

November 30, 2021



CONNECTICUT GENERAL ASSEMBLY

**Office of Fiscal Analysis**

# Fiscal Accountability Presentation

OFA DIRECTOR

**Neil Ayers**

# Structure of the Fiscal Accountability Report

**General Fund (GF) Current Biennium**

**American Rescue Plan Act (ARPA) & Carry Forwards**

**General Fund Out Years**

**Special Transportation Fund (STF) & Bonding**

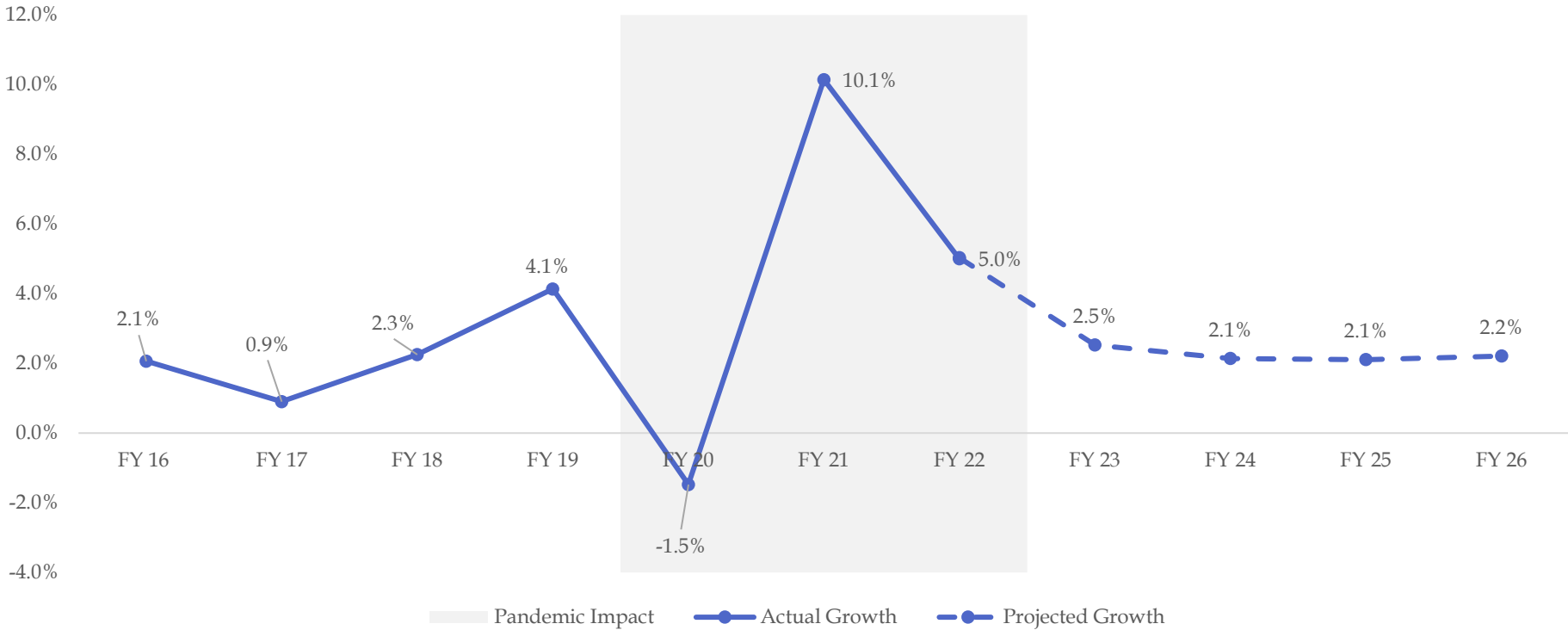
# November Updates to FY 22 General Fund Estimates

In Millions of Dollars

<b>Summary</b>	<b>FY 22</b>
Budgeted Balance	274.9
<b>Revenue</b>	
Budgeted	21,021.3
<b>Consensus Adjustment</b>	
Sales and Use	155.2
Federal Grants	380.8
Other Revenue (net)	(8.4)
<b>Subtotal</b>	<b>527.7</b>
<b>Expenditures</b>	
Budgeted	20,746.4
Lapses	141.7
Deficiencies	(28.8)
<b>Subtotal</b>	<b>113.0</b>
<b>SURPLUS/(DEFICIT)</b>	<b>915.6</b>

# FY 22 Revenue Trends: Sales Tax Growth Rates

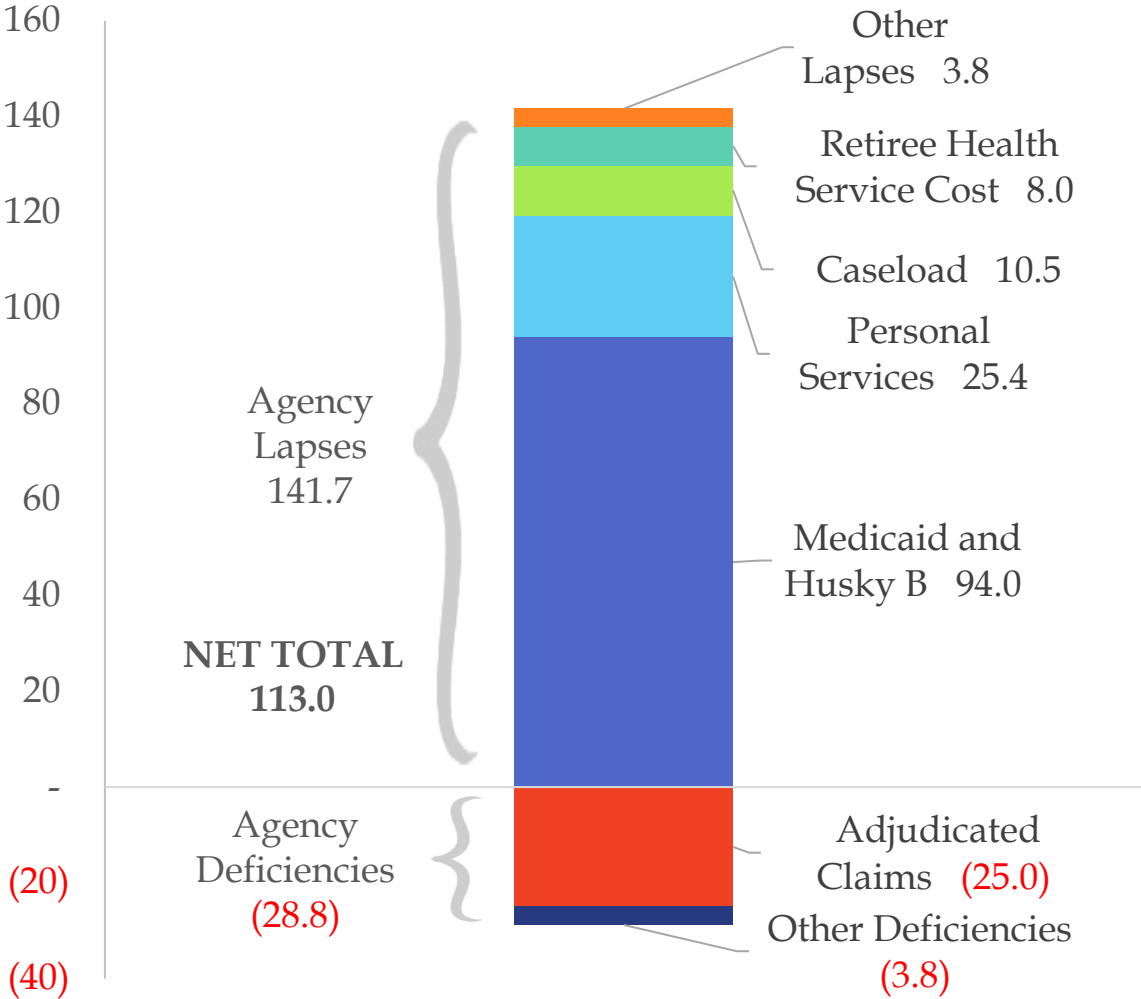
All Funds



Source: OFA Calculations

# FY 22 Expenditure Adjustments

In Millions of Dollars



# FY 23 Update due to November Consensus

In Millions of Dollars

<b>Update</b>	<b>FY 22</b>	<b>FY 23</b>
Budget Balance	274.9	275.4
<b>November Consensus Adjustments</b>		
Sales and Use Tax	155.2	144.6
Federal Grants	380.8	110.4
Other Revenue (net)	(8.4)	1.9
<b>Revenue Adjustments Subtotal</b>	<b>527.7</b>	<b>256.9</b>
<b>Expenditure Adjustments</b>	<b>113.0</b>	<b>(20.0)</b>
<b>BALANCE</b>	<b>915.6</b>	<b>512.4</b>

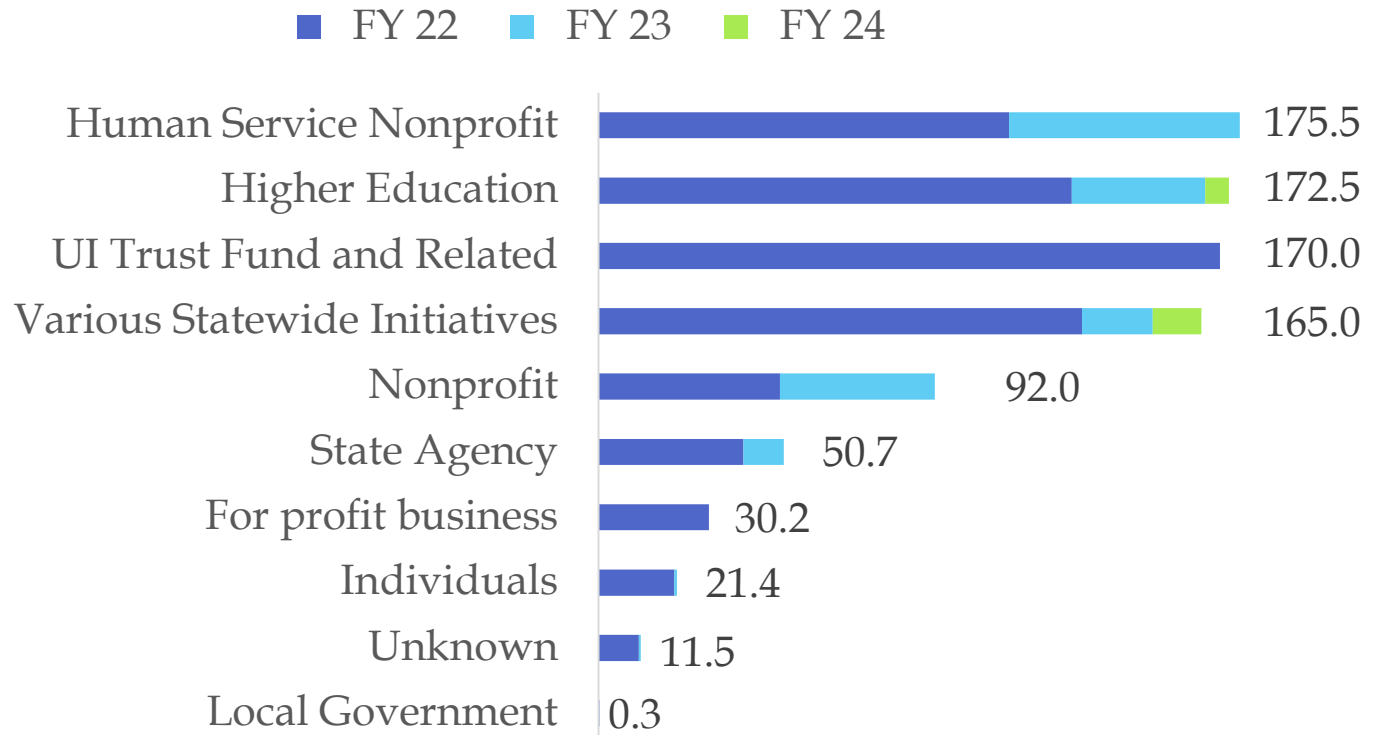
# Budget Reserve Fund (BRF) in the Biennium

In Millions of Dollars

Description	FY 22	FY 23
<b>Budget Reserve Fund Balance at Start of Year</b>	<b>3,112.0</b>	<b>3,230.2</b>
Projected Volatility Deposit	969.2	780.0
Projected Surplus	915.6	512.4
<b>Volatility Deposit and Surplus Subtotal</b>	<b>1,884.8</b>	<b>1,292.4</b>
<b>Budget Reserve Fund Capped Balance at End of Year</b>	<b>3,230.2</b>	<b>3,485.0</b>
Funds in Excess of Budget Reserve Fund Cap	1,766.6	1,037.6

# American Rescue Plan Act (ARPA) Allocation by Recipient Type

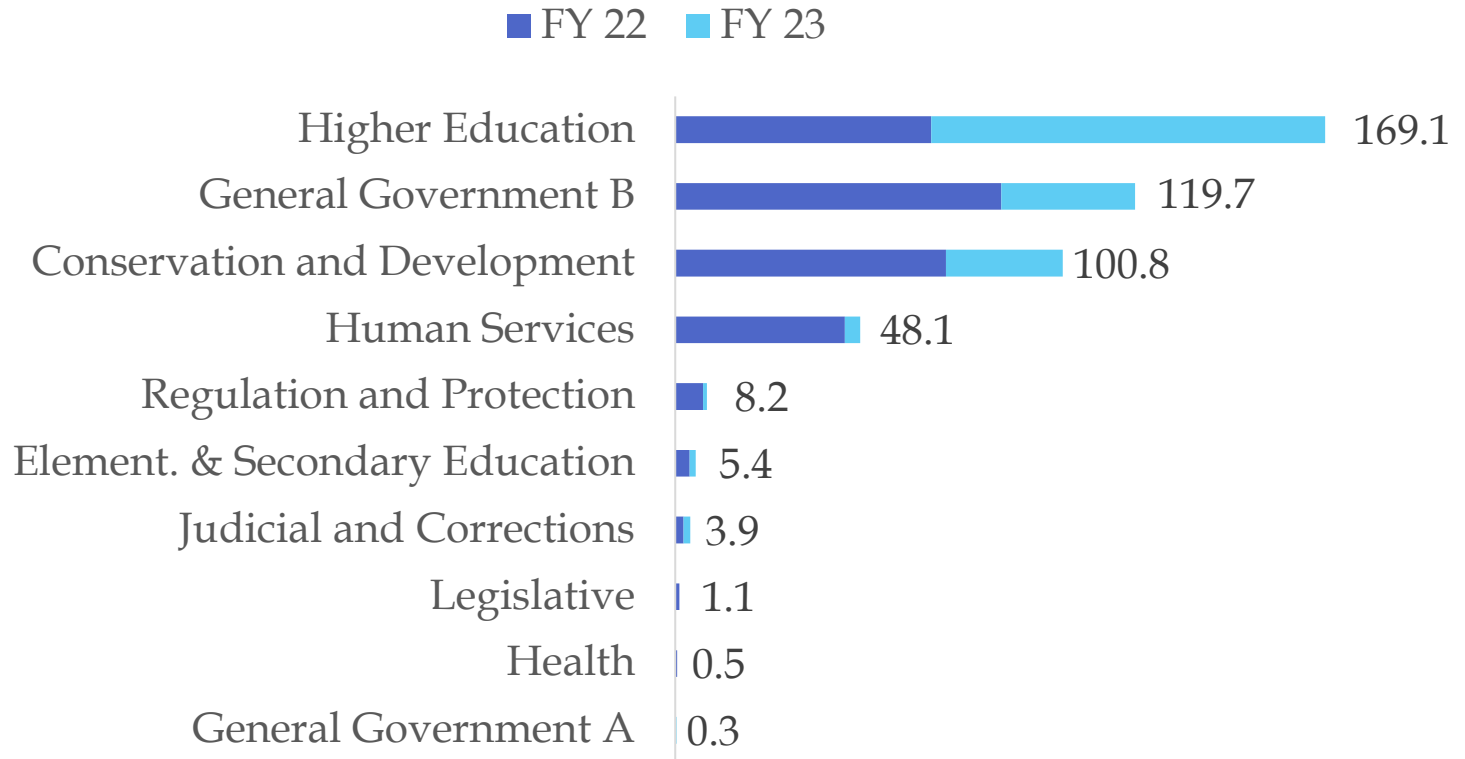
In Millions of Dollars





# FY 21 General Fund Carryforwards by Subcommittee

In Millions of Dollars



# Out-Year Projections

In Millions of Dollars

Category	FY 22	FY 23	FY 24	FY 25	FY 26
<b>November Consensus Revenue</b>	21,549.0	22,066.7	20,877.2	21,428.7	22,017.3
Expenditures					
Previous Year Expenditure			21,554.3	20,877.2	21,167.1
Fixed Cost Growth			254.8	289.9	244.9
Non-Fixed Cost Expenditure Reduction			(931.9)	-	-
<b>Subtotal - Expenditures</b>	<b>20,633.4</b>	<b>21,554.3</b>	<b>20,877.2</b>	<b>21,167.1</b>	<b>21,412.0</b>
<b>BALANCE</b>	<b>915.6</b>	<b>512.4</b>	<b>-</b>	<b>261.6</b>	<b>605.3</b>
<b>Unadjusted Balance</b>	<b>915.6</b>	<b>512.4</b>	<b>(931.9)</b>	<b>(670.3)</b>	<b>(326.6)</b>

# Projected General Fund Changes from FY 23 to FY 24

In Millions of Dollars

<b>Structural Balance: 211.5</b>	<b>211.5</b>	Revenue growth 466.3 vs. Fixed Cost Growth (254.8)
<b>Technical: 72.2</b>	<b>72.2</b>	Technical Changes (Net)
<b>Revenue Policy: (1,728.0)</b>	<b>(1,194.9)</b>	Federal Stimulus as Revenue Expires
	<b>(276.3)</b>	General Fund - MRSA Transfer
	<b>(192.1)</b>	Expiration of Temporary Measures
	<b>(64.7)</b>	Other Revenue Policy (Net)
<b>TOTAL: (1,444.3)</b>		

Components	FY 22
<b>Expiration of temporary measures</b>	<b>(192.1)</b>
Temporary corporation business tax surcharge expires	(20.0)
Temporary restrictions on property tax credits expire	(53.0)
Delay historical GAAP deficit payment to FY 24	(119.1)
<b>Other revenue policies (net)</b>	<b>(64.7)</b>
<b>Scheduled reduction in taxes</b>	<b>(77.8)</b>
Phase-in tax exemption for Individual Retirement Accounts (IRAs)	(32.5)
Phase-in tax exemption for pensions/annuities	(16.5)
Enact various adjustments to the ambulatory surgical center tax	(9.5)
Increase inheritance tax exemption threshold	(6.0)
Phase-out of capital base method under the corporation business tax	(5.7)
Restore the R&D tax credit to 70% of liability	(4.3)
Adjust alcohol excise tax rate from \$.24/gallon to \$.20/gallon, in FY 24	(2.0)
Establish a sales tax exemption on beer supplies for beer manufacturers	(1.3)
<b>All other revenue adjustments (net)</b>	<b>13.1</b>
Transfer iLottery sales to support debt free community college, FY 24 start	(7.5)
Other Minor Policies	20.6

# Out-Year Revenue Growth

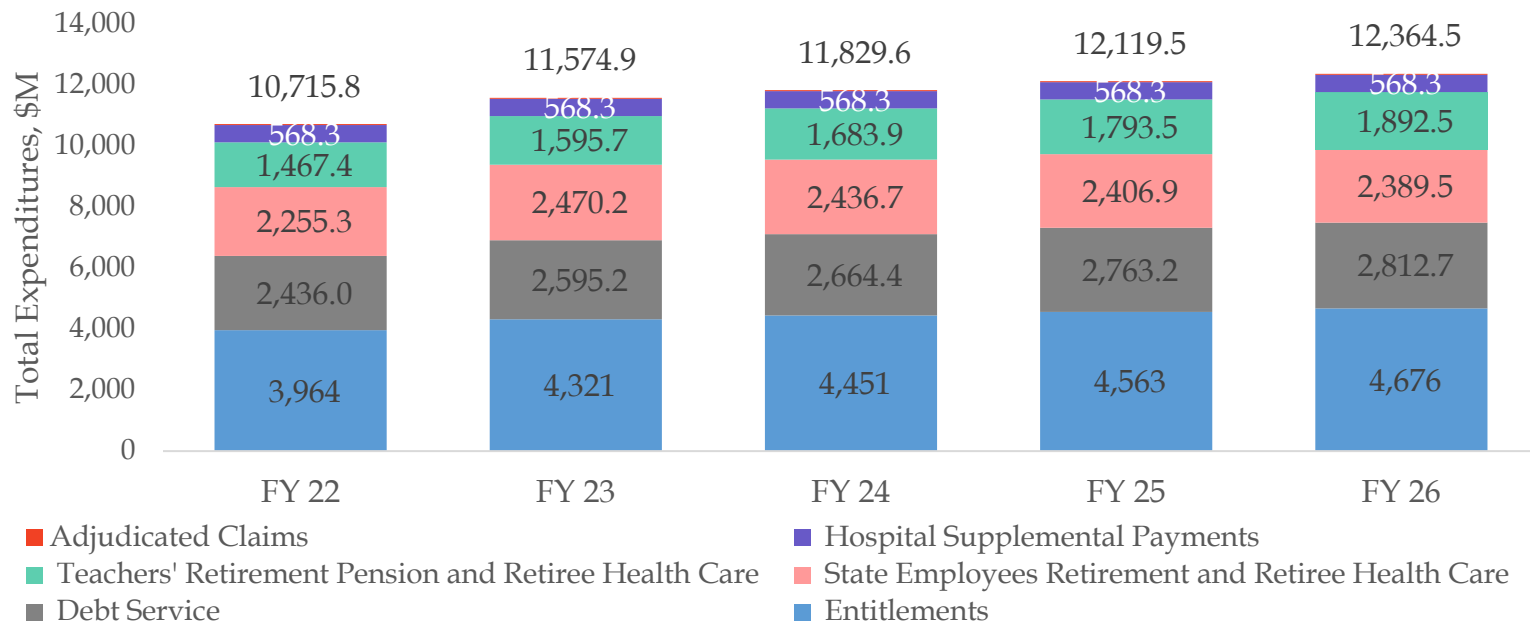
In Millions of Dollars

Source	FY 24	FY 25	FY 26
Personal Income Tax	249.6	466.1	466.3
Sales Tax	98.1	97.6	105.7
Business Taxes	95.9	110.6	113.5
Other Revenue	85.2	(53.6)	(36.7)
Refunds	(62.5)	(59.5)	(62.3)
<b>TOTAL GROWTH</b>	<b>466.3</b>	<b>561.2</b>	<b>586.5</b>
<b>PERCENT GROWTH %</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.7%</b>

# Out-Year Fixed Cost Growth

In Millions of Dollars

Category	FY 24	FY 25	FY 26
Entitlements	130.8	111.3	113.8
Debt Service	69.2	98.8	49.5
State Employee Pension & Retiree Health	(33.5)	(29.8)	(17.4)
Teachers' Retirement & Retiree Health	88.3	109.6	99.0
Hospitals	-	-	-
Adjudicated Claims	-	-	-
<b>TOTAL</b>	<b>254.8</b>	<b>289.9</b>	<b>244.9</b>



# SERS/TRS

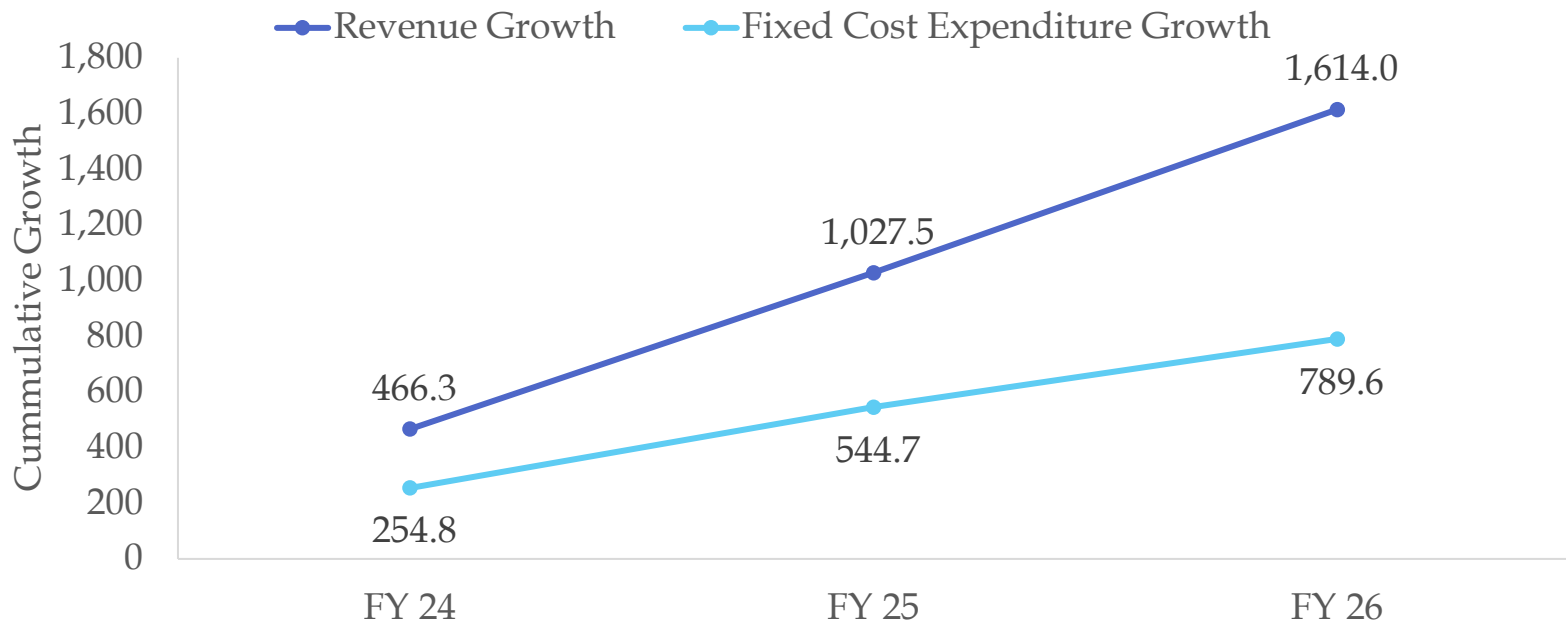
## Additional Deposits into State's Pension Systems General Fund Marginal Savings Year to Year<sup>1</sup> – In Millions of Dollars

Impact	FY 22	FY 23 Est.	FY 24 Est.	FY 25 Est.	FY 26 Est.
Deposits	1,623.3	969.2	780.0	700.8	-
Marginal Savings - TRS	-	-	(76.8)	-	-
Marginal Savings - SERS	-	(45.0)	(64.8)	(54.7)	(48.6)

# Structural Balance

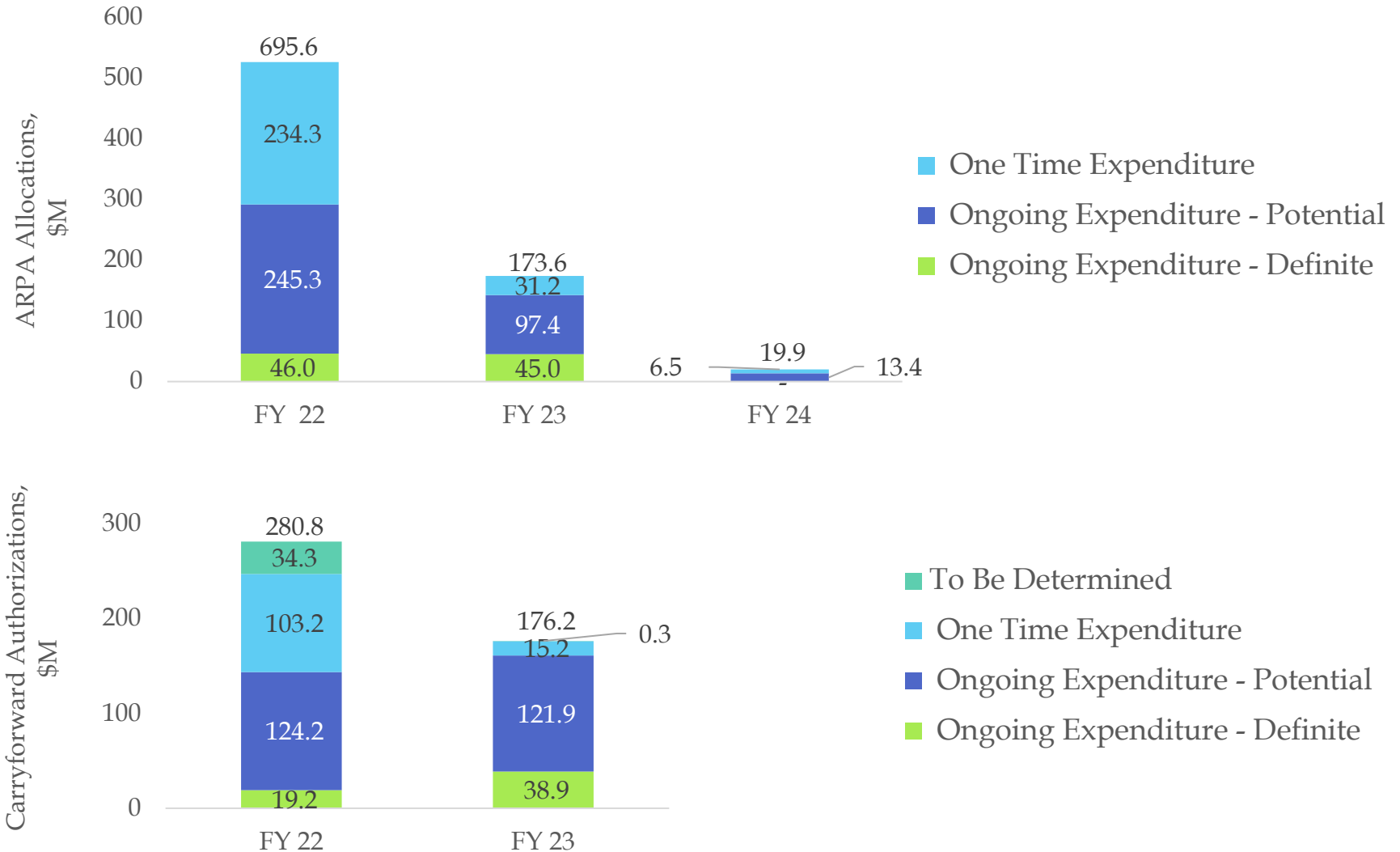
In Millions of Dollars

Category	FY 24	FY 25	FY 26	Total	Average Growth	
					\$	%
Revenue Growth	466.3	561.2	586.5	1,614.0	538.0	2.6%
Fixed Cost Growth	254.8	289.9	244.9	789.6	263.2	2.2%
<b>BALANCE</b>	<b>211.5</b>	<b>271.3</b>	<b>341.6</b>	<b>824.4</b>	<b>274.8</b>	



# ARPA and Carryforward Expenditure Pressure

In Millions of Dollars

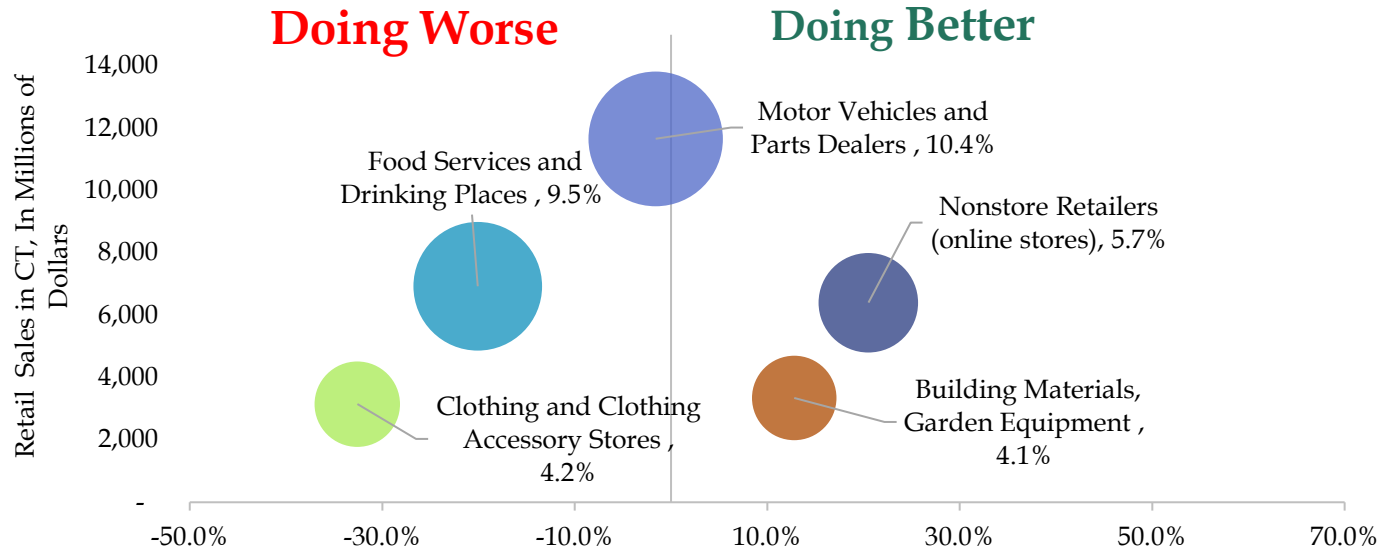




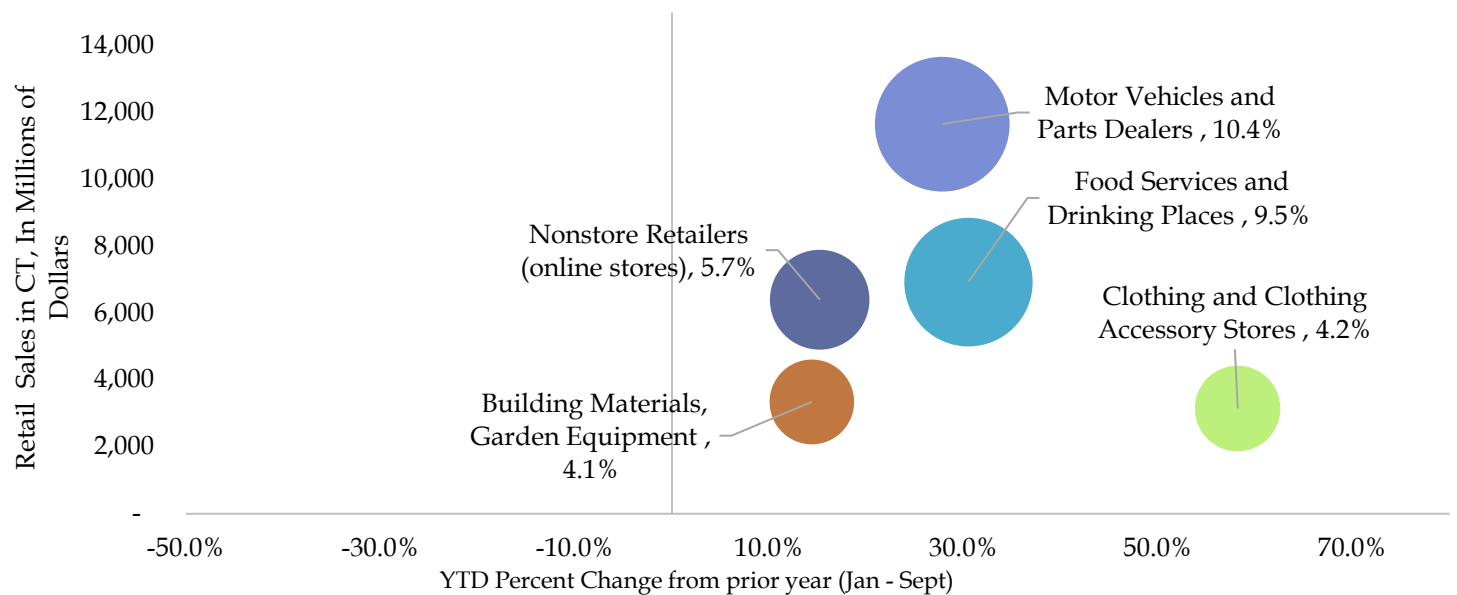
# Trends in Retail Sales:

Estimated % Change for Example Industries –Jan. to Sept. period vs. same period prior year

2020 vs.  
2019



2021 vs.  
2020

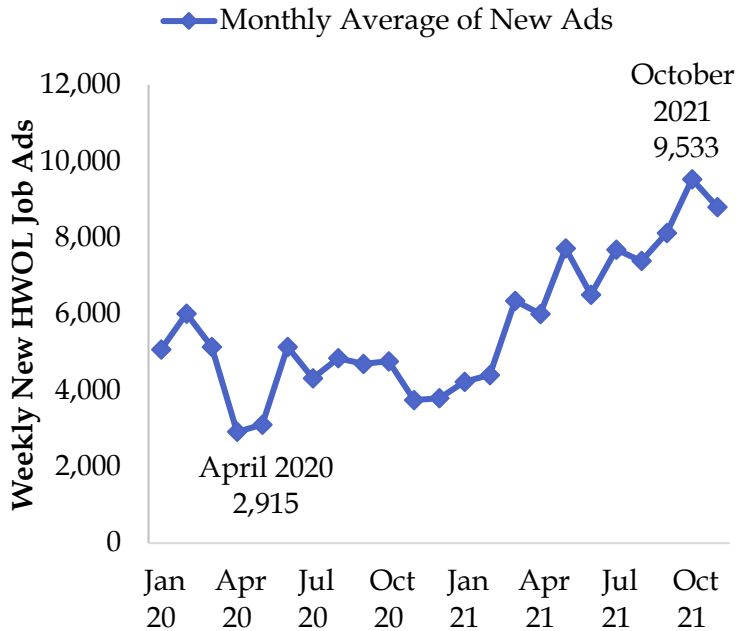


**Bubble size** reflects estimated share of Connecticut sales and use tax collections.  
Source: U.S. Census, CT Department of Revenue Services, OFA Calculations



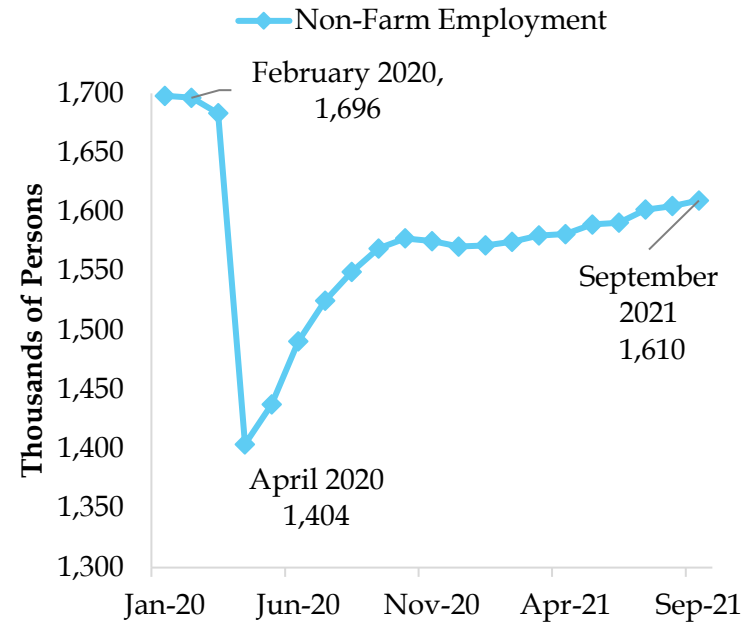
# Labor Market Trends

Weekly Statewide New HWOL Job Ads, Monthly Average



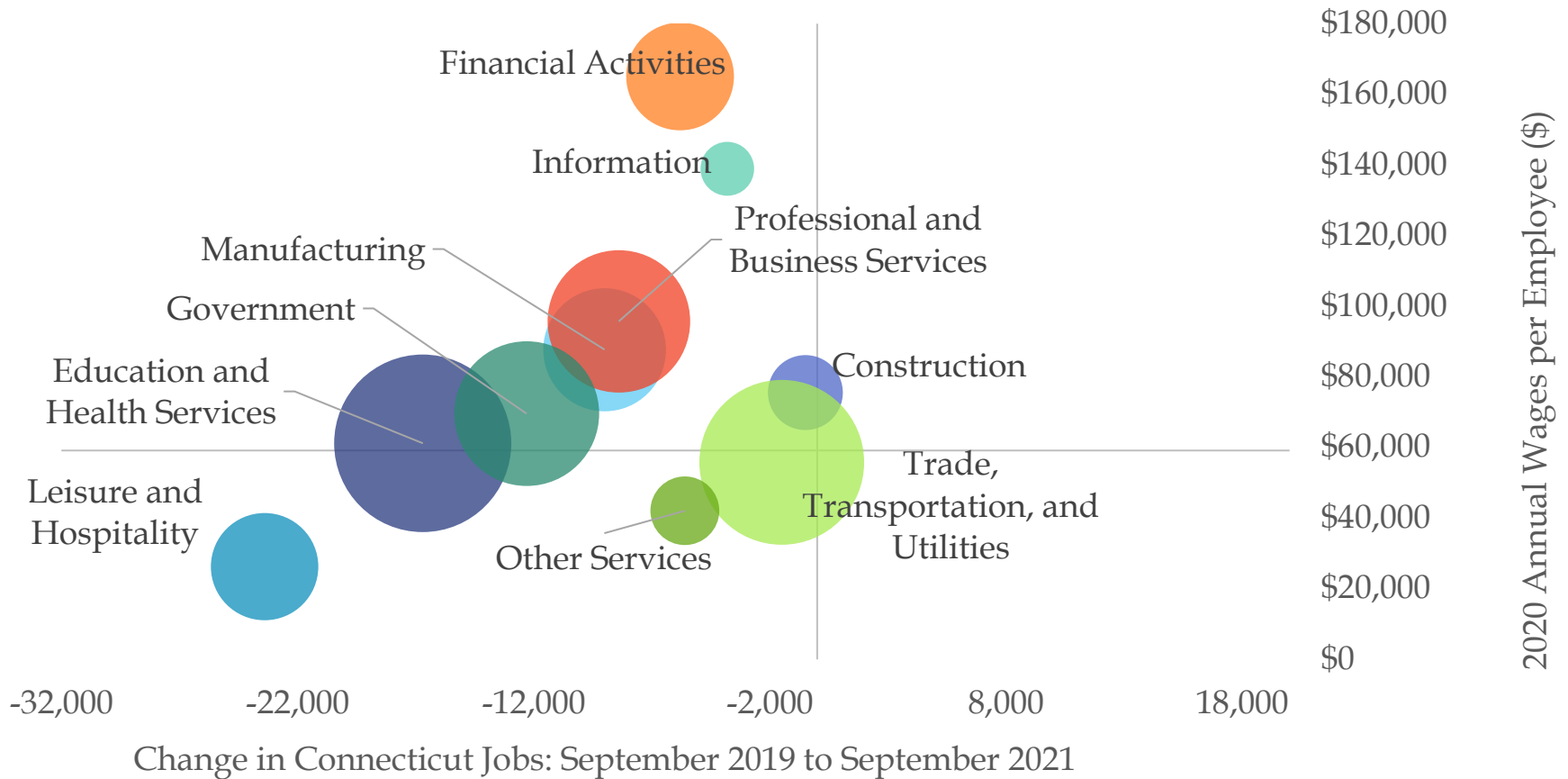
Source: [CT Department of Labor analysis](#), Conference Board Help Wanted Online (HWOL) Data Series

Connecticut Non-Farm Employees, Monthly, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Connecticut, retrieved from FRED, Federal Reserve Bank of St. Louis

# Connecticut Change in Employment from September 2019 vs. Average Wages by Industry



**Bubble size** reflects each industry's annual average employment for 2020, from the BLS Quarterly Census of Employment and Wages (QCEW).  
<sup>1</sup>Change in Nonfarm Employment reflects preliminary September 2021 data from the US Bureau of Labor Statistics (BLS) Current Employment Survey (CES) compared to CES data for September 2019. Natural Resources/Mining and Unclassified industries are not included due to size.  
<sup>2</sup>Annual Wages per Employee reflects Connecticut 2020 private sector amounts, except for Government, which reflects the average wages for all Government employment regardless of industry. Source: 2020 QCEW annual data.

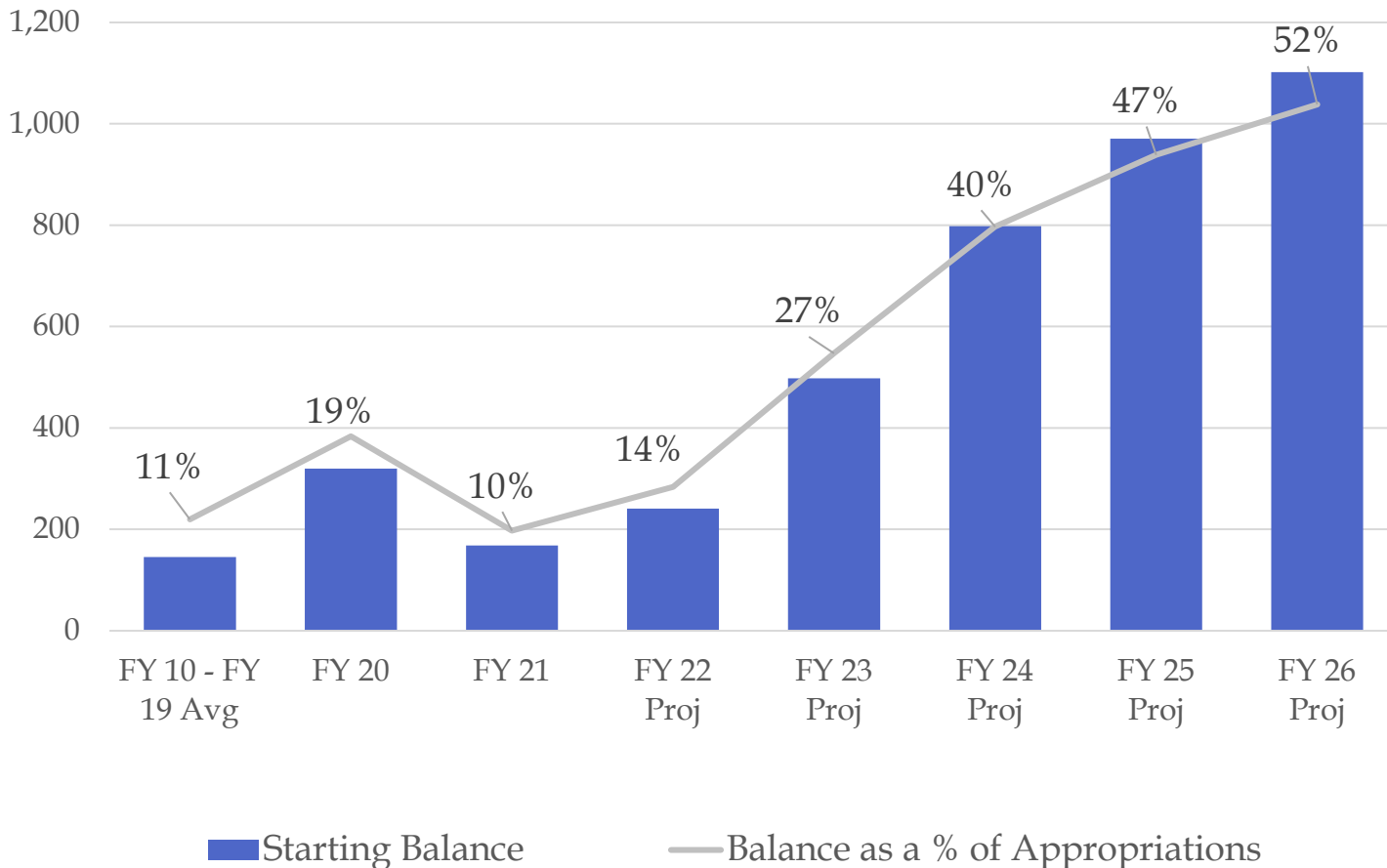
# Special Transportation Fund (STF) Summary

In Millions of Dollars

Components	FY 22	FY 23	FY 24	FY 25	FY 26
<b>Expenditures</b>					
Temporary Federal Support	(100.0)	(100.0)	-	-	-
Debt Service	744.5	837.7	913.2	983.1	1,041.7
All Other	1052.4	1081.4	1,089.2	1,084.8	1,081.2
<b>Expenditures Total</b>	<b>1,696.9</b>	<b>1,819.1</b>	<b>2,002.4</b>	<b>2,067.9</b>	<b>2,122.9</b>
<b>Revenue</b>					
Highway Use Tax	-	45.0	90.0	94.1	98.3
Motor Vehicle Sales Tax					
Transfer	274.4	369.8	375.1	384.2	393.2
All Other	1,679.5	1,704.1	1,710.1	1,721.1	1,741.4
<b>Revenue Total</b>	<b>1,953.9</b>	<b>2,118.9</b>	<b>2,175.2</b>	<b>2,199.4</b>	<b>2,232.9</b>
<b>Operating Balance</b>					
Surplus/ (Deficit)	257.0	299.8	172.8	131.5	110.0
<b>Year End Cumulative Balance</b>	<b>498.1</b>	<b>798.0</b>	<b>970.8</b>	<b>1,102.3</b>	<b>1,212.4</b>
Debt Service Ratio	2.6	2.5	2.4	2.2	2.1

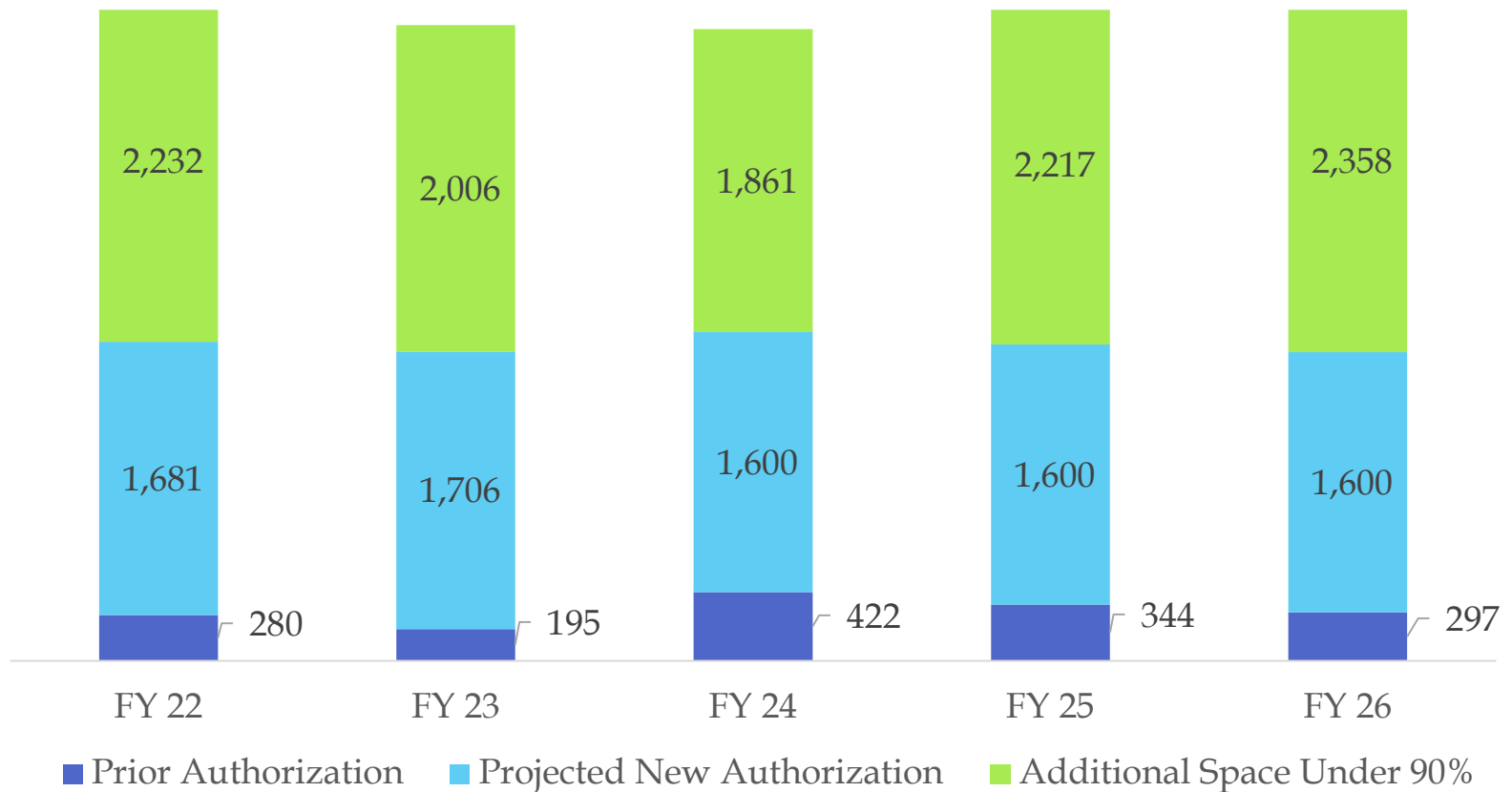
# Special Transportation Fund (STF) Summary

In Millions of Dollars



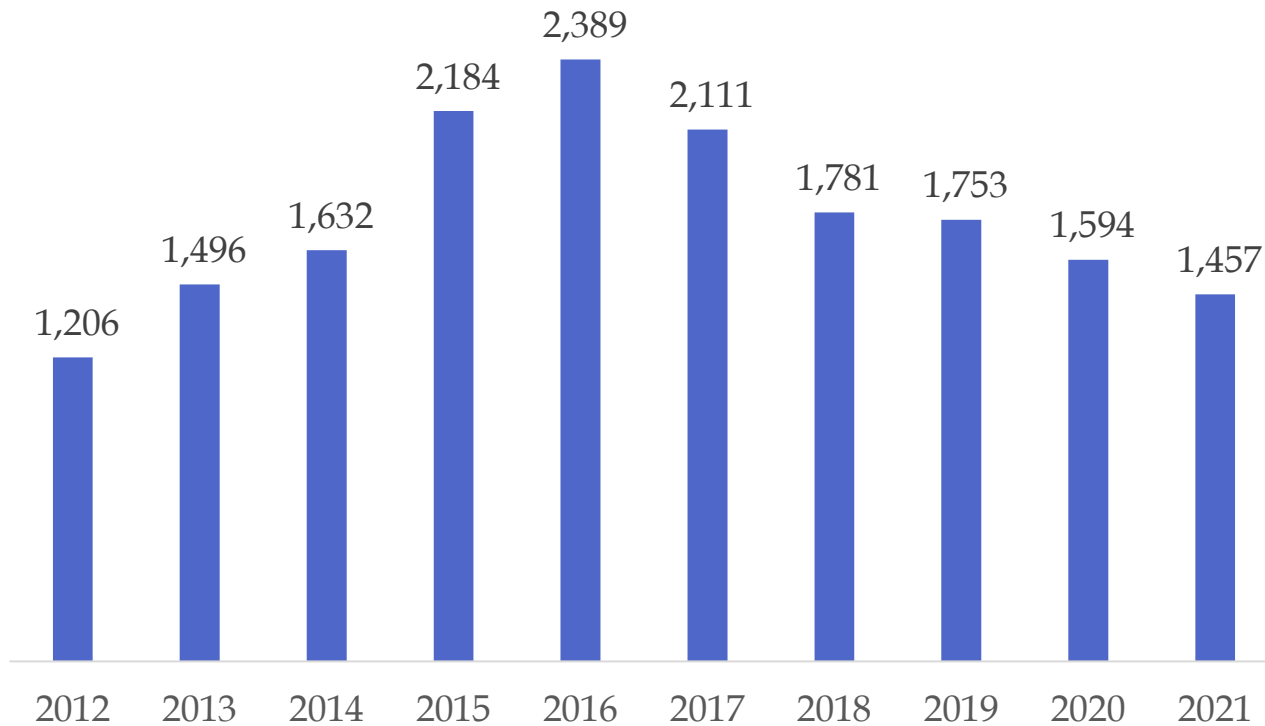
# Estimates of General Obligation Bond Fund Use

In Millions of Dollars



# General Obligation Bond Project Spending

In Millions of Dollars



# Tax Expenditure Estimates

In Millions of Dollars

Category	FY 22	FY 23	FY 24	FY 25	FY 26
Personal Income Tax	588.2	595.6	715.9	747.0	788.8
Sales and Use Tax	4,280.2	4,390.4	4,485.5	4,580.0	4,681.1
Corporation and Insurance Taxes	413.0	443.5	438.6	456.9	442.1
Petroleum Companies Gross Earnings Tax	272.2	296.7	292.4	292.4	298.5
Motor Fuels and Motor Carrier Road Taxes	1,273.5	1,274.5	1,275.5	1,275.5	1,275.5
All Other Taxes	201.4	207.9	209.8	211.2	212.8
<b>TOTAL</b>	<b>7,028.6</b>	<b>7,208.7</b>	<b>7,417.7</b>	<b>7,563.0</b>	<b>7,698.8</b>



# Sales and Use Tax Category Comparison

In Millions of Dollars

Category	FY 22	% of Total
Consumer Goods	1,704.9	39.8%
Business Exemptions	242.8	5.7%
Service Exemptions	880.3	20.6%
Government and Nonprofit Organizations	1,307.4	30.5%
Miscellaneous	144.8	3.4%
<b>Total Sales and Use Tax Exemptions</b>	<b>4,280.2</b>	<b>100.0%</b>

# Questions and Answers Following OPM's Presentation

*Thank  
you!*

