

Section VI. Out Year Projections

General Fund

The General Fund is projected to face out year deficits in the next three fiscal years; however, policies enacted in the budget are projected to reduce these deficits by approximately \$1.2 billion in FY 22, FY 23, and FY 24 as reflected in **Figure 6.1**. See **Table 6.1** for additional details.

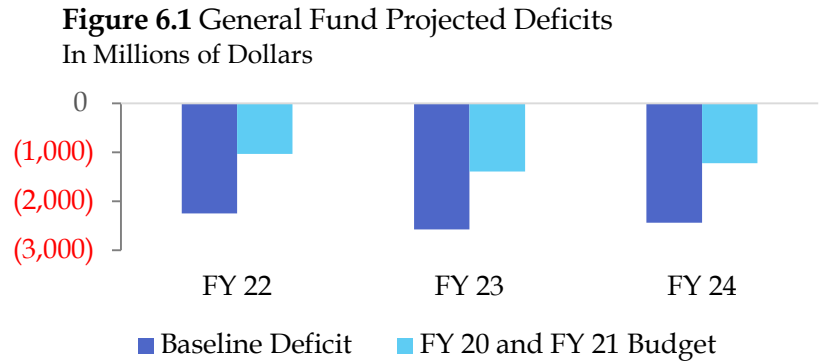


Table 6.1 Projected Budget Policy Impacts to General Fund Balance
In Millions of Dollars

| Category | FY 22 | FY 23 | FY 24 |
|---|------------------|------------------|------------------|
| Baseline Deficit Prior to Budget | (2,245.5) | (2,574.4) | (2,435.8) |
| Budget Policies | | | |
| Continuation of FY 20 - FY 21 Budget Policy | 1,727.7 | 1,727.7 | 1,727.7 |
| Additional Revenue Policy Impacting FY 22 - FY 24 | (415.3) | (446.0) | (413.7) |
| Additional Expenditure Policy Impacting FY 22 - FY 24 | 102.4 | 103.2 | 103.9 |
| Budget Policies - Subtotal | 1,210.0 | 1,178.6 | 1,210.1 |
| Revised Deficit | (1,035.5) | (1,395.8) | (1,225.6) |

Policy impacts that take place in the out years increase the projected deficits in FY 22 - 24. For further detail, see **Table 6.2** for revenue policy and **Table 6.3** for expenditure policy, as well as descriptions of the major policies in the text that follows.

Table 6.2 Additional Revenue Policy Impacting FY 22 - FY 24
In Millions of Dollars

| Category | FY 22 | FY 23 | FY 24 |
|--|----------------|----------------|----------------|
| Expiration of temporary measures | (260.6) | (260.6) | (260.6) |
| Adjustment to the STF motor vehicle tax transfer | (113.4) | (113.4) | (113.4) |
| Scheduled reductions in tax | (17.5) | (31.5) | (48.5) |
| Minor/Technical | (23.8) | (40.5) | 8.8 |
| TOTAL | (415.3) | (446.0) | (413.7) |

Table 6.3 Additional Expenditure Policy Impacting FY 22 - FY 24
In Millions of Dollars

| Category | FY 22 | FY 23 | FY 24 |
|---|--------------|--------------|--------------|
| Adjust Debt Service to Reflect Borrowing Costs | 93.9 | 93.9 | 93.9 |
| Fund the Actuarially Determined Employer Contribution for the State Employee Pension Plan | 11.1 | 11.9 | 12.0 |
| Provide Funding to Treat HEP C | 10.0 | 10.0 | 10.0 |
| Other Expenditure Changes (NET) | 7.7 | 7.7 | 8.4 |
| Provide Funding for Community Colleges SERS UAL | (20.4) | (20.4) | (20.4) |
| TOTAL | 102.3 | 103.1 | 103.9 |

Revenue

Expiration of Temporary Revenue Items

FY 21 includes \$260.6 million of revenue items that are not included in FY 22 because they are classified as one-time or nonrecurring policies. Items include: (1) transfer \$85.0 million of FY 20 revenue for use in FY 21, (2) suspend amortization of historical GAAP deficit resulting in an impact of \$85.1 million in FY 22, (3) maintain limits on property tax credits that expire at the end of FY 21 resulting in an impact of \$53.0 million in FY 22, and (4) maintains the 10% corporation business tax surcharge through FY 21 results in \$37.5 million in FY 22.

Motor Vehicles Sale Tax

The scheduled transfer from the General Fund to the Special Transportation Fund of sales tax revenue from new and used vehicles increases the deficit by \$113.4 million due to the increase in the transfer from FY 21 to FY 22.

Scheduled Reductions in Taxes

PA 19-117: (1) phases out the capital base method for purposes of calculating the corporation business tax resulting in a revenue loss in FY 22 of \$9.5 million, and (2) adjusts the teachers' pension exemption from the income tax resulting in a revenue loss of \$8.0 million in FY 22.

Minor/Technical Revenue Items

Other revenue items impacting the General Fund out year deficits include annualization and timing considerations of prior year revenue changes.

Debt Service

Improved credit-worthiness of the state and lower than anticipated bond spending and issuance in FY 20 and FY 21 results in one time savings for debt service payments. Absent a change to bond use policy, these savings are not expected to continue into FY 22.

Fund Contributions for SERS

Funding of \$11.1 million in FY 22 is associated with providing sufficient resources to adequately fund the employer contribution to the State Employee Pension Plan.

Funding for Hepatitis C

Additional funding of \$10 million in FY 22 (\$30 million total) reflects the full phase-in of the costs associated with diagnosing and treating persons under the care and custody of the Department of Correction.

Community College Fringe Benefit Support

The budget provided an additional \$20.4 million in each year to help support fringe benefit costs for the community college system. The out year projections do not include a continuation of this support.

Special Transportation Fund

Policies enacted in the budget improved the STF out year projections as reflected in **Table 6.4**. The STF finished FY 19 with a cumulative balance of \$324.7 million. Due to the sales tax transfers growing to 100% in FY 23, the STF is expected to have a cumulative balance at the end of FY 24 of approximately \$991.5.

Table 6.4 Special Transportation Fund Projections
In Millions of Dollars

| | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Starting Balance | 245.7 | 324.7 | 363.5 | 428.0 | 622.3 | 835.2 |
| Appropriations | 1,609.1 | 1,710.3 | 1,816.3 | 1,892.9 | 1,991.5 | 2,074.0 |
| Revenue | 1,688.1 | 1,749.1 | 1,880.8 | 2,087.2 | 2,204.5 | 2,230.2 |
| Operating Surplus/(Deficit) | 79.0 | 38.8 | 64.5 | 194.3 | 213.0 | 156.2 |
| Ending Balance | 324.7 | 363.5 | 428.0 | 622.3 | 835.2 | 991.5 |
| Debt Service Ratio | 2.6 | 2.5 | 2.4 | 2.6 | 2.5 | 2.4 |
| STO Issuance | 750 | 850 | 875 | 800 | 800 | 800 |

Major Policies Impacting Special Transportation

Repeal Special Tax Obligation (STO) Bond Issuance Cap and Revise Expected Bond Issuance

The budget act repeals the \$750 million new STO bond issuance limit that was established in PA 17-2 JSS for FY 19 and FY 20. STF debt service was revised for the biennium based on expected issuance of \$850 million in FY 20 and \$875 million in FY 21. Combined with other expected increases in debt service, largely based on prior capital spending, the \$45.9 million increase in STF debt service payments from FY 19 to FY 20 represents a 7% annual increase.

No New STO Bonds Authorized

No bond package was adopted during the 2019 regular session for the FY 20-21 biennium. However, the final \$706 million of Let’s Go, CT! authorizations became effective July 1, 2019.