult Education	19,367,262	20,383,960	20,920,276	21,079,270	21,239,472
Health and Welfare Services Pupils Private Schools	3,438,415	3,438,415	6,694,146	6,836,731	6,982,353
Education Equalization Grants	2,016,155,736	2,054,281,297	2,092,033,975	2,134,170,671	2,174,237,829
Bilingual Education	2,311,573	3,177,112	3,177,112	3,177,112	3,177,112
Priority School Districts	37,150,868	30,818,778	30,818,778	30,818,778	30,818,778
Extended School Hours	-	2,919,883	2,919,883	2,919,883	2,919,883
School Accountability	-	3,412,207	3,412,207	3,412,207	3,412,207
Interdistrict Cooperation	1,537,500	1,537,500	1,537,500	1,537,500	1,537,500
School Breakfast Program	2,158,900	2,158,900	2,158,900	2,158,900	2,158,900
Excess Cost - Student Based	140,619,782	140,619,782	202,708,371	206,762,538	210,897,789

[27] "Municipal aid" refers to all grants included in the table in this section, less TRS totals. TRS is included to illustrate other payments made by the state on behalf of municipalities.

Grant or Account	FY 19 Actual	FY 20 Estimated	FY 21 Estimated	FY 22 Estimated	FY 23 Estimated
Open Choice Program	37,276,977	26,835,214	28,650,898	29,653,679	30,691,558
Magnet Schools	326,508,158	304,204,848	309,507,912	309,922,189	310,336,465
Sheff Transportation	-	44,750,421	45,781,798	45,781,798	45,781,798
After School Programs	4,617,471	5,720,695	5,750,695	5,750,695	5,750,695
Subtotal	**2,604,902,231**	**2,659,211,012**	**2,771,473,011**	**2,819,844,528**	**2,866,280,793**
Various Other Grants					
Youth Service Bureau	2,584,486	2,626,772	2,626,772	2,626,772	2,626,772
Housing/Homeless Services - Municipality	575,226	575,226	575,226	575,226	575,226
Local and District Departments of Health	4,144,588	4,210,499	4,210,499	4,210,499	4,210,499
School Based Health Clinics	10,515,254	10,550,187	10,550,187	10,550,187	10,550,187
Teen Pregnancy Prevention - Municipality	73,710	98,281	98,281	98,281	98,281
Connecticard Payments	703,638	703,638	703,638	703,638	703,638
Subtotal	**18,596,902**	**18,764,603**	**18,764,603**	**18,764,603**	**18,764,603**
TOTAL - Less TRS	**2,993,628,880**	**3,055,050,860**	**3,177,960,863**	**3,224,695,461**	**3,270,552,065**
Teacher's Retirement System (TRS)					
Debt Service	118,400,520	118,400,521	118,400,521	203,080,521	306,680,521
Retirement Contributions	1,292,314,000	1,208,819,000	1,249,835,000	1,368,600,000	1,486,000,000
Retirees Health Service Cost	14,575,250	26,001,300	26,349,400	28,500,000	31,470,000
Municipal Retiree Health Insurance Cost	4,644,673	5,532,120	5,535,640	5,535,640	5,535,640
Subtotal	**1,429,934,443**	**1,358,752,941**	**1,400,120,561**	**1,605,716,161**	**1,829,686,161**
GRAND TOTAL	**4,423,563,323**	**4,413,803,801**	**4,578,081,424**	**4,830,411,622**	**5,100,238,226**

[1]Figures do not include bonded grants (e.g., Town Aid Road, Local Capital Improvement Projects, and Grants for Municipal Projects), as there is currently no FY 20 bond package.

Appendix F. Budget Reserve Fund

The table below includes a history of the Budget Reserve Fund (BRF) balances. The BRF is estimated to exceed its statutory maximum or "cap" of 15% of General Fund (GF) appropriations by approximately $257.2 million at the end of FY 21, resulting in a balance of $2,997.3 million.

Budget Reserve Fund Activity and Balance
In Millions of Dollars

Fiscal Year[1]	Start Balance	Change	End Balance	End Balance as a % of GF Approps.[2]
05	302.2	363.8	666.0	5.7%
06	666.0	446.5	1,112.5	8.6%
07	1,112.5	269.2	1,381.7	10.1%
08	1,381.7	-	1,381.7	9.3%
09	1,381.7	-	1,381.7	9.0%
10	1,381.7	(1,278.5)	103.2	0.7%
11	103.2	(103.2)	-	0.0%
12	-	93.5	93.5	0.6%
13	93.5	177.2	270.7	1.6%
14	270.7	248.5	519.2	3.1%
15	519.2	(113.2)	406.0	2.3%
16	406.0	(170.4)	235.6	1.3%
17	235.6	(22.7)	212.9	1.2%
18	212.9	972.4	1,185.3	6.4%
19	1,185.3	1,320.3	2,505.6	12.9%
20	2,505.5	288.7	2,794.2	14.5%
21	2,794.2	460.4	3,254.6	16.3%

[1]FY 20 and FY 21 numbers reflect estimated amounts.

[2]Approps. = Appropriations

Appendix G. Detail on the FY 20 Agency Deficiencies and Lapses

DEFICIENCIES

Agency	Account	Deficiency
General Fund		
Department of Social Services (DSS)	**Various**	**$31.2 million**

A net DSS deficiency of $31.2 million is anticipated in FY 20. A combined total of $40.7 million in account deficiencies is partially offset by lapses totaling $9.5 million.

A deficiency of $40 million is projected in the Medicaid account, which is approximately 1.5% of its appropriation. This is primarily due to higher than anticipated expenditures for: (1) pharmacy services from lower prescription rebates, (2) inpatient and outpatient hospital services, and (3) long-term care hospice services. Higher than anticipated expenditure trends are also predicted to result in budgetary shortfalls in the HUSKY B ($400,000) and State Administered General Assistance ($250,000) accounts.

Account lapses totaling $9.5 million are primarily due to caseload trends. A $2 million lapse in the Old Age Assistance account and a $2.5 million lapse under the Aid to the Disabled account reflect caseload levels being more than 7% below this same period's caseload levels in FY 19. In addition, the Temporary Family Assistance and the Connecticut Home Care Program accounts continue to see lower than budgeted monthly expenditures and enrollment, resulting in lapses of $2 million and $3 million, respectively.

Office of State Comptroller (OSC)	**Adjudicated Claims**	**$27 million**

A $27 million deficiency is anticipated in OSC's Adjudicated Claims account. The FY 20 and FY 21 Budget did not include an appropriation for this account. Approximately $21.8 million has been expended from it to date. Approximately $6.5 million of the $27 million shortfall is for payment of a settlement reached at the end of FY 18, whose payment terms were finalized in FY 20. The balance is related to projected payments for other claims.

Department of Correction (DOC)	**Various**	**$10.6 million**

A total DOC deficiency of $10.6 million is anticipated from budget shortfalls of $2.6 million in its Other Expenses account (OE) and $8 million in its Inmate Medical Services account (IMS).

DOC's OE deficiency is due to FY 20 available resources funded at 3.5% less than the account's FY 19 expenditures. OE expenditures are growing in all its energy-related accounts (electricity, natural gas, water, and sewage). Premise repair and maintenance supply costs, needed to support the aging DOC facility infrastructure, also continue to rise.

IMS is projected to have an $8 million deficiency primarily due to growing personnel and pharmaceutical costs. DOC is currently trying to fill over 100 vacant medical positions. It is accommodating for these vacancies with increased overtime and temporary staff. The cost of pharmaceuticals continues to rise at the same time as the inmate population ages, requiring more and costlier care.

Agency	Account	Deficiency
OSC	**Fringe Benefits**	**$12 million**

A net OSC deficiency of $12 million is anticipated in FY 20. A combined total of $26 million in account deficiencies is partially offset by lapses totaling $14 million.

The OSC deficiency is a result of budget shortfalls in three accounts: $1 million in the SERS Defined Contribution Match account, $5 million in the Employers' Social Security Tax account, and $20 million in the State Employees' Health Service Cost account. The shortfalls in these accounts are partially offset by lapses totaling $14 million in the following three accounts: $1.5 million in the Unemployment Compensation account, $1.5 million in the Retired State Employee Health Service Cost account, and $11 million in the Higher Education Alternate Retirement Program account.

The SERS Defined Contribution Match account shortfall is due to expenditures being 47% greater per pay period than was assumed in the budget. The deficit in the Employers' Social Security Tax account is due to payroll trends running 2% higher than was assumed in the budget. Its FY 20 appropriation is approximately $550,000 less than FY 19 expenditures (less than 1%). The shortfall in the State Employees' Health Service Cost account is due to the allocation of a $33.3 million holdback to the account, which results in available funding being only 1.7% greater than FY 19 expenditures (growth in the prior biennium was 4%).

These account deficiencies are largely offset by available funding in the Higher Education Alternate Retirement System (ARP) account, due to projected General Fund expenditures for the ARP program being $11 million less than was anticipated in the budget. The FY 20 projected ARP expenditures of $11 million are anticipated to be covered by the FY 19 carry forward and not FY 20 appropriated funds. Expenditures are less than were assumed in the budget, predominately due the finalization of ARP transfers, effective January 18, 2019, to the State Employees' Retirement System pursuant to the 2010 State Employees' Bargaining Agent Coalition ARP Grievance Award (SAG Award). A total of 1,600 ARP participants transferred to SERS.

Office of Early Childhood (OEC)	**Birth to Three**	**$1.8 million**

The projected deficiency of $1.8 million in OEC's Birth to Three account is due to continued increases in caseload and utilization. The account's FY 20 appropriation is approximately 2.1% below FY 19 program expenditures.

Department of Mental Health and Addiction Services (DMHAS)	**Various**	**$1.5 million**

The overall projected deficiency in the Department of Mental Health and Addiction Services (DMHAS) is $1.5 million. The shortfall in the Other Expenses account ($500,000) is due to unbudgeted contract costs and anticipated expenditures to support attorney services for pending litigation. In addition, FY 20 available funding is approximately 5.6% below FY 19 expenditures. The Professional Services account shortfall ($500,000) reflects costs for contracted doctors while the agency recruits for full-time staff (primarily Psychiatrists). The shortfall in the Workers' Compensation Claims account ($500,000) is primarily due to FY 19 expenses that will be paid in FY 20.

Agency	Account	Deficiency
Special Transportation Fund		
OSC	**Fringe Benefits**	**$12 million**

The agency's projected FY 20 shortfall is comprised of a projected deficiency in the Special Transportation Fund's State Employees' Health Service Cost account of $1.6 million and is the result of the allocation of a $2.6 million holdback to the account.

LAPSES

Agency	Account	Lapse
General Fund		
Teachers' Retirement Board (TRB)	**Retirees Health Service Cost**	**$1.7 million**

The projected lapse in the Retirees Health Service Cost account is $1.7 million due to lower than budgeted prescription drug program costs. The agency remains self-insured for prescription drug coverage for retirees.

Department of Housing (DOH)	**Housing Homeless Services**	**$2 million**

The Housing Homeless Services account, much of which supports rental assistance vouchers in the state's Rental Assistance Program, is projected to lapse approximately $2 million due to anticipated delays in signing new leases associated with supportive housing programs. This account has a history of lapses exceeding $1 million.

Appendix H: OFA FACT SHEET - State Employees Retirement System

Membership Data (6/30/18)

Actives	49,153
Retirees	50,441

Active Averages	
Age	47.4
Service	13.7 years
Salary	$69,743

Employees by Tier	#	%
Tier 1	731	1%
Tier 2	10,152	21%
Tier 2A	20,952	43%
Tier 3	15,015	31%
Tier 4	2,303	5%
Average All Retirees		
Pension	$38,284	-

Employee Defined Benefit Contributions—Regular Employees

Tier	% of Salary	Eligibility Requirements
1	4% - 7%	Hired prior to July 1, 1984
2	2%	Hired on or after July 1,1984
2A	4%	Hired on or after July 1, 1997
3	4%	Hired on or after July 1, 2011
4*	5%	Hired on or after July 1, 2017

*Tier 4 is a hybrid defined contribution plan with a default 1% employee contribution to the defined contribution portion of the plan.

State Contributions (In Millions of Dollars)

FY	Actuarially Determined Employer Contributions (ADEC) – All Funds	General Fund and Special Transportation Fund Expenditures	Other Funds	Actual Contributions – All Funds	% Funded
09**	753.7	526.2	173.5	699.7	93%
10	897.4	548.5	172.0	720.5	80%
11	944.1	645.7	180.1	825.8	87%
12	926.3	742.6	183.7	926.3	100%
13***	1,059.7	829.4	228.7	1,058.1	100%
14	1,268.9	1,024.4	244.5	1,268.9	100%
15	1,379.2	1,101.0	278.2	1,371.7	99%
16	1,514.5	1,219.0	295.5	1,501.8	99%
17	1,569.1	1,253.9	315.2	1,542.3	98%
18	1,443.1	1,167.7	275.4	n/a	n/a
19	1,574.5	1,291.9	282.6	n/a	n/a
20	1,616.3	n/a	n/a	n/a	n/a
21	1,739.6	n/a	n/a	n/a	n/a

Note: n/a's will be certified in future actuarial valuations.
**SEBAC 2009 resulted in reduced SERS contributions of $50 million in FY 09 and $64.5 million in FY 10, and included a trigger that decreased SERS contributions by an additional $100 million in both FY 10 and FY 11, resulting in a total reduction of $314.5 million across these three fiscal years.
***SR and HR 4 (2012) provided additional SERS funding by eliminating the two negotiated SEBAC IV and V adjustments. After accounting for various other fund recoveries and reimbursements, the ADEC in FY 13 was $97.9 million. SR 7 and HR 8 (2017) made changes to actuarial assumptions and methodologies. SEBAC 2017 is the most recent agreement that made benefit changes to SERS and created Tier IV.

Actuarial Value of Assets & Liabilities (In Billions of Dollars)

Date	Assets	Liability	Unfunded	Funded Ratio
6/30/11	10.1	21.1	11.0	48%
6/30/12	9.7	23.0	13.3	42%
6/30/14	10.6	25.5	14.9	42%
6/30/16	11.9	32.3	20.4	37%
6/30/18	13.0	34.2	21.2	38%

Source: Connecticut State Employees Retirement System Valuations

Appendix I: OFA FACT SHEET – Teachers' Retirement System (TRS)

Membership Data (6/30/19)		**New Retiree FY 19 Averages**	
Actives	50,940	Age	63 years
Retirees & Beneficiaries	38,060	Service	25 years
Active Averages		Salary Base	$93,767
Age	45 years	**Average Annual Pensions**	
Service	14 years	Normal Retirement	$58,406
Salary	$81,265	Early Retirement	$51,750

Actuarially Determined Employer Contributions (ADEC) and TRS General Fund Expenditures (In Millions of Dollars)

FY	ADEC	Expenditures	% Funded
10	559.2	559.2	100
11	581.6	581.6	100
12	757.2	757.2	100
13	787.5	787.5	100
14	948.5	948.5	100
15	984.1	984.1	100
16	975.6	975.6	100
17	1,012.1	1,012.1	100
18	1,271.0	1,271.0	100
19	1,292.3	1,292.3	100
Estimated 20*	1,208.8	1,208.8	n/a
Estimated 21*	1,249.8	1,249.8	n/a

*n/a's will be certified in future actuarial valuations.

Pension Obligation Bonds (POB)

In FY 08, $2 billion in bond proceeds were deposited into the Teachers' Retirement Fund (TRF), in addition to the state's normal contribution to the TRF. PA 07-186 authorized state bonds to fund $2 billion of TRS' unfunded liability. It also requires the state to make the full actuarially-required contributions for the 25-year term of the POB.

Actuarial Value of Assets and Liabilities (In Billions of Dollars)

Date	Assets	Liability	UAL*	Funded Ratio %
6/30/04	9.8	15.1	5.2	65
6/30/06	10.2	17.1	6.9	60
6/30/08	15.3	21.8	6.5	70
6/30/10	14.4	23.5	9.1	61
6/30/12	13.7	24.8	11.1	55
6/30/14	15.5	26.3	10.8	59
6/30/16	16.7	29.8	13.1	56
6/30/18	18.0	31.1	13.2	58
6/30/18[1]	18.0	34.7	16.8	52

*UAL = Unfunded Actuarial Liability.

[1]Valuation revised to reflect TRS changes made pursuant to PA 19-117 and the TRB.

Teachers' Contribution (7% pension)

PA 17-2 JSS increased the contributions teachers make toward their TRS pensions by one percentage point, from 6% to 7%, effective January 1, 2018.

Social Security/Medicare

TRS members do not pay Social Security tax (6.2%) on their earnings as a teacher or administrator, but 1.45% of their earnings support Medicare costs. *Note:* TRS members also contribute 1.25% of salary for TRS retiree health insurance fund.

Sources: CT Teachers' Retirement System Actuarial Valuations, Administrative-Report Statistics

Appendix J. Budget Reserve Fund – FY 19 Update

Calculating the FY 19 Balance of the Budget Reserve Fund
In Millions of Dollars

Balance Calculations	FY 19
Calculating the FY 19 Surplus	
BRF Starting Balance	1,185.3
Volatility Adjustment Transfer	949.7
Budget Surplus	942.2
Subtotal - FY 19 Surplus	**1,891.9**
Uses of FY 19 Surplus	
Teachers' Retirement Fund Bonds Special Capital Reserve Fund Transfer[1]	(381.0)
Reserve for Hospital Settlement[2]	(160.0)
Budgetary carry forwards into FY 20[3]	(119.6)
Other carry forwards into FY 20[4]	(44.9)
Subtotal - Uses of FY 19 Surplus	**(705.5)**
Other Adjustments	
Reflect prior year carry forwards	134.3
Miscellaneous year-end adjustments to balance	(0.4)
Subtotal - Other Adjustments	**133.9**
FY 19 BRF deposit	1,320.3
BALANCE	**2,505.5**

[1]PA 19-117 Sec. 90.
[2]PA 19-117 Sec. 50.
[3]PA 19-117 Sections 19, 27, 38, 42, 43, 49 and 53.
[4]CGS Section 4-89.