



Office of Fiscal Analysis Update

November 12, 2020



Preliminary General Fund Projections

	FY 21	FY 22	FY 23
Preliminary Expenditures	\$ 19,691,700,000	\$ 20,376,900,000	\$ 21,029,110,000
November Consensus Revenue	\$ 18,837,200,000	\$ 18,309,900,000	\$ 18,798,700,000
Balance	\$ (854,500,000)	\$ (2,067,000,000)	\$ (2,230,410,000)

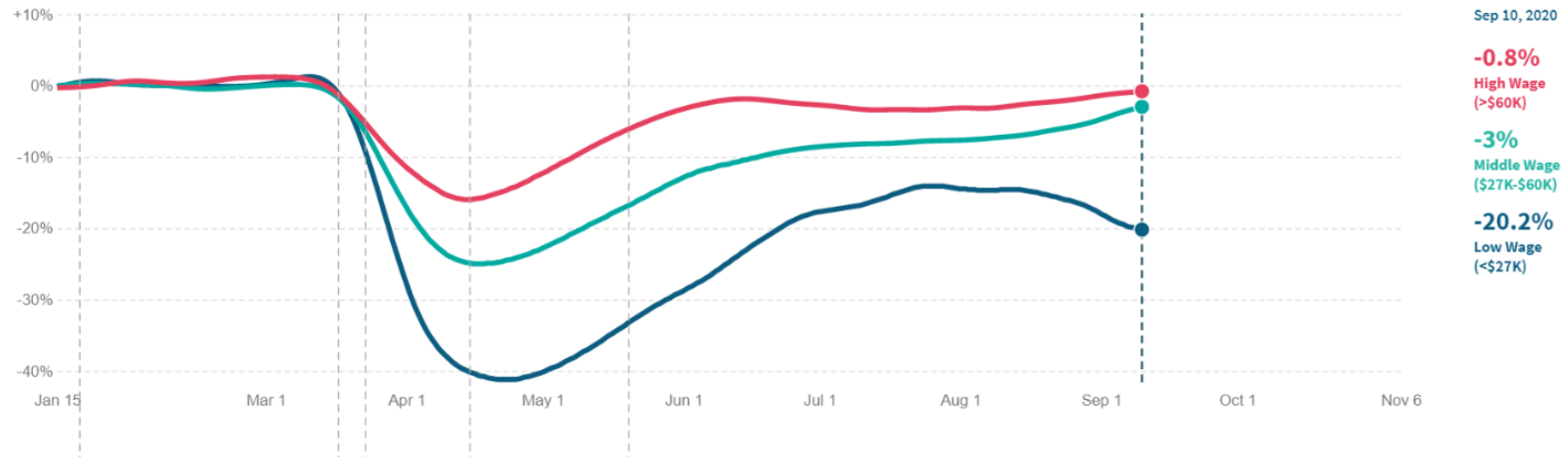
Revenue projections are in flux

- Revenue projections have improved since April, but continue to fall short of budget
 - FY 21 General Fund revenue projections improve by \$750m over April 2020 Consensus Revenue Est.
 - But remain **\$1.4B below** estimated FY 21 revenues in the adopted 2020-2021 Biennial Budget
- Reasons for the wide variance in projections:
 - COVID-19 is significant and unique, with a wide range of possible outcomes on our budget
 - April 2020 Consensus Revenue Estimates reflected a broad economic downturn
 - However, the downturn triggered by COVID-19 has been relatively narrow
 - Centered on low wage employment in the leisure & hospitality industry
- Tax collections reveal some (limited) revenue positivity during the crisis:
 - Sales Tax on home improvement supplies during the Summer, online sales;
 - Real estate conveyance; and
 - Alcohol & Cigarettes.
- **Deep uncertainty remains, especially in the short-term**
 - Extent of COVID-19 resurgence in the Winter of 2020-2021 / Medical solutions
 - Federal action / inaction going forward

COVID-19 downturn primarily impacts low wage employment

Percent Change in Employment*

In Connecticut, as of September 10 2020, employment rates among workers in the bottom wage quartile decreased by 20.2% compared to January 2020 (not seasonally adjusted).



Jan 20
First U.S. COVID-19 Case

Mar 17
CT Public Schools Close

Mar 23
CT Stay at Home
Advisory / All Non-Ess.
Bus. Close

Apr 15
Stimulus Payments
Start

May 20
CT Stay at Home Order
Ends/Select Bus.
Reopen

*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: October 28, 2020 next update expected: November 06, 2020

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Uses of the Budget Reserve Fund (BRF)

- By default, the BRF covers General Fund deficits at the close of the fiscal year
- By 3/5 vote, the General Assembly accessed resources of the BRF *prospectively* in a fiscal year, using BRF resources as General Fund revenue in 2010-2011
- The Budget Reserve Fund balance is capped at 15% of net General Fund appropriations
 - The State Treasurer must use funds in excess of 15% to reduce unfunded pension liabilities first and then other long-term debt
 - In October, Treasurer Wooden decided to transfer the balance above the BRF's statutory 15% limit, estimated to be approximately \$61.6 million, to the SERF.

General Fund Budget Reserves

