

December 4, 2023



CONNECTICUT GENERAL ASSEMBLY
Office of Fiscal Analysis

FISCAL ACCOUNTABILITY REPORT

OFA DIRECTOR
Neil Ayers

Structure of the Fiscal Accountability Report

**General Fund (GF)
FY 24 & FY 25 Update**

**GF Out Years
FY 26 - FY 28**

Special Transportation Fund (STF)

Economic Trends

Bonding & Tax Expenditures

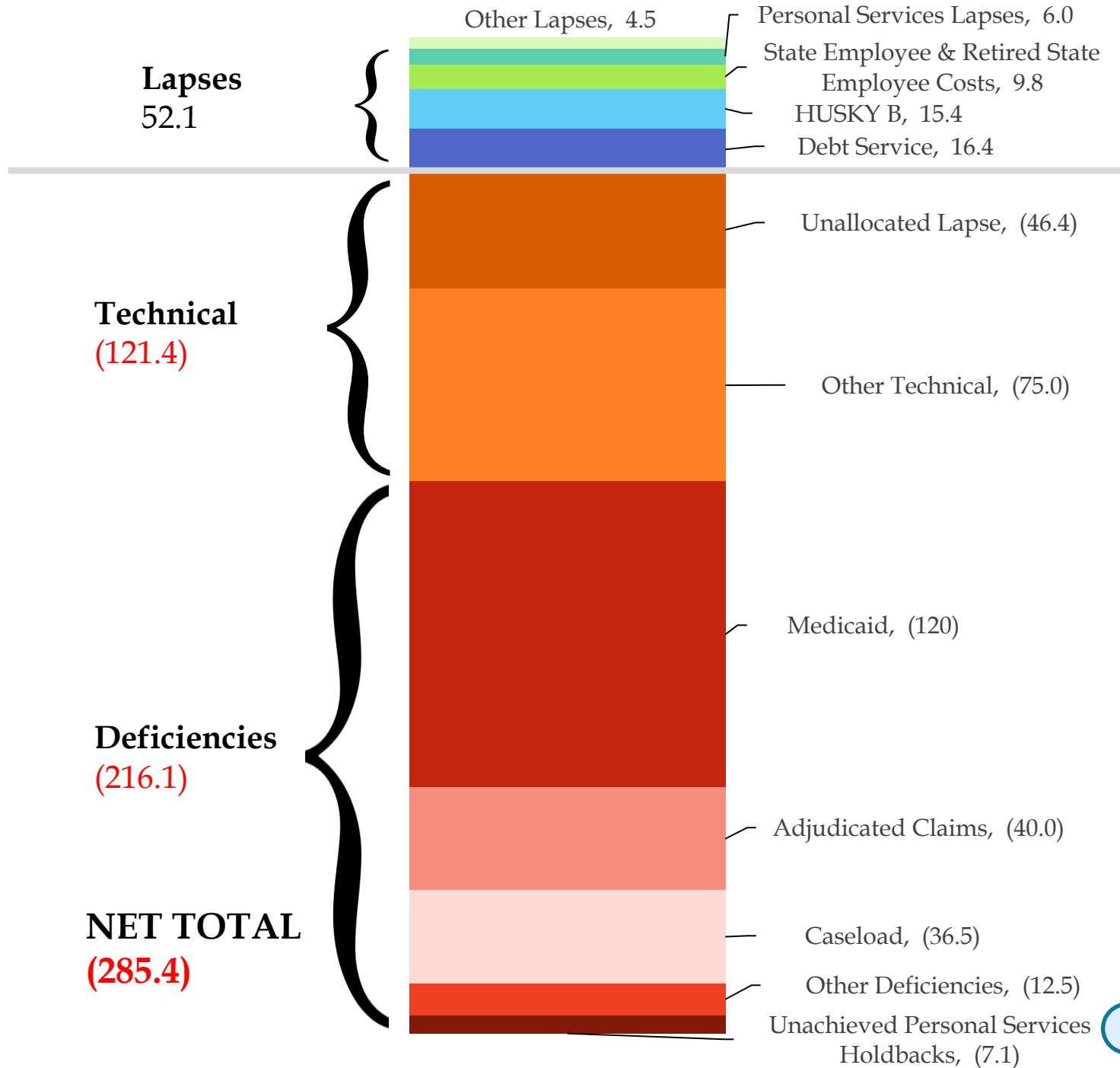
November Updates to FY 24 GF Estimates

In Millions of Dollars

Summary	FY 24
Budgeted Balance	399.7
Revenue	
Budgeted	22,529.7
Consensus Adjustment	
Estimates & Finals/Pass-through Entity	(199.6)
Sales and Use	(125.0)
Healthcare Provider	(55.4)
Refunds of Taxes	(100.0)
Investment Income	60.0
Federal Grants	138.5
Volatility Adjustment Transfer	204.7
All Other Revenue (net)	101.2
Subtotal	24.4
Expenditures	
Budgeted	22,105.6
Lapses	52.1
Deficiencies	(216.1)
Technical	(121.4)
Subtotal	(285.4)
SURPLUS/(DEFICIT)	138.7

FY 24 Expenditure Adjustments

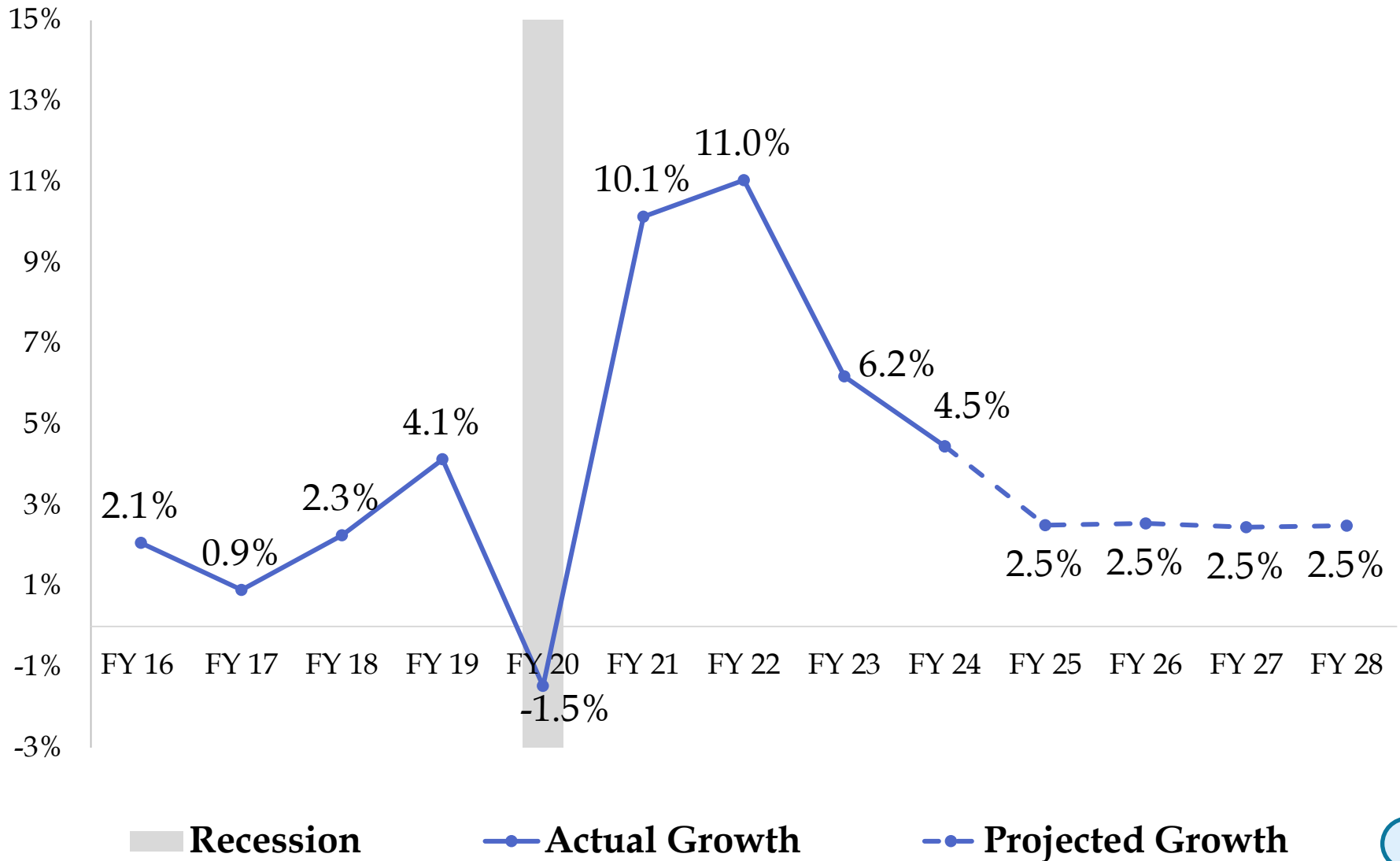
In Millions of Dollars



FY 24 & FY 25 Update

Updates	FY 24	FY 25
Budget Balance	399.7	297.8
November Consensus Adjustments		
Estimates & Finals/Pass-through Entity	(199.6)	(198.8)
Sales and Use	(125.0)	(126.2)
Healthcare Provider	(55.4)	(0.5)
Refunds of Taxes	(100.0)	-
Investment Income	60.0	26.1
Federal Grants	138.5	(6.9)
Volatility Adjustment Transfer	204.7	207.8
All Other Revenue (net)	101.2	83.9
Subtotal	24.4	(14.6)
Expenditure Adjustments	(285.4)	(215.6)
BALANCE	138.7	67.6

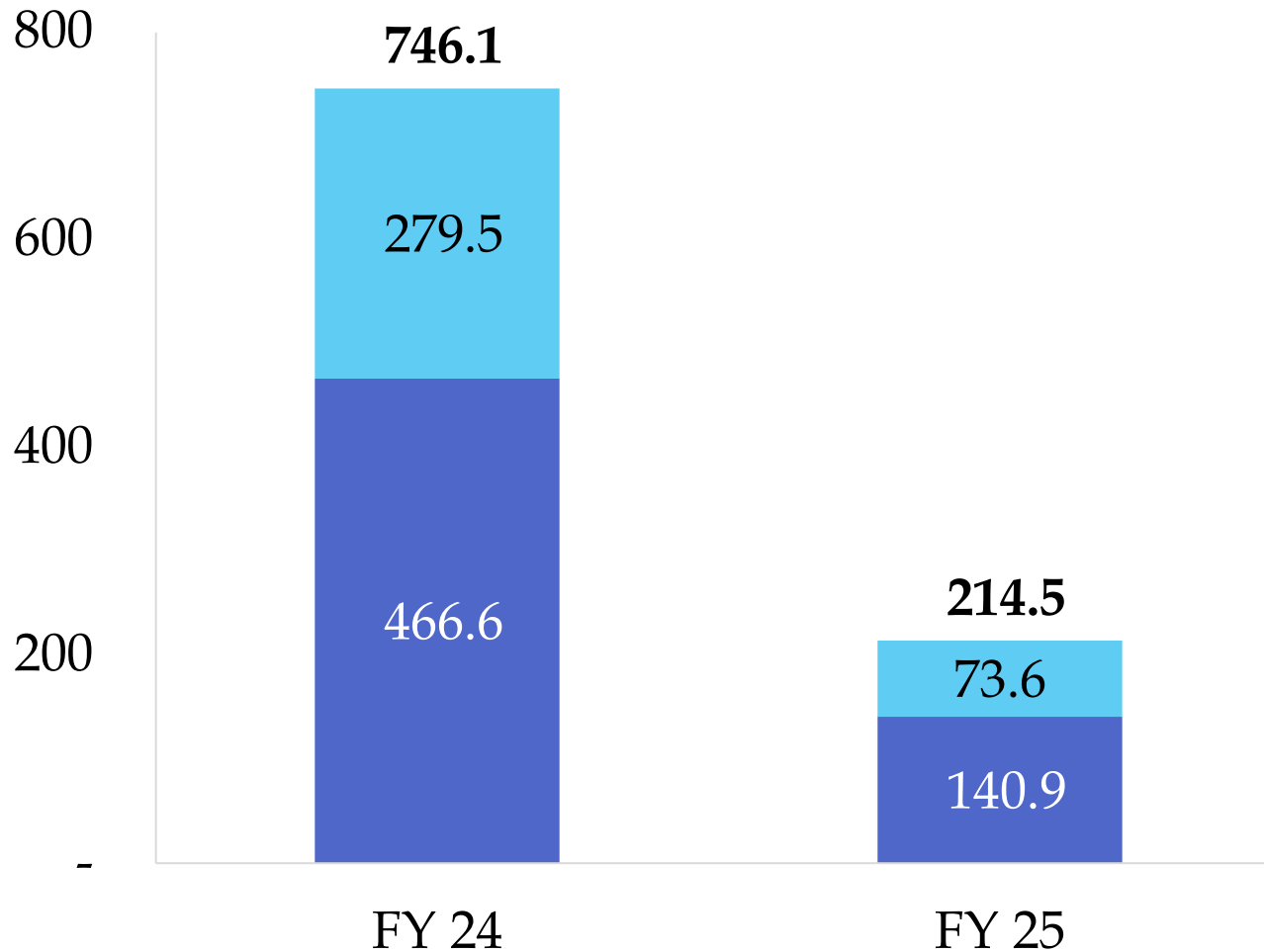
Sales Tax Growth Rates (All Funds)



Expenditure Pressures

In Millions of Dollars

■ ARPA Reallocations ■ Carryforwards



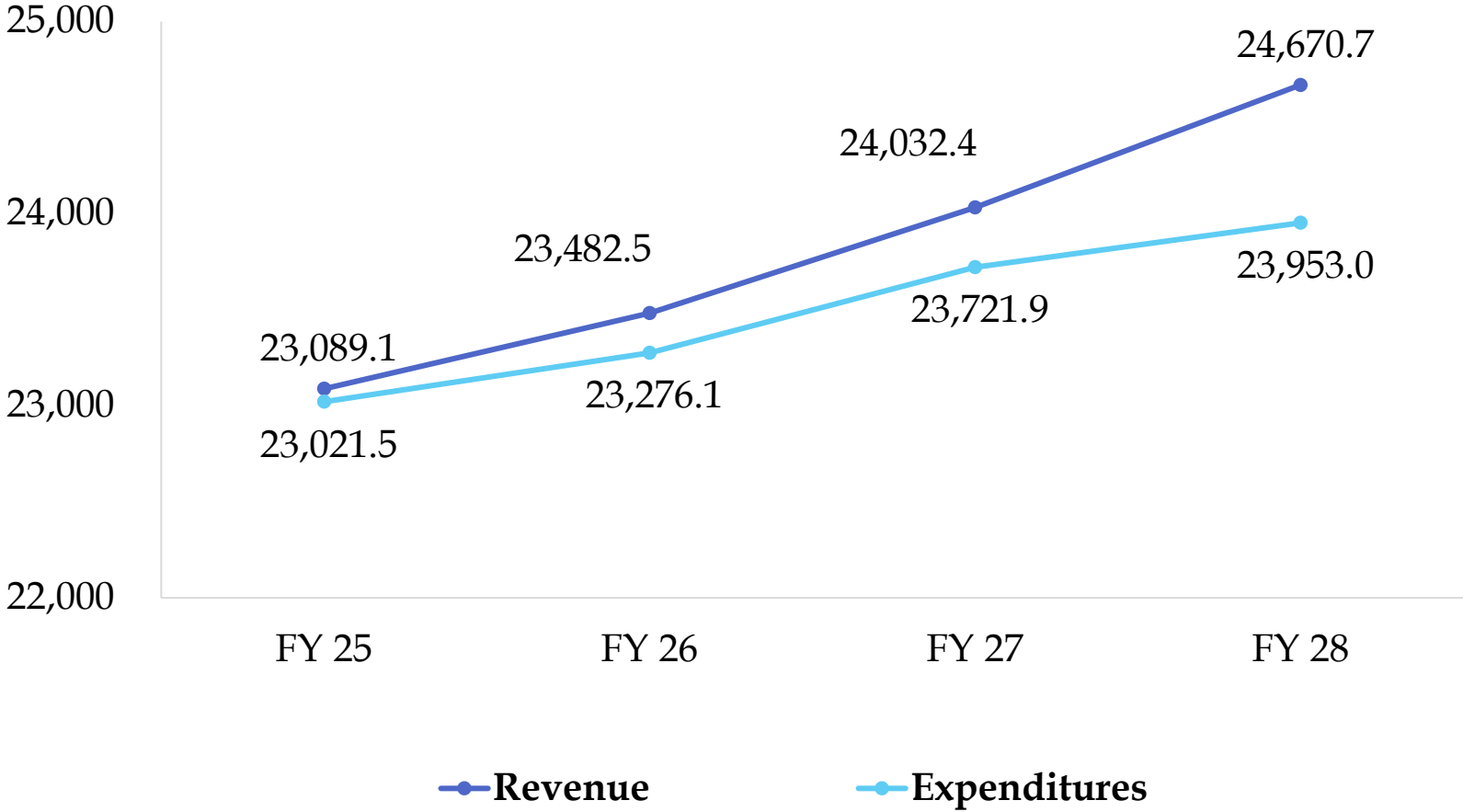
Out Year Projections

In Millions of Dollars

Fund	FY 25	FY 26	FY 27	FY 28
November Consensus Revenue	23,089.1	23,482.5	24,032.4	24,670.7
Expenditures				
Previous Year Expenditure	-	23,021.5	23,276.1	23,721.9
Fixed Cost Growth	-	254.6	445.9	231.1
Non-Fixed Cost Expenditure Reduction	-	-	-	-
Subtotal	23,021.5	23,276.1	23,721.9	23,953.0
BALANCE	67.6	206.4	310.5	717.7

Out Year Projections

In Millions of Dollars



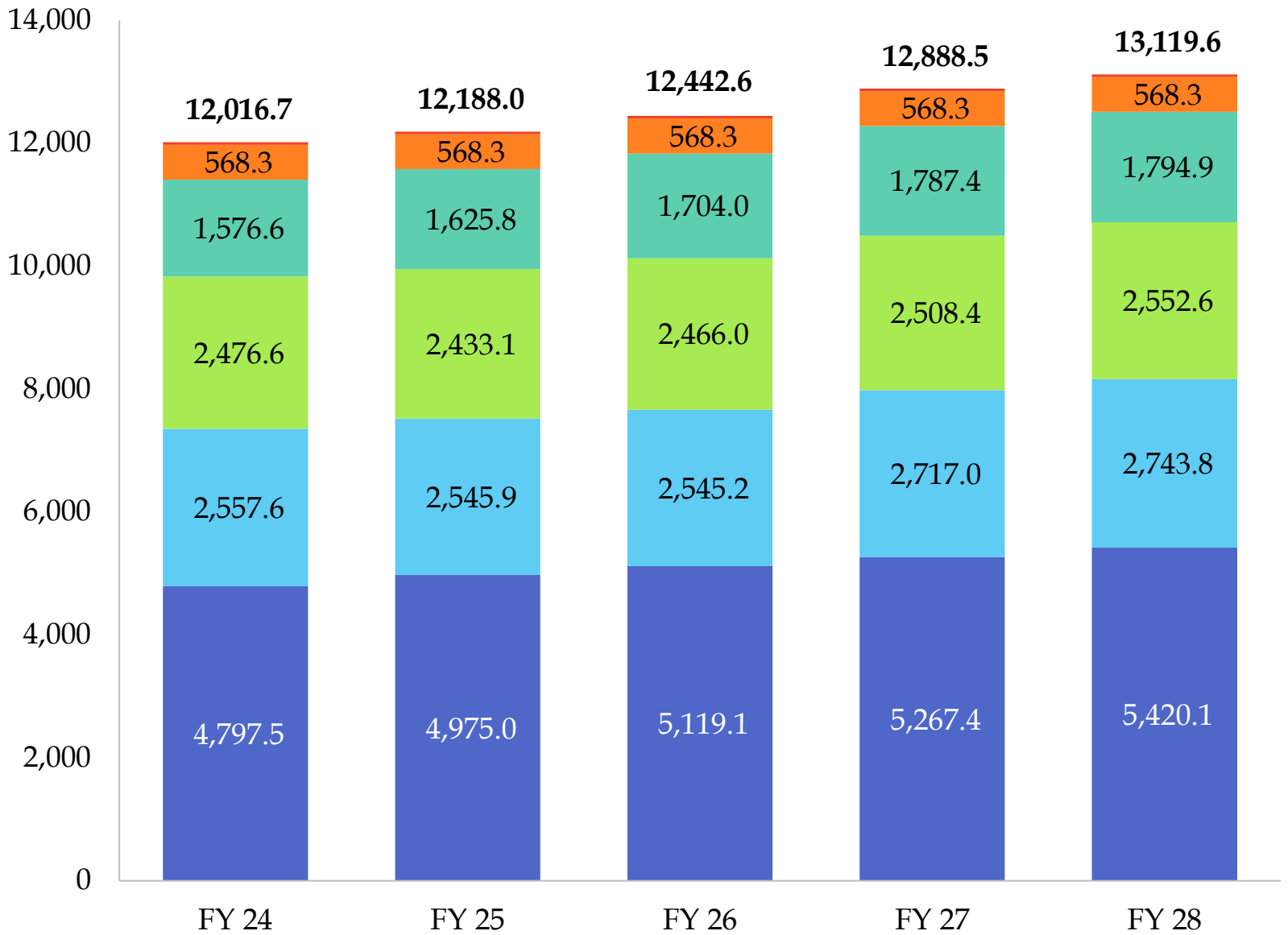
Out Year Revenue Growth

In Millions of Dollars

Source	FY 26	FY 27	FY 28
Personal Income Tax	470.3	465.7	472.6
Sales Tax	131.1	132.4	138.4
Business Taxes	64.8	54.1	55.3
Other Revenue	15.0	(22.1)	6.0
Refunds	(56.0)	(73.3)	(76.0)
TOTAL GROWTH	625.2	556.8	596.3
PERCENT GROWTH %	2.7%	2.4%	2.5%

Out Year Fixed Cost Growth

In Millions of Dollars



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

Out Years Fixed Cost Growth - Change from Prior Year

In Millions of Dollars

Category	FY 26	FY 27	FY 28
Entitlements	144.1	148.3	152.7
Debt Service	(0.7)	171.8	26.7
State Employee Pension & Retiree Health Care	33.0	42.4	44.2
Teachers' Retirement & Retiree Health Care	78.2	83.4	7.5
Hospital Supplemental Payments	-	-	-
Adjudicated Claims	-	-	-
TOTAL	254.6	445.9	231.1

SERS & TRS

Additional Deposits to Pensions

In Millions of Dollars

Deposit Year	SERS	TRS	Total
2023	1,046.5	823.9	1,870.5
Est. 2024	128.0	128.0	256.1
TOTAL	1,174.6	952.0	2,126.5

Est. Marginal ADEC Reductions

In Millions of Dollars

Fiscal Year	SERS	TRS	Total
FY 25	86.9	73.4	160.2
FY 26	10.6	11.2	21.8
TOTAL	97.5	84.6	182.1

Source: Cavanaugh Macdonald Consulting, OFA estimates

Projected Budget Reserve Fund (BRF) Balances

In Millions of Dollars

Projected Adjustments	FY 24	FY 25	FY 26	FY 27	FY 28
Balance Starting Point	3,315.8	3,677.0	3,936.7	4,165.9	4,311.5
Volatility Deposit	478.5	451.8	458.4	470.2	495.2
Surplus ¹	138.7	67.6	-	-	-
Available For Allocation	617.2	519.4	458.4	470.2	495.2
Deposited into the BRF	361.1	259.7	229.2	145.7	42.0
BRF Balance	3,677.0	3,936.7	4,165.9	4,311.5	4,353.5
Balance Relative to GF Net Approp.	16.1%	16.9%	17.6%	18.0%	18.0%
Reduction of Long-Term Debt	256.1	259.7	229.2	324.5	453.2

¹The projected surplus in FY 24 reflects the estimates provided in Section II of the [Fiscal Accountability Report](#). There is no surplus or deficit assumed from FY 26 to FY 28 due to the lack of a budget in place.

Special Transportation Fund Summary

In Millions of Dollars

Components	FY 24	FY 25	FY 26	FY 27	FY 28
Expenditures					
Debt Service	867.8	937.3	997.3	1,083.0	1,159.9
Other	1,251.1	1,342.9	1,342.8	1,343.5	1,344.4
TOTAL	2,118.9	2,280.2	2,340.1	2,426.5	2,504.3
Revenue					
Sales and Use Tax	860.2	883.2	906.1	929.6	953.6
Fuel Taxes	882.6	887.5	872.7	873.7	877.9
Other	598.3	595.1	598.1	593.7	592.2
TOTAL	2,341.1	2,365.8	2,376.9	2,397.0	2,423.7
Operating Balance					
Surplus/ (Deficit)	222.2	85.6	36.8	(29.5)	(80.5)
Year-End Cumulative Balance	904.0	989.6	1,026.4	996.9	916.3
Debt Service Ratio	2.7	2.5	2.4	2.2	2.1

Special Transportation Fund

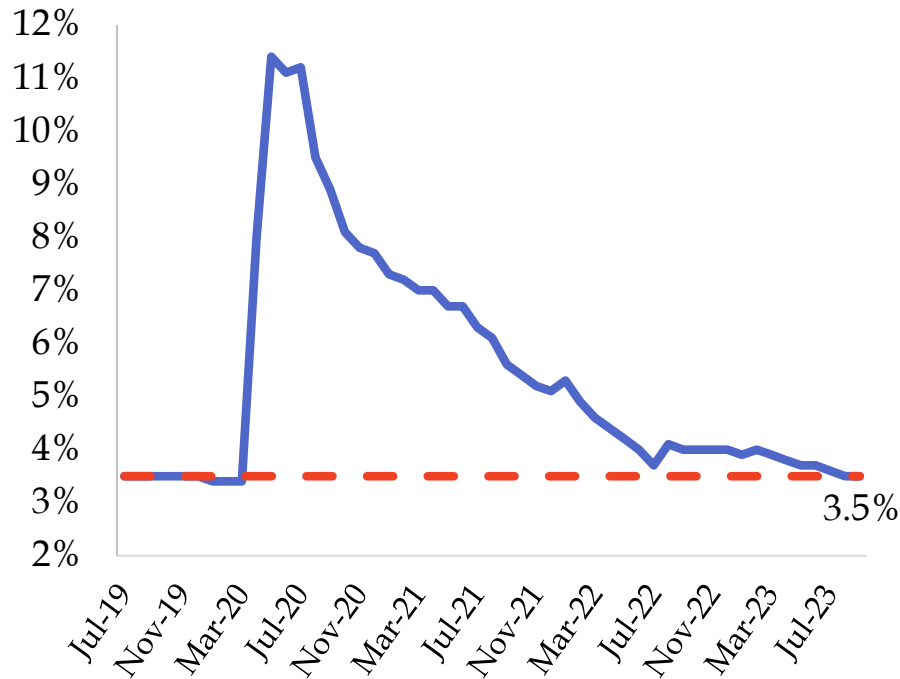
Select Growth Rates

Growth Rates ¹	FY 25	FY 26	FY 27	FY 28	FY 25 - FY 28 CAGR
Debt Service	8.0%	6.4%	8.6%	7.1%	7.5%
Revenue (Total)	1.1%	0.5%	0.8%	1.1%	0.9%
Sales and Use Tax	2.7%	2.6%	2.6%	2.6%	2.6%
All Other Revenue	0.1%	-0.8%	-0.2%	0.2%	-0.2%

¹Annual growth from the prior year is shown, except for the annualized FY 25 - FY 28 rate.

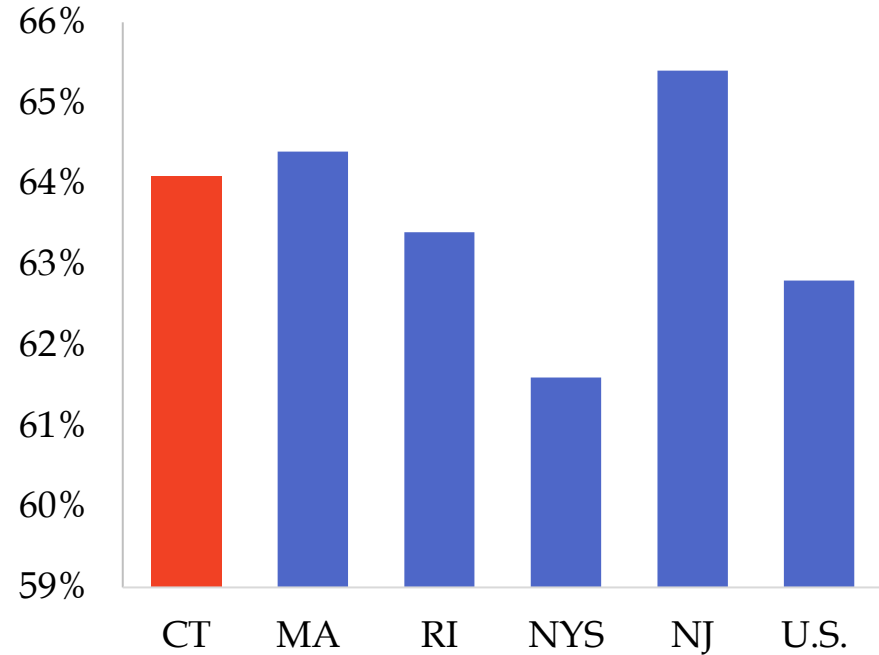
Unemployment and Labor Force Participation

Seasonally Adjusted



Connecticut Unemployment Rate

Source: Connecticut Department of Labor



Connecticut Labor Force Participation Rate

Source: US Bureau of Labor Statistics as retrieved from FRED, Federal Reserve Bank of St. Louis

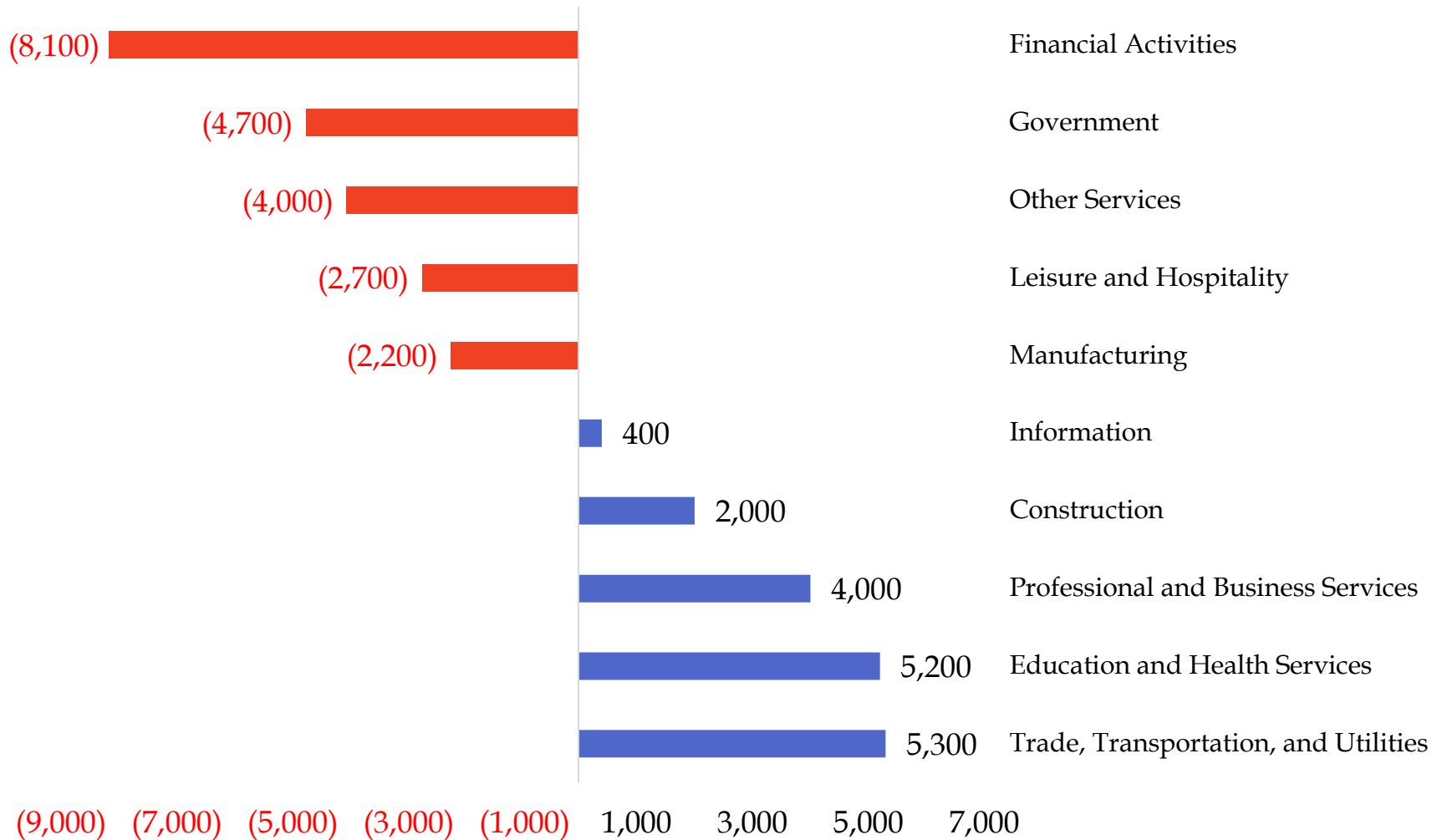
CT Employment Levels: Historical Comparison

Seasonally Adjusted



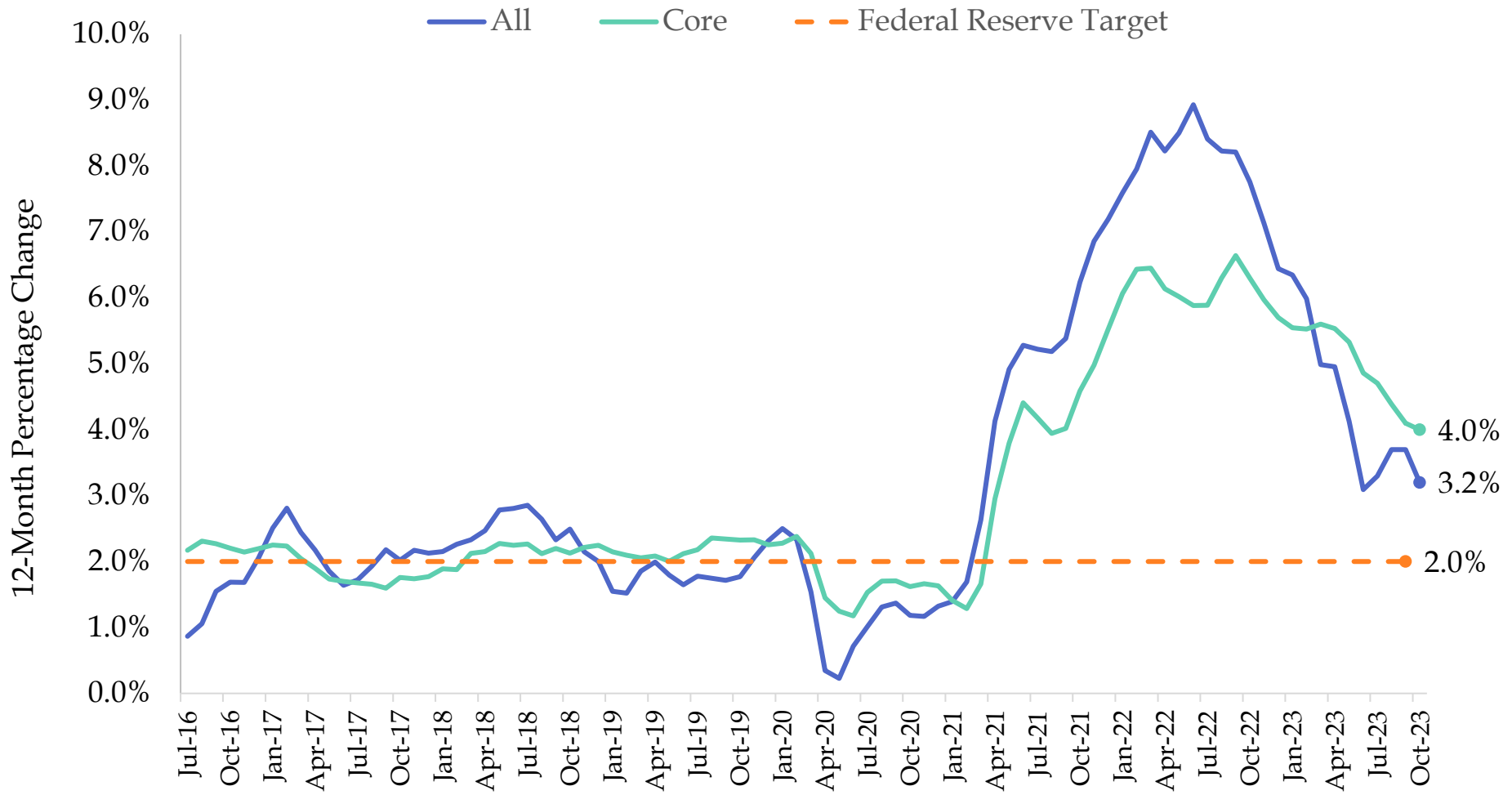
Employment Changes by Industry

(January 2020 – September 2023) Seasonally Adjusted



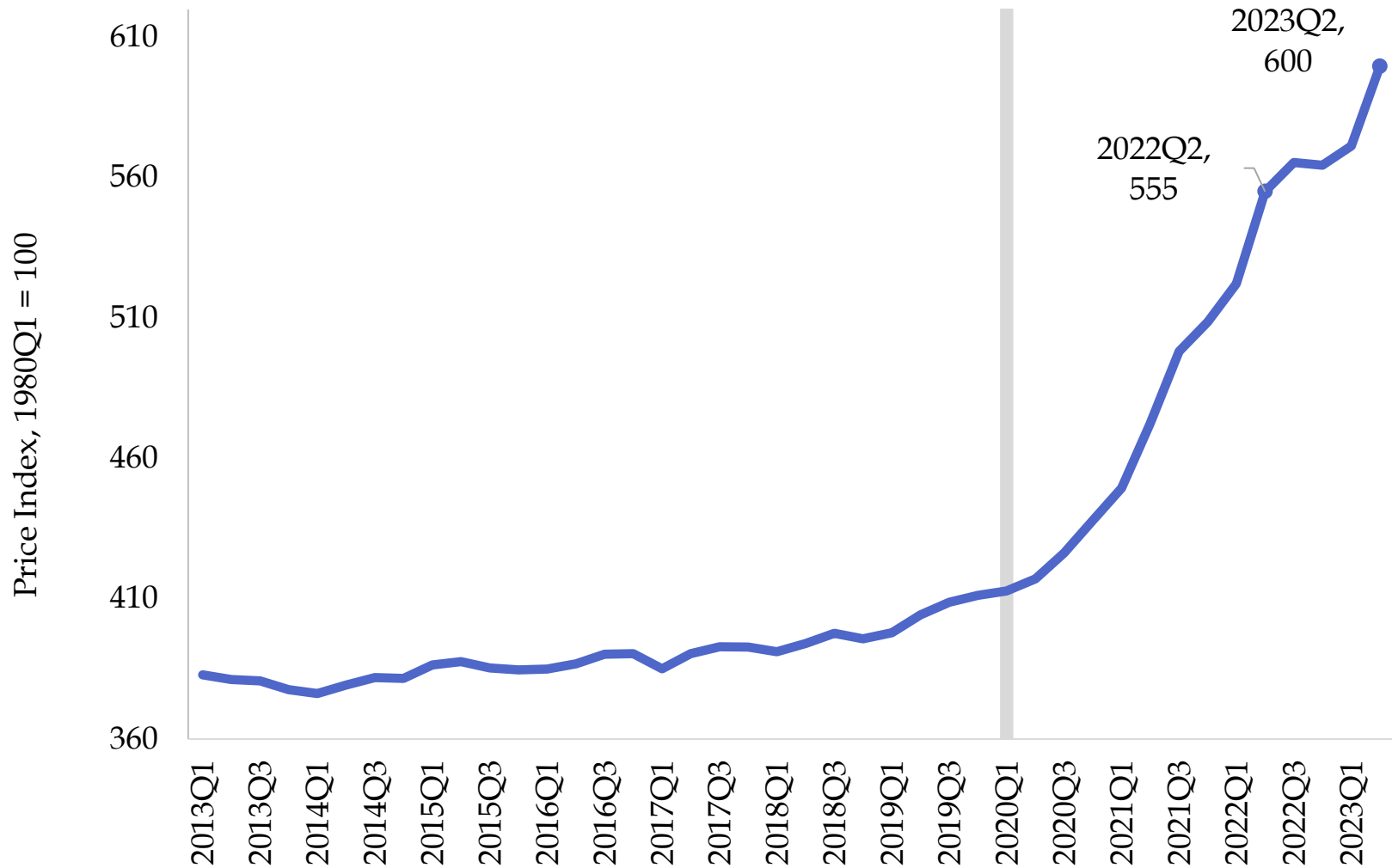
Inflation: Consumer Price Index (CPI)

as of October 2023



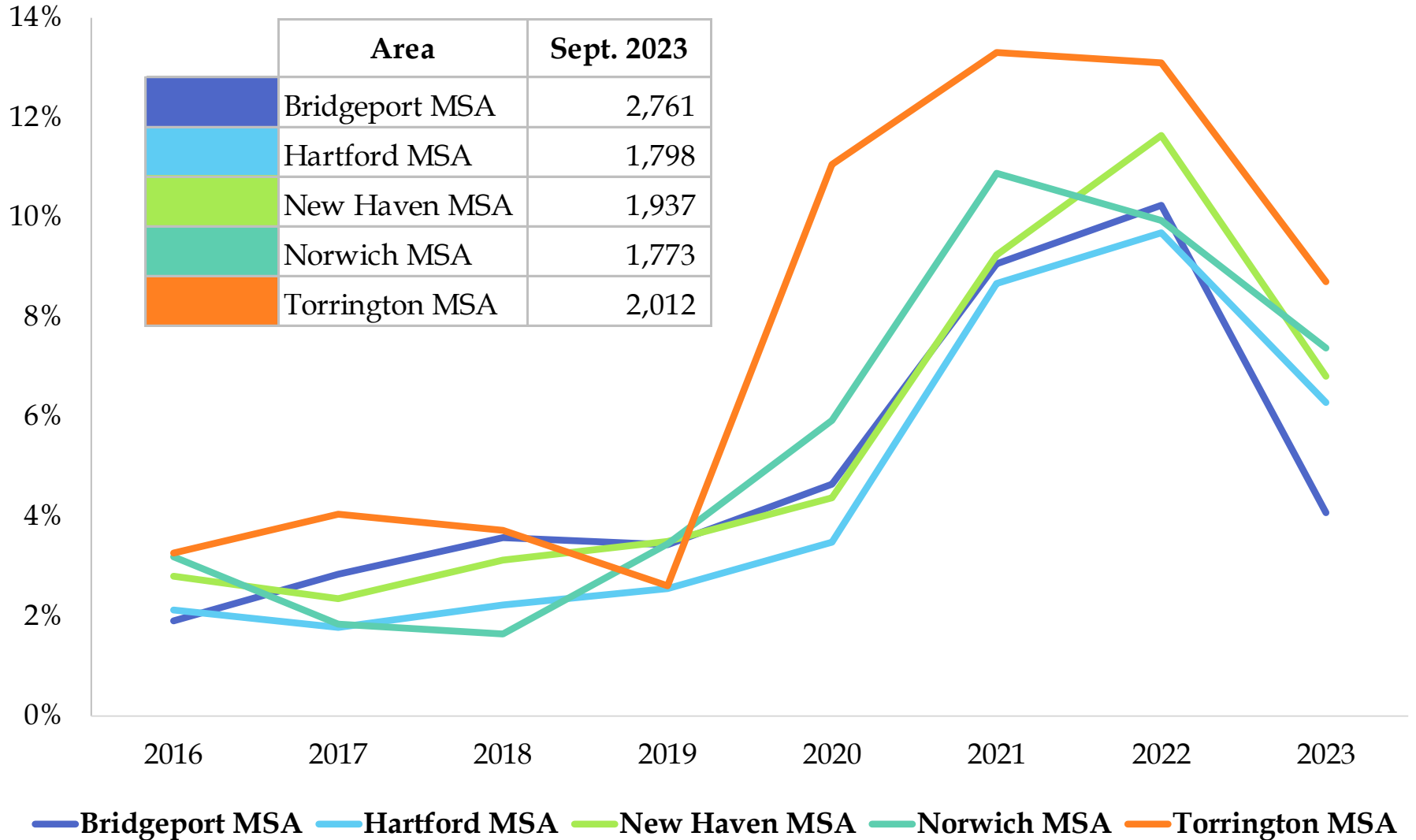
Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, and Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average, both seasonally adjusted, as retrieved from FRED, Federal Reserve Bank of St. Louis

Single-Family House Price Index for Connecticut



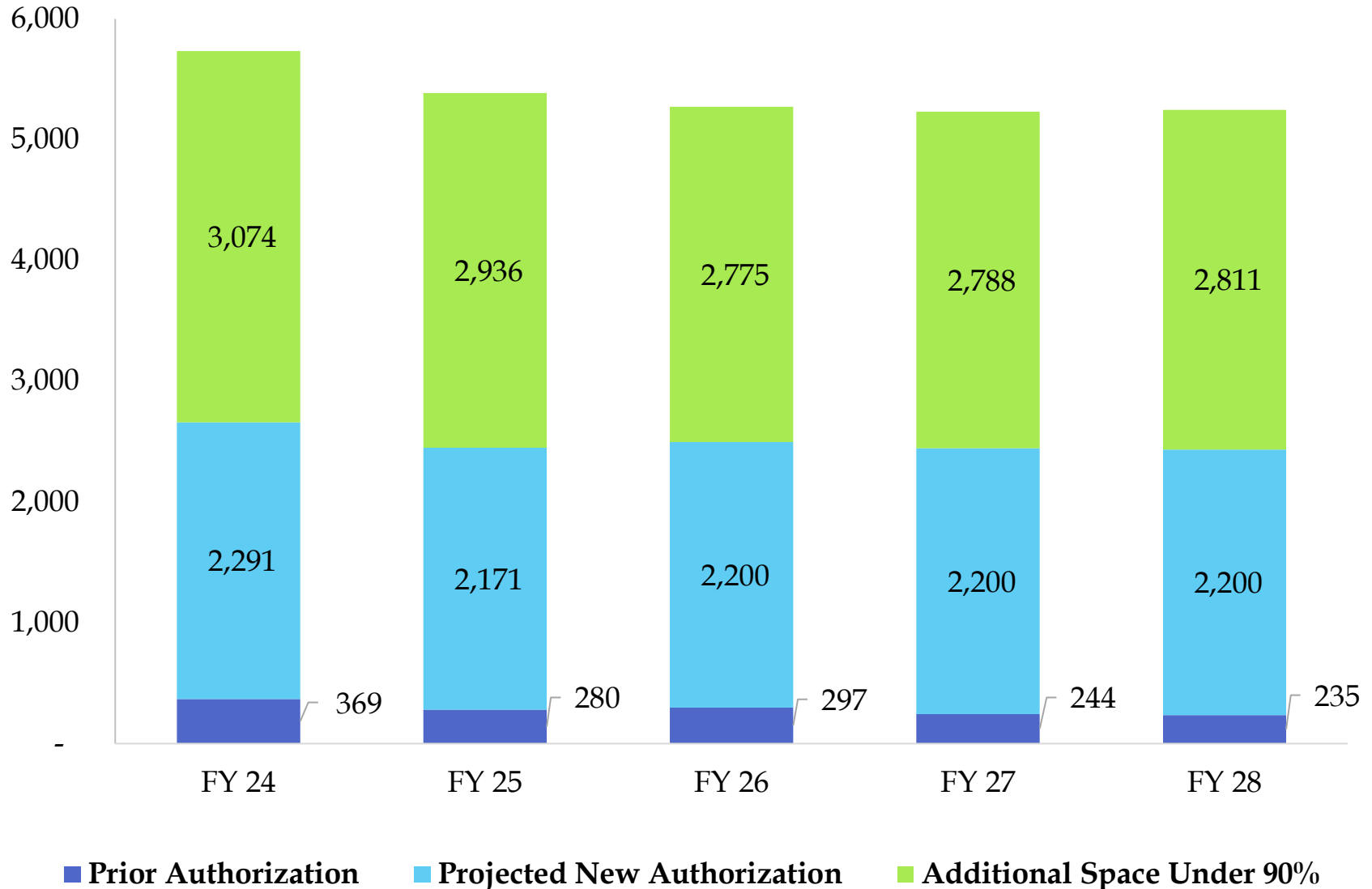
Source: U.S. Federal Housing Finance Agency as retrieved from FRED, Federal Reserve Bank of St. Louis

Rental Prices



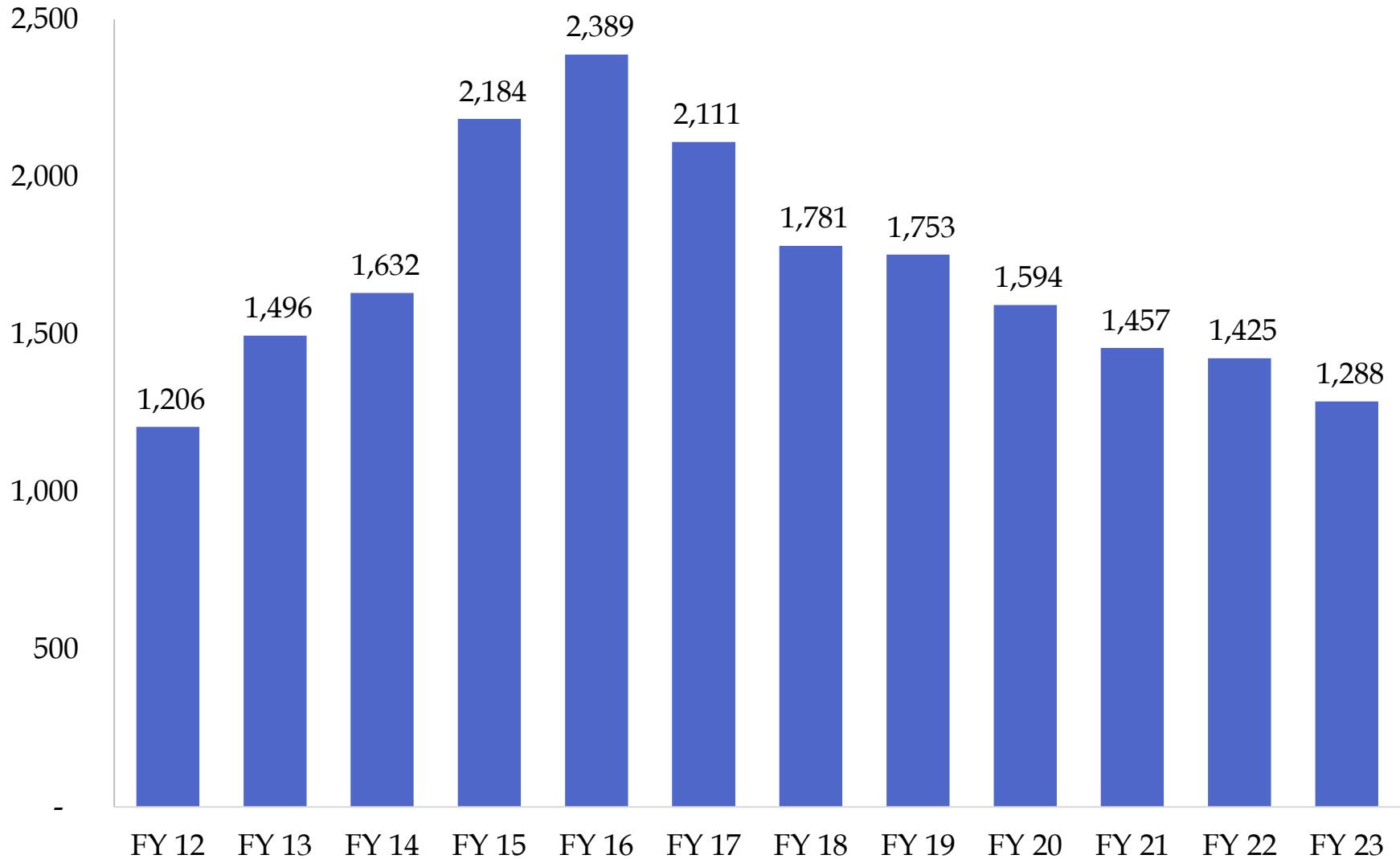
Estimates of General Obligation Bond Fund Use

In Millions of Dollars



General Obligation Bond Project Spending

In Millions of Dollars



Tax Expenditure Estimates

In Millions of Dollars

Types of Tax Expenditures

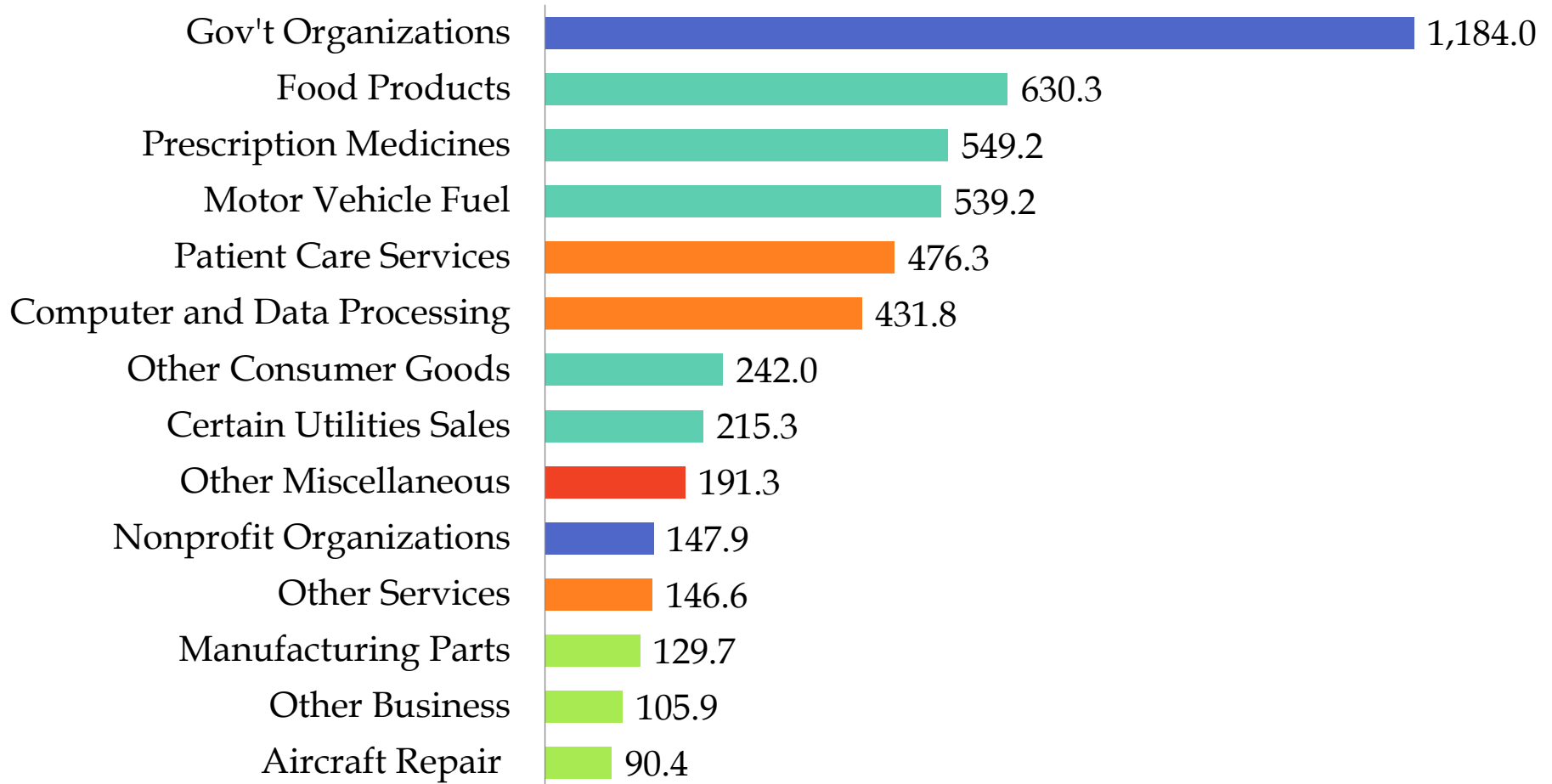
A **credit** directly reduces a taxpayer's tax liability. An **exemption** excludes specified transactions from a tax (e.g., food products are exempted from sales tax). A **deduction** reduces a taxpayer's taxable income by the amount of a specific transaction (e.g., contributions to a CHET education account reduce taxable income).

Category	FY 24	FY 25	FY 26	FY 27	FY 28
Personal Income Tax	808.3	858.8	903.7	938.9	960.6
Sales and Use Tax	5,080.0	5,208.5	5,336.0	5,466.2	5,601.6
Corporation and Insurance Taxes	447.6	495.3	498.6	497.2	498.3
Petroleum Companies Gross Earnings Tax	382.6	376.4	371.2	374.4	380.5
Motor Fuels and Motor Carrier Road Taxes	2,174.3	2,222.9	2,181.8	2,171.7	2,163.0
All Other Taxes	185.1	185.3	187.2	191.1	194.9
TOTAL	9,077.9	9,347.2	9,478.5	9,639.4	9,798.9

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

FY 24 Major Sales and Use Tax Expenditures

In Millions of Dollars



Questions and Answers Following OPM's Presentation

*Thank
you!*

