

Office of Fiscal Analysis
EXECUTIVE SUMMARY

Budget Overview

At the beginning of the 2022 legislative session, the FY 23 original budget had projected positive balances of \$1.85 billion in the General Fund and \$432.9 million in the Special Transportation Fund.

PA 22-118 included policies that reduced net General Fund by \$996.0 million and increased net General Fund appropriations by \$554.8 million and reduced net Special Transportation fund revenue by \$150.8 million and increased appropriations by \$16.3 million.

FY 23 Budget Balance

All Appropriated Funds – In Millions of Dollars

Budget	FY 23
Revenue Estimate	24,761.2
Net Appropriation	24,196.0
BALANCE	565.1

The FY 23 Revised Budget is 2.4% greater than the original FY 23 budget, and 6.4% greater than the FY 22 budget, across all appropriated funds.

The budget is under the spending cap by approximately \$0.2 million and \$8.6 million in FY 22 and FY 23, respectively.

The legislature allocated \$312 million in additional federal funding from the American Rescue Plan Act (ARPA) and reallocated \$1.44 billion in that was previously allocated for revenue replacement in FY 22 and FY 23. The budget also carries forward \$368.7 million in surplus appropriations from FY 21 and FY 22.

Revenue Highlights

The most significant changes impacting revenue include:

- Reduces the transfer of ARPA funds to the General Fund from \$1.19 billion to \$314.9 million, a reduction \$880.0 million,
- Establishes a one-time rebate for qualifying, domiciled taxpayers in Connecticut equal to \$250 for each child. This change is anticipated to result in a revenue loss of \$125 million in FY 23,
- Accelerates the income tax tax exemption the phase-in schedule for certain income pension and annuities. This change is anticipated to result in a General Fund revenue loss of \$42.9 million in FY 23,
- Modifies and expends the property tax credit against the personal income tax. These changes are anticipated to result in a General Fund Revenue loss of \$113.0 million in FY 23,
- Extends the gas tax holiday through November 30, 2022. This change is anticipated to result in a revenue loss to the Special Transportation Fund of \$150.0 million in FY 23.

Appropriation Highlights

The most significant policy changes impacting appropriations include:

- Funding of \$52 million is provided for a COLA for private providers of human services not including DDS providers,
- Funding of \$100 million is provided to reimburse towns related to reducing the motor vehicle mill rate cap from 45 to 32.46 mills,
- Funding of \$15.5 million is provided for tiered reimbursement of special education excess costs,
- Funding of \$26.2 million is provided to meet additional requirements related to the Sheff Agreement,
- Funding of \$50 million is provided to support wage supplements and childcare enhancement grants for early childcare providers,

- Funding of \$25.3 million is provided to support increasing the infant/toddler rate from approximately \$8,500 to \$13,500 per child and increasing the number of spaces by 1,300.

Capital Budget

PA 22-118 increases General Obligation bond issues by a net of \$237.5 million in FY 23. When combined with prior authorizations becoming effective in FY 23, total net effective authorizations are \$2.14 billion in FY 23. Special Tax Obligations bonds, backed by the Special Transportation Fund were increased by \$20 million in FY 23. Total net effective authorizations effective for FY 23 is \$949.6 million.

The Out Years

The General Fund is projected to be in deficit by \$802 million in FY 24, \$531 million in FY 25, and \$275 million in FY 26. Policies enacted in the budget worsened projected out year deficits, as compared to the baseline estimates, by a range of \$159 million to \$240 million per fiscal year.

Note: OFA refers to fiscal years such that "FY 23" refers to state fiscal year 2022-2023.