

December 5, 2022



CONNECTICUT GENERAL ASSEMBLY  
**Office of Fiscal Analysis**

**FISCAL ACCOUNTABILITY REPORT**

OFA DIRECTOR  
**Neil Ayers**

# Structure of the Fiscal Accountability Report

**General Fund (GF) FY 23 Update**

**American Rescue Plan Act (ARPA) &  
Carryforwards**

**General Fund Out-Years**

**Economic Trends**

**Special Transportation Fund (STF), Bonding, & Tax Expenditures**

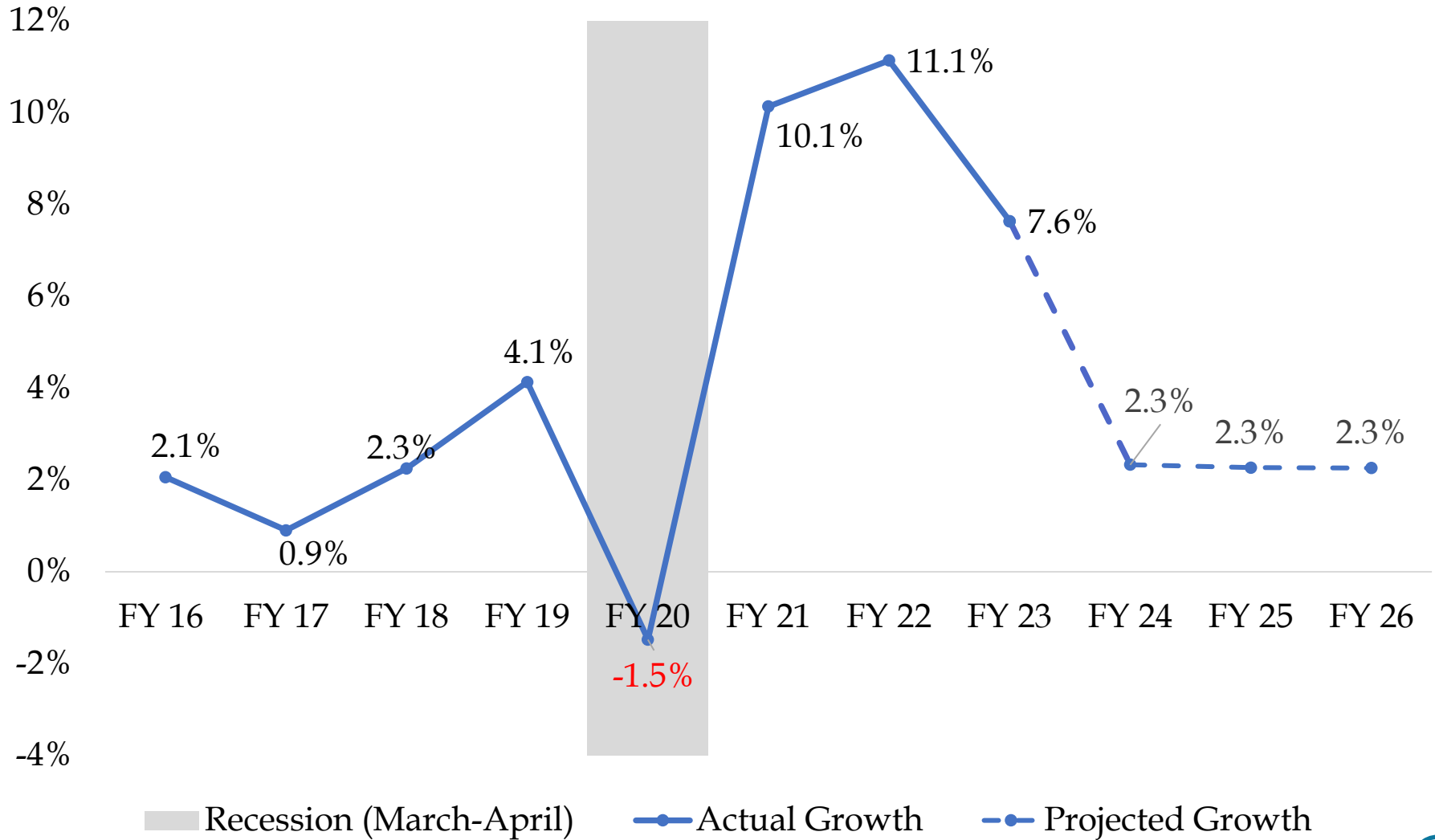
# November Updates to FY 23 General Fund Estimates

In Millions of Dollars

<b>Summary</b>	<b>FY 23</b>
Budgeted Balance	299.0
<b>Revenue</b>	
Budgeted	22,388.2
<b>Consensus Adjustment</b>	
Sales and Use	280.0
Investment Income	180.2
Transfers – Special Revenue	(10.0)
Other Revenue (net)	120.8
<b>Subtotal</b>	<b>571.0</b>
<b>Expenditures</b>	
Budgeted	22,089.2
Net Lapses	144.0
Deficiencies	(82.3)
<b>Subtotal</b>	<b>61.7</b>
<b>SURPLUS/(DEFICIT)</b>	<b>931.7</b>

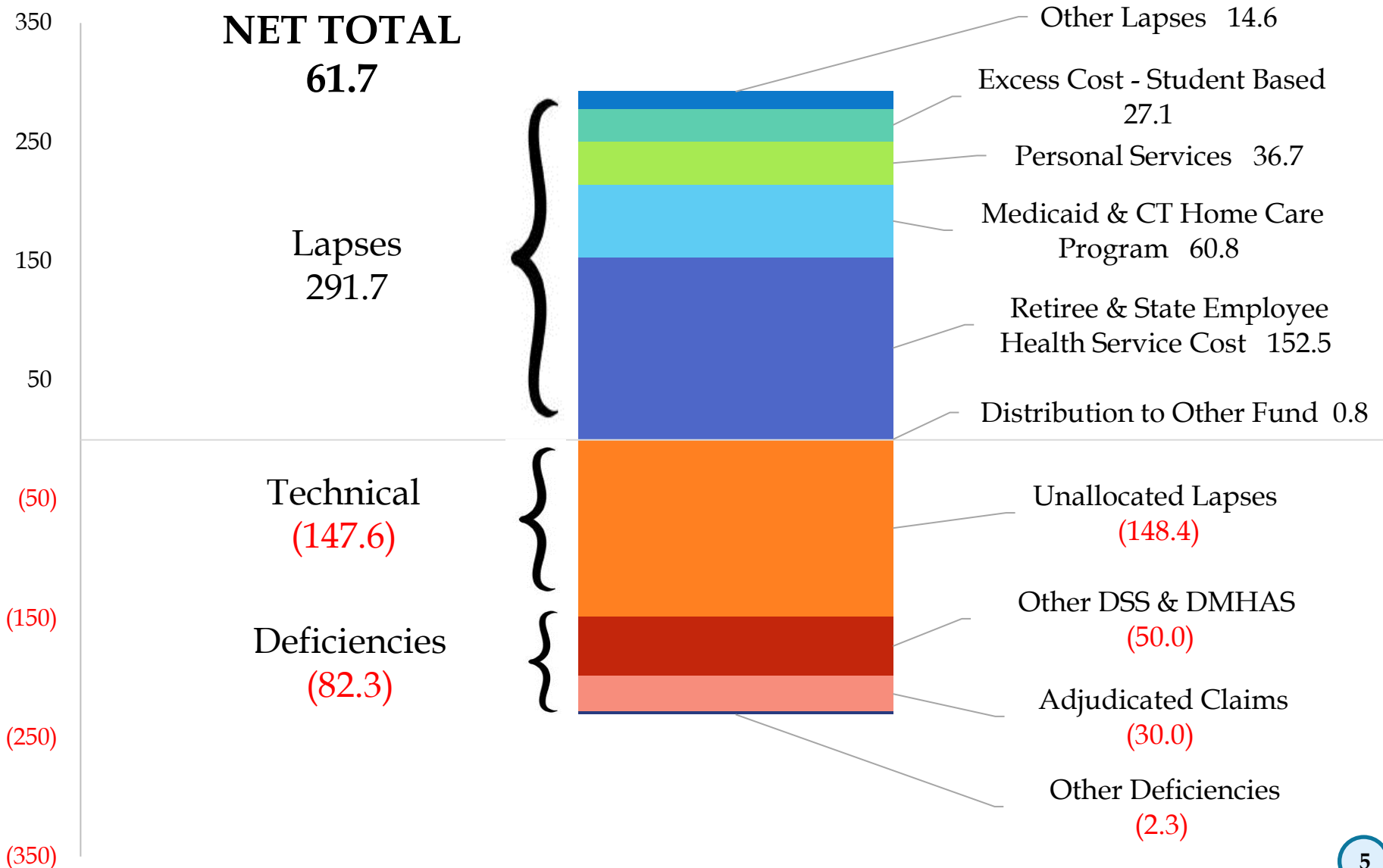
# Sales Tax Growth Rate Trend

All Funds



# FY 23 Expenditure Adjustments

In Millions of Dollars



# Budget Reserve Fund (BRF) in the Biennium

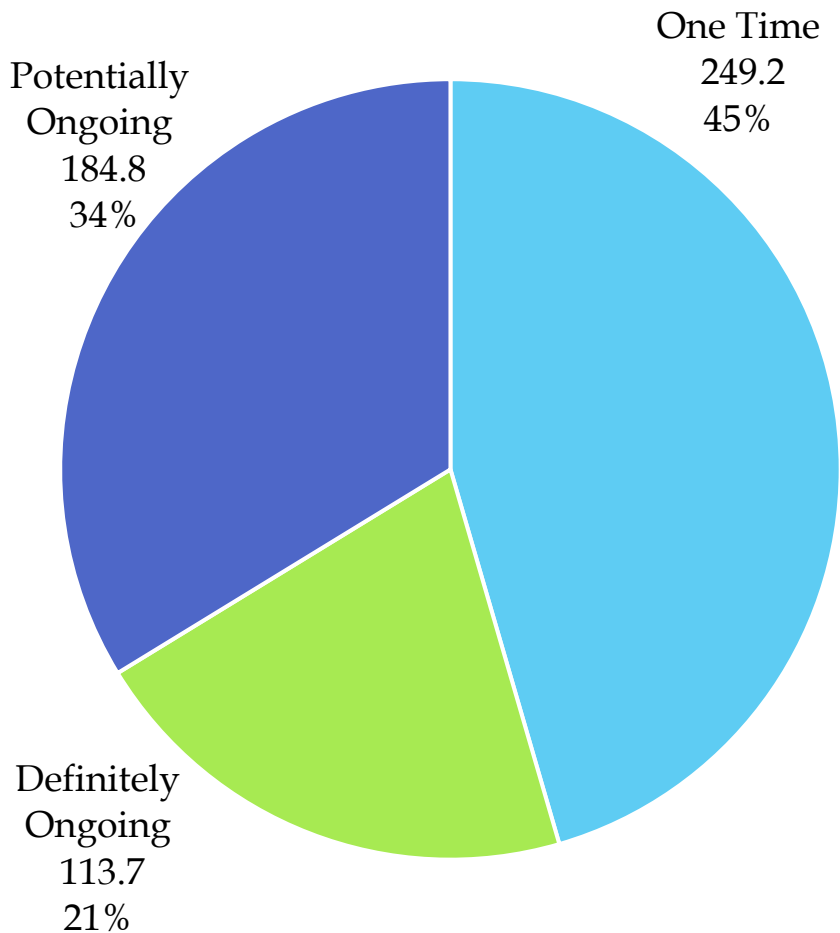
In Millions of Dollars

Description	FY 22	FY 23 Est.
<b>Budget Reserve Fund Balance Starting Point</b>	<b>3,112.0</b>	<b>3,313.4</b>
Volatility Deposit	3,047.5	1,847.5
Surplus	1,261.4	931.7
<b>Volatility Deposit and Surplus Subtotal</b>	<b>4,308.9</b>	<b>2,779.2</b>
<b>Budget Reserve Fund Capped Balance</b>	<b>3,313.4</b>	<b>3,345.9</b>
Funds in Excess of Budget Reserve Fund Cap	<b>4,107.4</b>	<b>2,746.7</b>

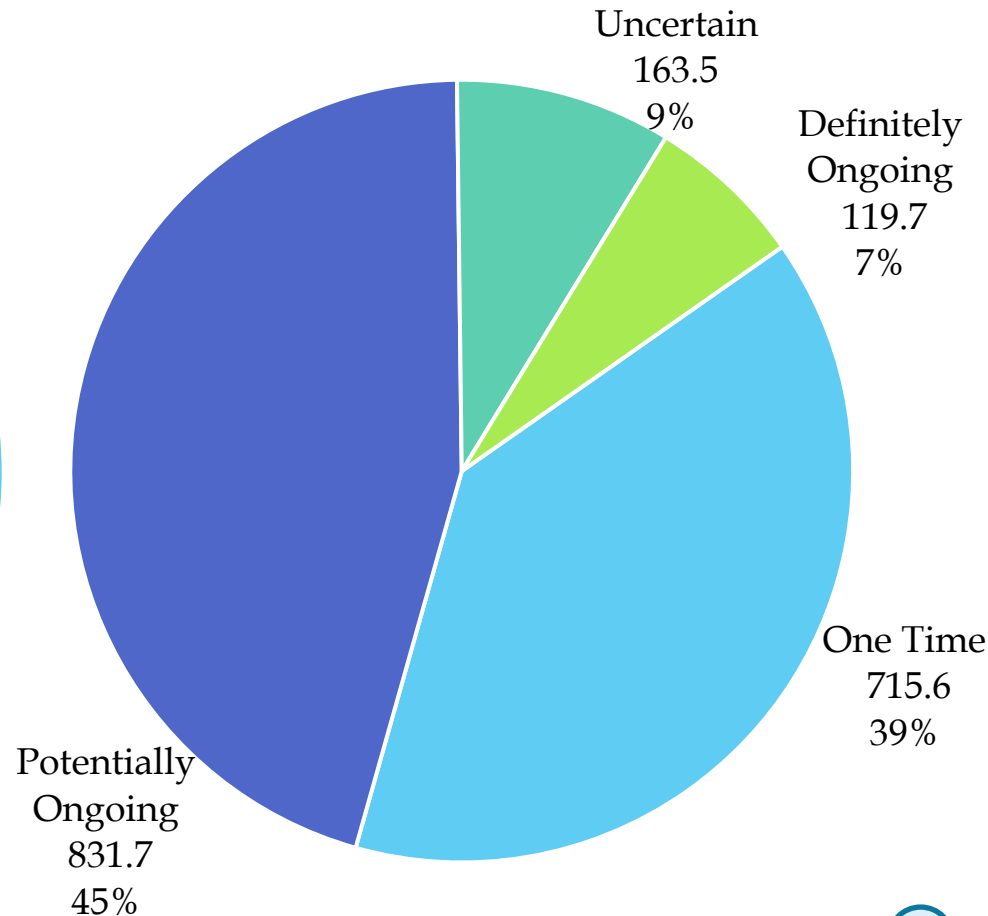
# Carryforward and ARPA Expenditure Pressure

In Millions of Dollars

## FY 23 Carryforward \$547.6 Million Total

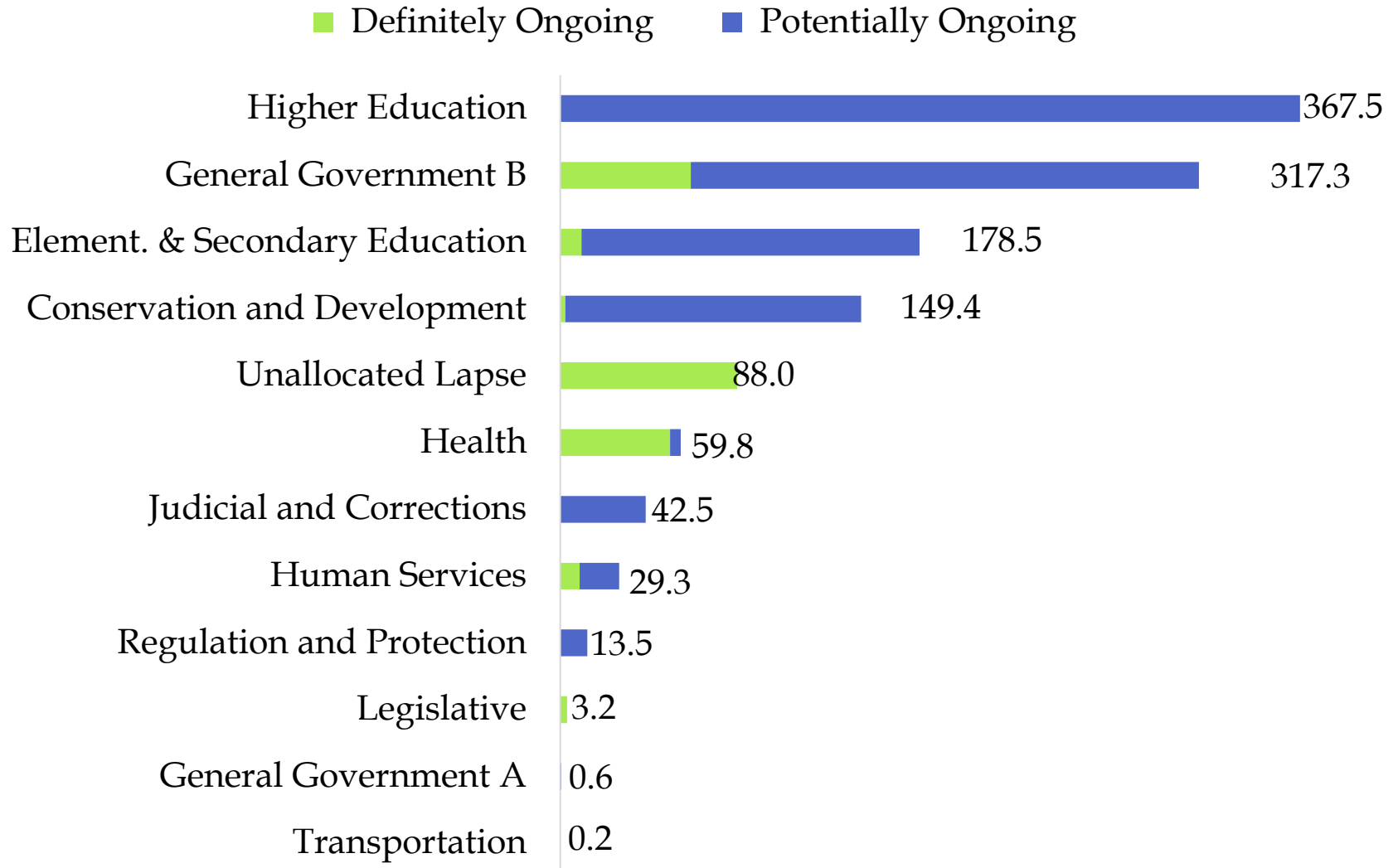


## FY 23 ARPA \$1,830.4 Million Total



# FY 23 Carryforward and ARPA Combined Ongoing Expenditures by Subcommittee

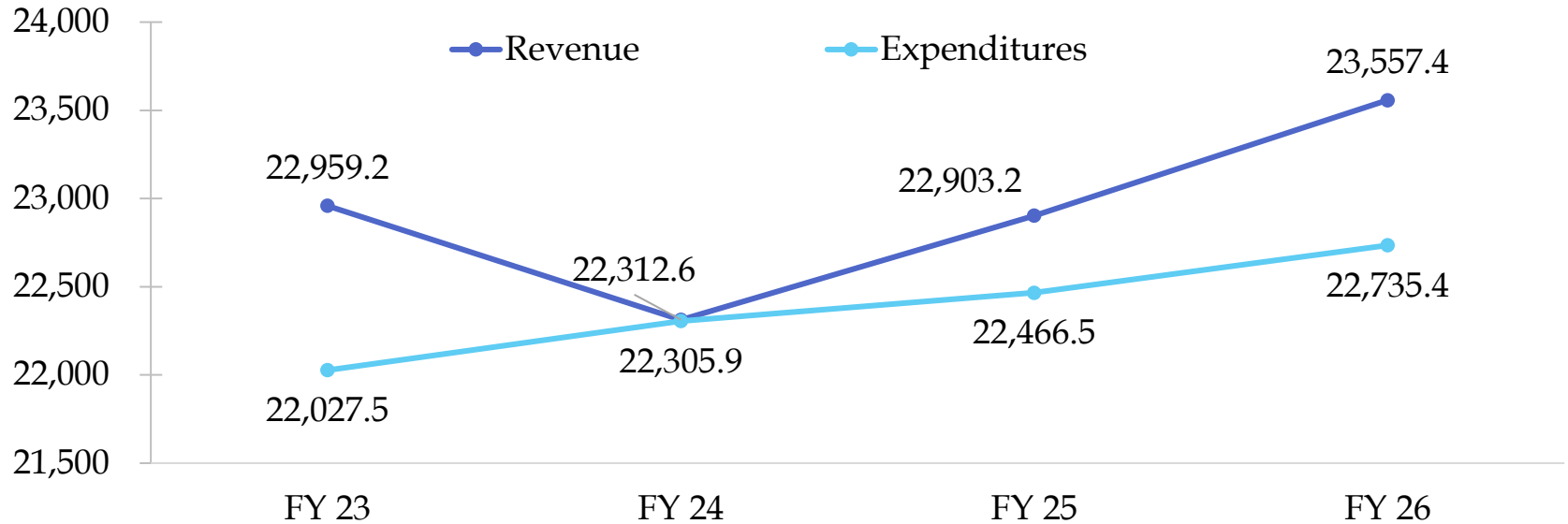
In Millions of Dollars





# Out-Year Projections

In Millions of Dollars



Fund	FY 23	FY 24	FY 25	FY 26
<b>November Consensus Revenue</b>	22,959.2	22,312.6	22,903.2	23,557.4
Expenditures				
Previous Year Expenditure		22,027.5	22,305.9	22,466.5
Fixed Cost Growth		278.4	160.7	268.9
Non-Fixed Cost Expenditure Reduction		-	-	-
<b>Subtotal - Expenditures</b>	<b>22,027.5</b>	<b>22,305.9</b>	<b>22,466.5</b>	<b>22,735.4</b>
<b>BALANCE</b>	<b>931.7</b>	<b>6.7</b>	<b>436.7</b>	<b>822.0</b>

# Projected General Fund Changes from FY 23 to FY 24

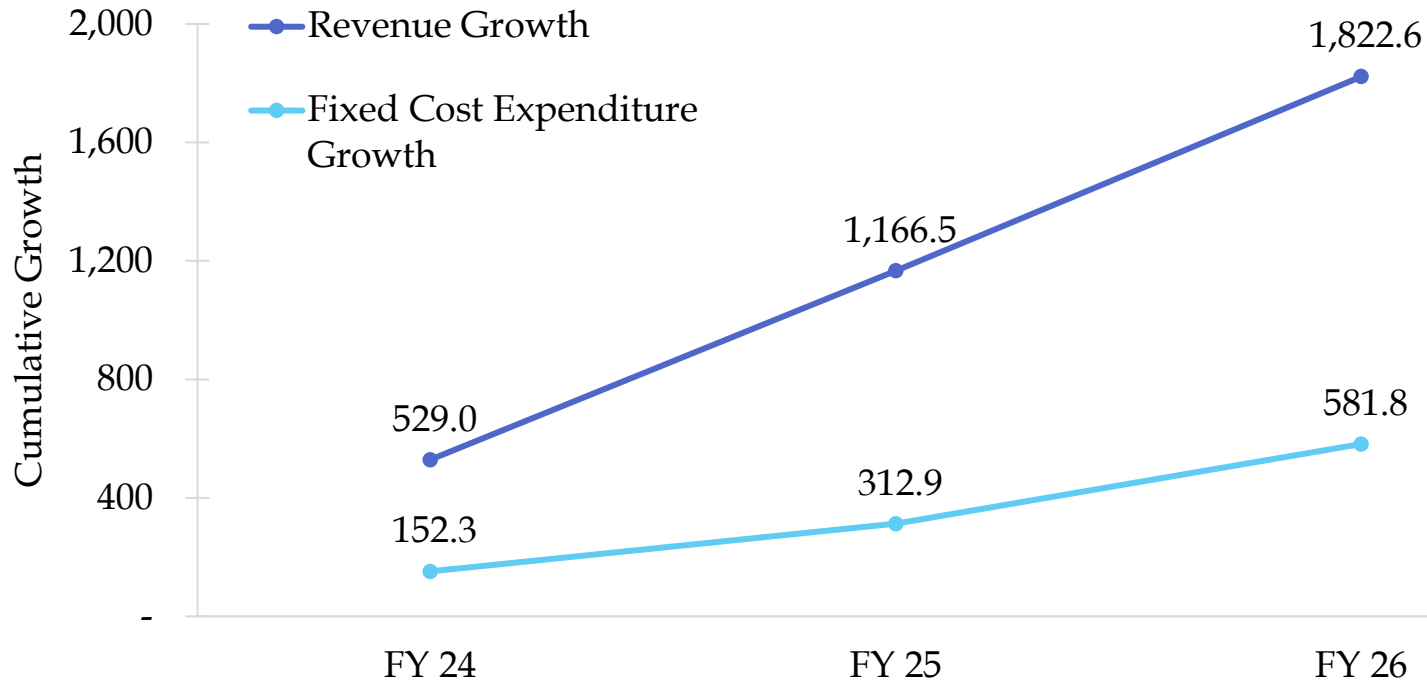
In Millions of Dollars

<b>Structural Balance:</b> 376.7	376.7	Revenue growth 529.0 vs. Fixed Cost Growth (152.3)
<b>Technical:</b> (480.7)	(126.1)	Carryforward Expenditure Adjustment
	(354.6)	Federal Grant Adjustments and Other Technical Revenue
<b>Revenue Policy:</b> (821.0)	(314.9)	Federal Stimulus as Revenue Expires
	(276.3)	Temporary MRSA Transfer to the General Fund Expires
<b>TOTAL:</b> (925.0)	(229.8)	<b>Other Revenue Policy (Net)</b> Expiration of Temporary Measures (181.7) Scheduled Tax Reduction (53.0) Other Minor Policies 4.9

# Structural Balance

In Millions of Dollars

Category	FY 24	FY 25	FY 26	Total	Average Growth	
					\$	%
Revenue Growth	529.0	637.5	656.1	1,822.6	607.5	2.7%
Fixed Cost Growth	152.3	160.7	268.9	581.8	193.9	1.6%
<b>BALANCE</b>	<b>376.7</b>	<b>476.9</b>	<b>387.2</b>	<b>1,240.8</b>	<b>413.6</b>	



# Out-Year Revenue Growth

In Millions of Dollars

Source	FY 24	FY 25	FY 26
Personal Income Tax	418.4	512.9	532.0
Sales Tax	120.3	115.9	120.0
Business Taxes	53.9	60.2	61.5
Other Revenue	1.0	8.3	4.3
Refunds	(64.6)	(59.8)	(61.7)
<b>TOTAL GROWTH</b>	<b>529.0</b>	<b>637.5</b>	<b>656.1</b>
<b>PERCENT GROWTH %</b>	<b>2.3%</b>	<b>2.9%</b>	<b>2.9%</b>

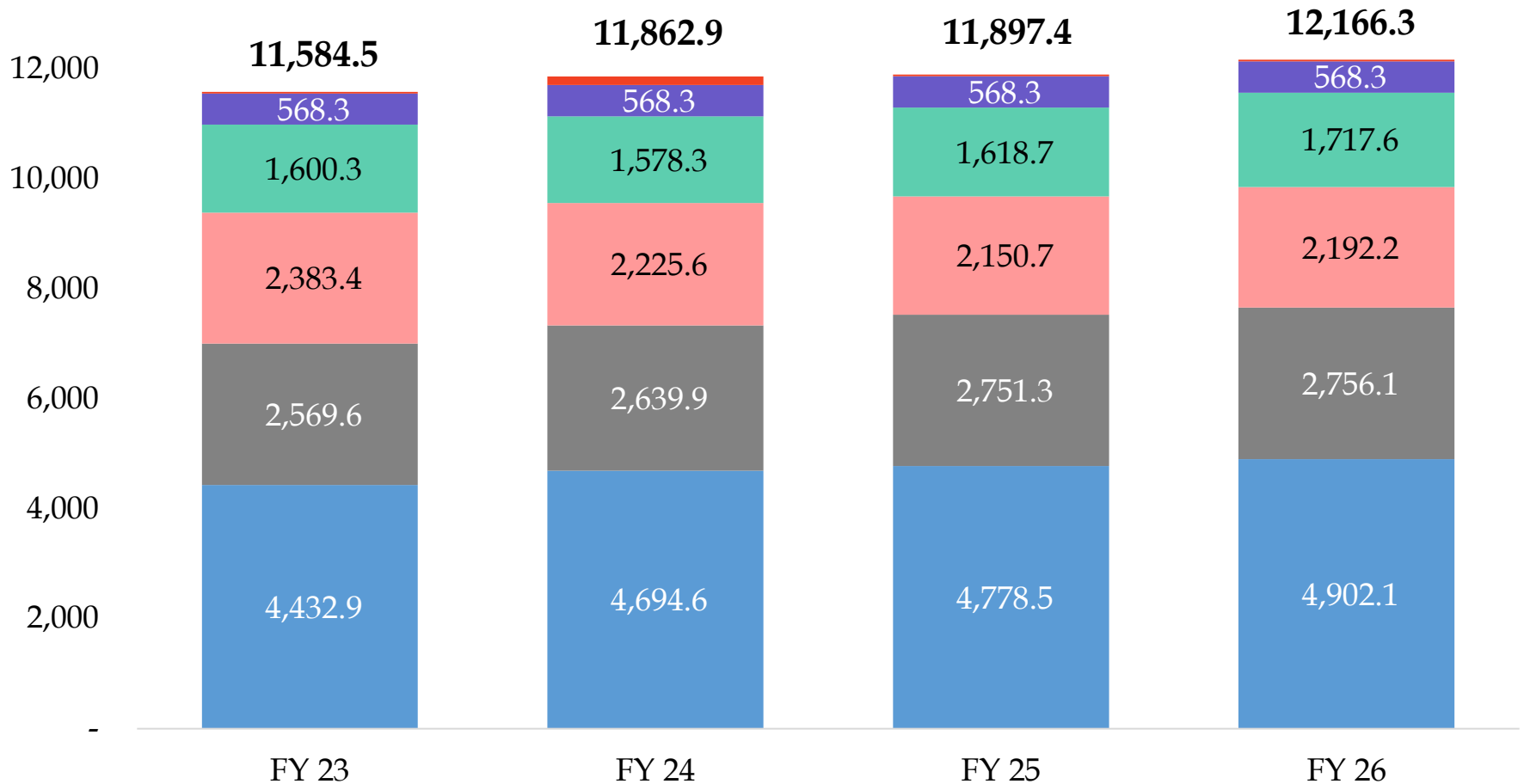
# Out-Year Fixed Cost Growth

In Millions of Dollars

Category	FY 24	FY 25	FY 26
Entitlements	261.7	83.9	123.6
Debt Service	70.3	111.3	4.9
State Employee Pension & Retiree Health Care	(157.8)	(75.0)	41.5
Teachers' Retirement & Retiree Health Care	(22.0)	40.4	98.9
Hospitals	-	-	-
Adjudicated Claims	-	-	-
<b>TOTAL</b>	<b>152.3</b>	<b>160.7</b>	<b>268.9</b>
Technical Adjustment	126.1	-	-
<b>Grand Total</b>	<b>278.4</b>	<b>160.7</b>	<b>268.9</b>

# Out-Year Fixed Cost Expenditures

In Millions of Dollars



- Other: Adjudicated Claims and Technical Adjustment
 ■ Hospital Supplemental Payments
- Teachers' Retirement Pension and Retiree Health Care
 ■ State Employees Retirement and Retiree Health Care
- Debt Service
 ■ Entitlements

# SERS & TRS

## Additional Deposits to Pensions

In Millions of Dollars

Deposit Year	SERS	TRS <sup>1</sup>	Total
2022	3,203.8	903.6	4,107.4
Est. 2023	1,890.2	856.5	2,746.7
<b>TOTAL</b>	<b>5,094.0</b>	<b>1,760.1</b>	<b>6,854.1</b>

## Estimated Marginal ADEC Reductions

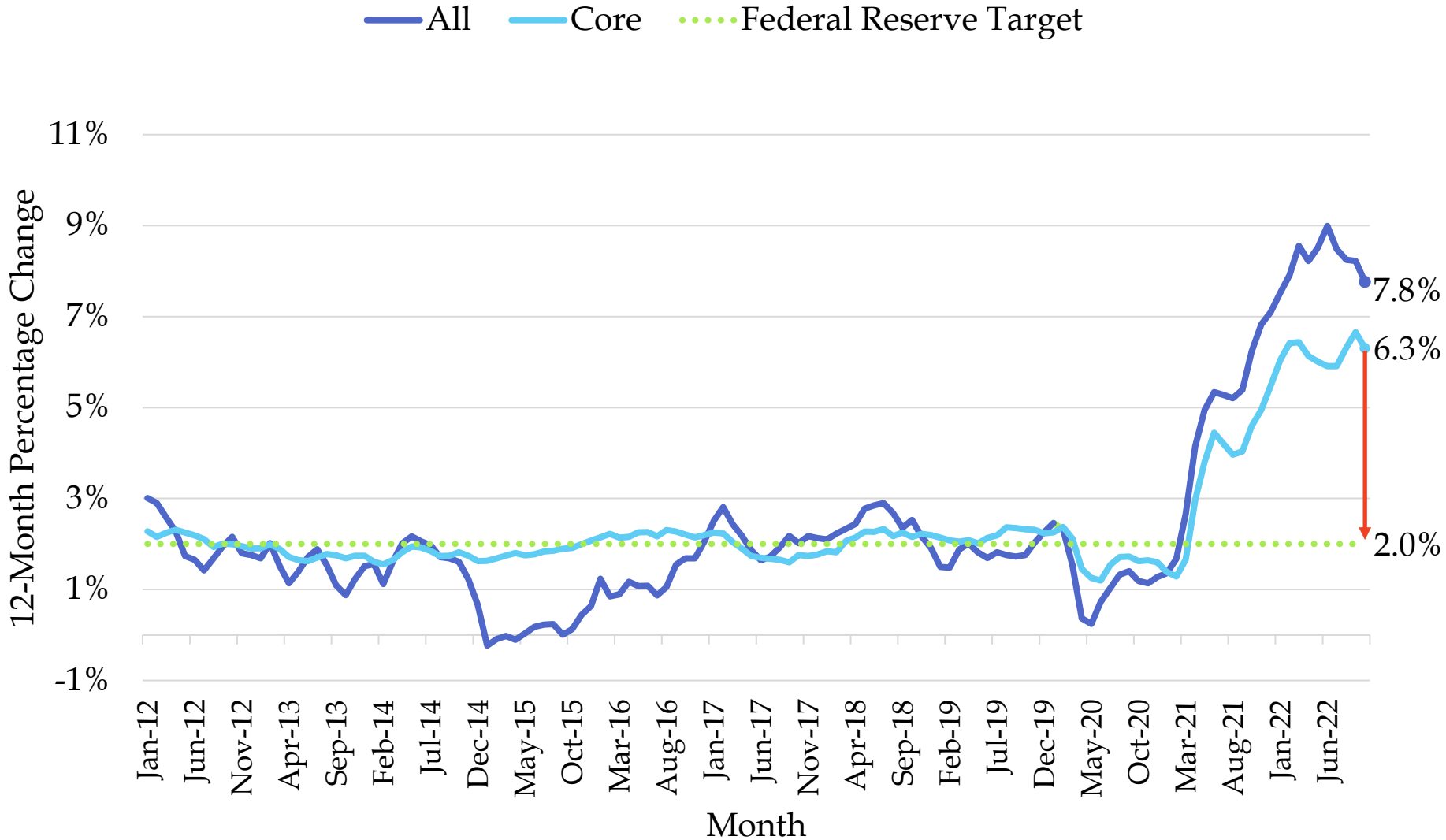
In Millions of Dollars

Fiscal Year	SERS	TRS <sup>1</sup>	Total
FY 24	194.3	146.4	340.7
FY 25	114.5	68.8	183.3
<b>TOTAL</b>	<b>308.8</b>	<b>215.2</b>	<b>524.0</b>

<sup>1</sup>The FY 24 TRS ADEC savings reflects a deposit of \$903.6 million in both 2021 and 2022. The 2021 deposit was not reflected in the FY 23 ADEC because the system previously had valuations completed on a biennial basis.

# Inflation: Consumer Price Index (CPI)

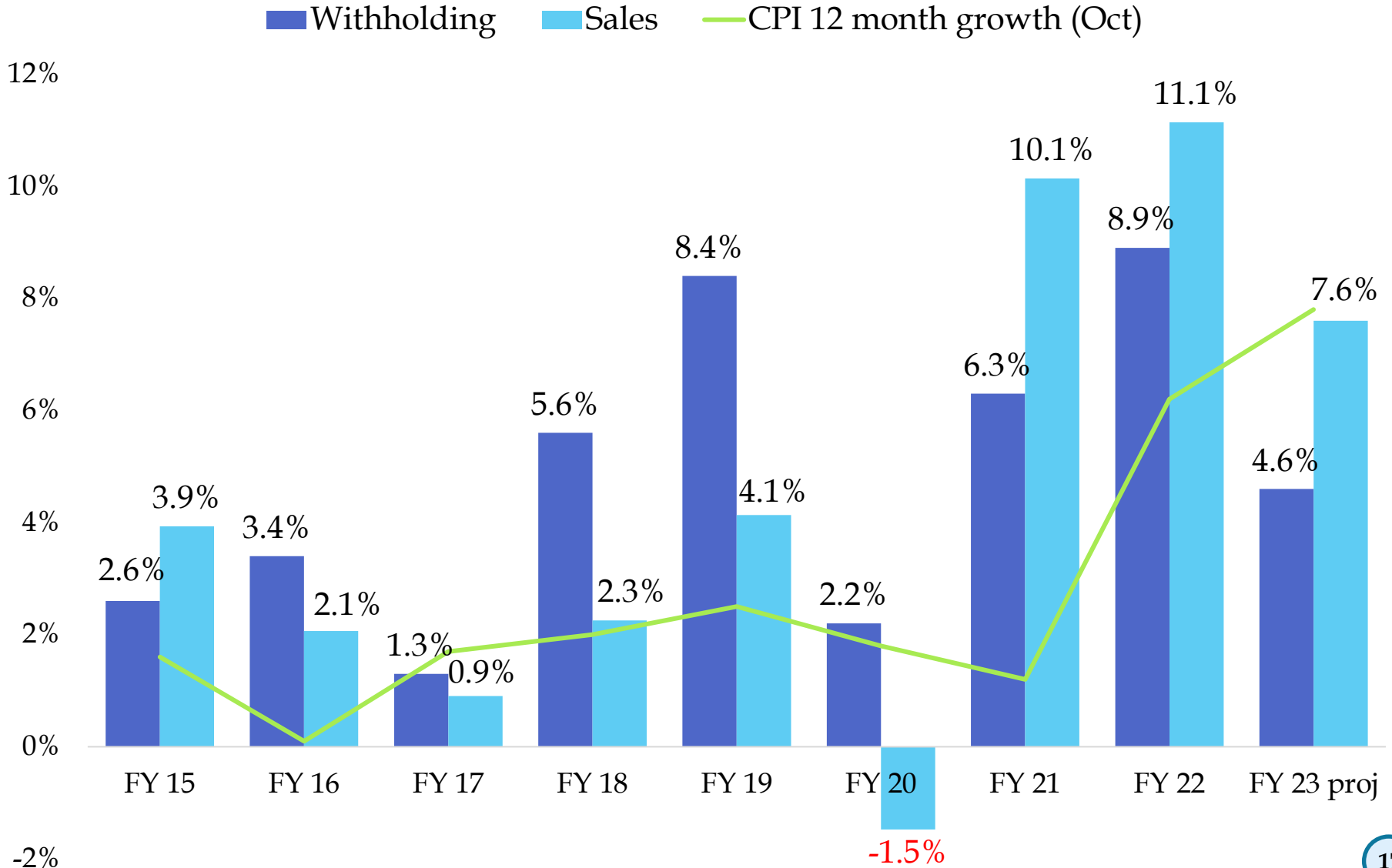
## As of October 2022





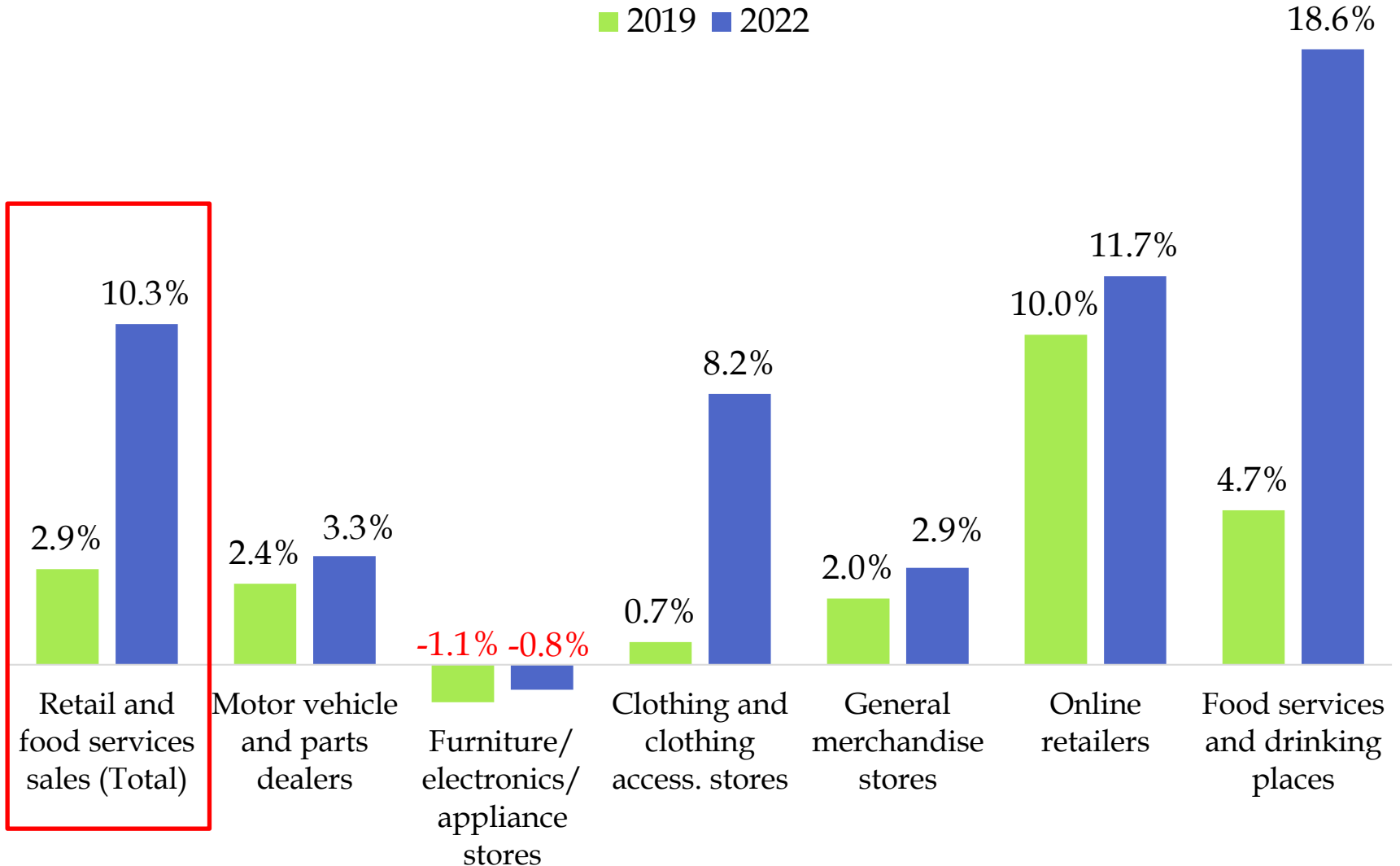
# Impact of Inflation on Historical Revenues

Withholding Income and Sales Tax Annual Growth Relative to CPI



# Trends in Retail Sales

U.S. Monthly Retail Sales Year-Over-Year Growth Comparison, 2019 & 2022  
(January - August)



# Projected Budget Reserve Fund Balances

In Millions of Dollars

Description	FY 23	FY 24	FY 25	FY 26
<b>Budget Reserve Fund Balance Starting Point</b>	<b>3,313.4</b>	<b>3,345.9</b>	<b>3,370.0</b>	<b>3,410.3</b>
Projected Volatility Deposit	1,847.5	1,149.5	1,191.4	1,228.9
Projected Surplus	931.7	-	-	-
<b>Volatility Deposit and Surplus Subtotal</b>	<b>2,779.2</b>	<b>1,149.5</b>	<b>1,191.4</b>	<b>1,228.9</b>
<b>Budget Reserve Fund Capped Balance</b>	<b>3,345.9</b>	<b>3,370.0</b>	<b>3,410.3</b>	<b>3,410.3</b>
Funds in Excess of Budget Reserve Fund Cap	2,746.7	1,125.4	1,151.1	1,228.9

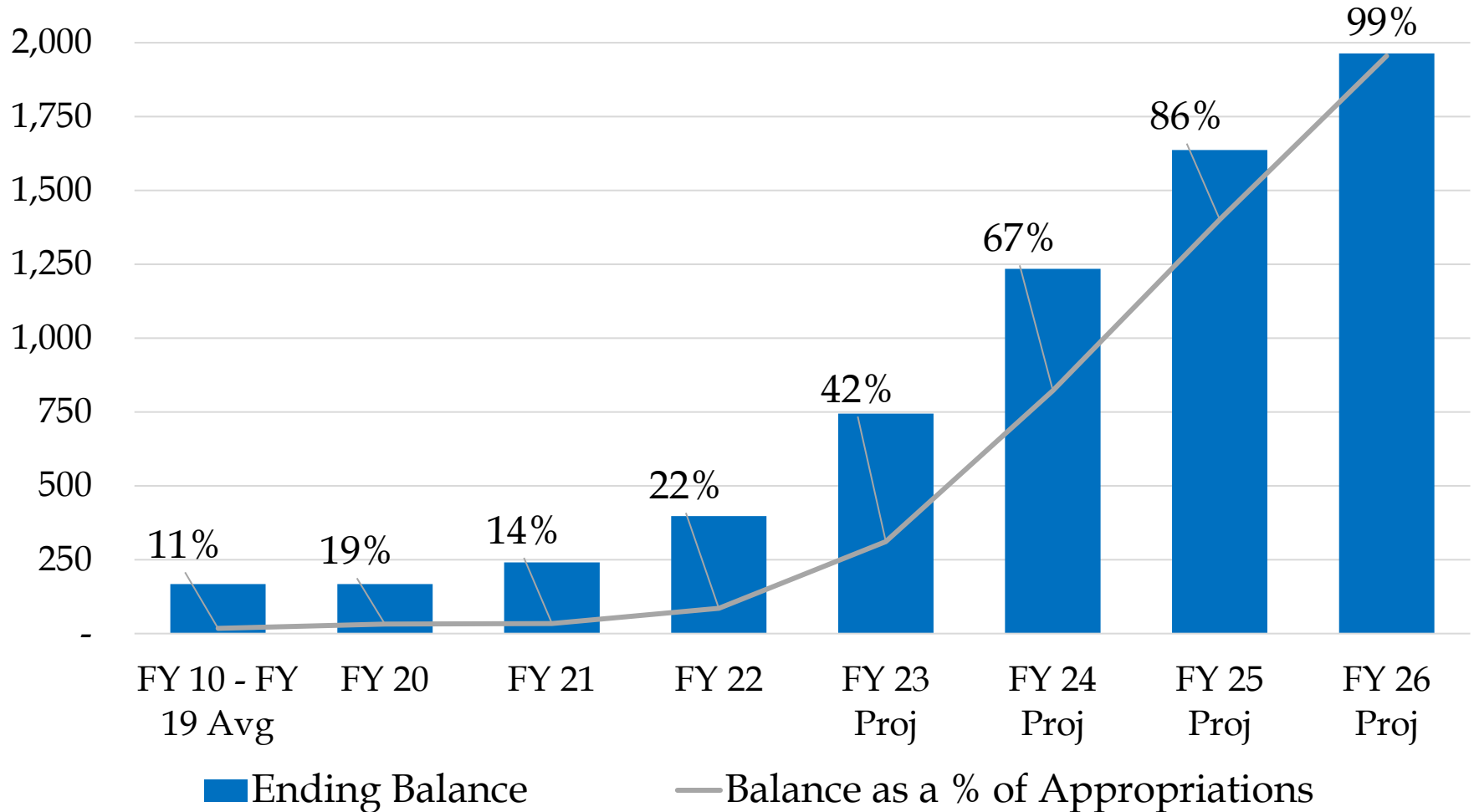
# Special Transportation Fund Summary

In Millions of Dollars

Components	FY 23	FY 24	FY 25	FY 26
<b>Expenditures</b>				
Temporary Federal Support	(100.0)	-	-	-
Debt Service	802.5	876.9	948.2	1,009.4
All Other	1,082.6	976.0	962.5	962.5
<b>TOTAL</b>	<b>1,785.1</b>	<b>1,852.9</b>	<b>1,910.7</b>	<b>1,971.9</b>
<b>Revenue</b>				
Sales Taxes	820.1	835.9	856.1	875.7
Fuel Taxes	730.6	879.0	831.9	796.1
Highway Use Tax	45.0	90.0	94.1	98.3
All Other	536.9	537.3	530.8	528.9
<b>TOTAL</b>	<b>2,132.6</b>	<b>2,342.2</b>	<b>2,312.9</b>	<b>2,299.0</b>
<b>Operating Balance</b>				
Surplus/ (Deficit)	347.5	489.3	402.4	327.1
<b>Year End Cumulative Balance</b>	<b>745.3</b>	<b>1,234.6</b>	<b>1,636.8</b>	<b>1,963.9</b>
Debt Service Ratio	2.7	2.7	2.4	2.3

# Special Transportation Fund Balances

In Millions of Dollars



# Special Transportation Fund

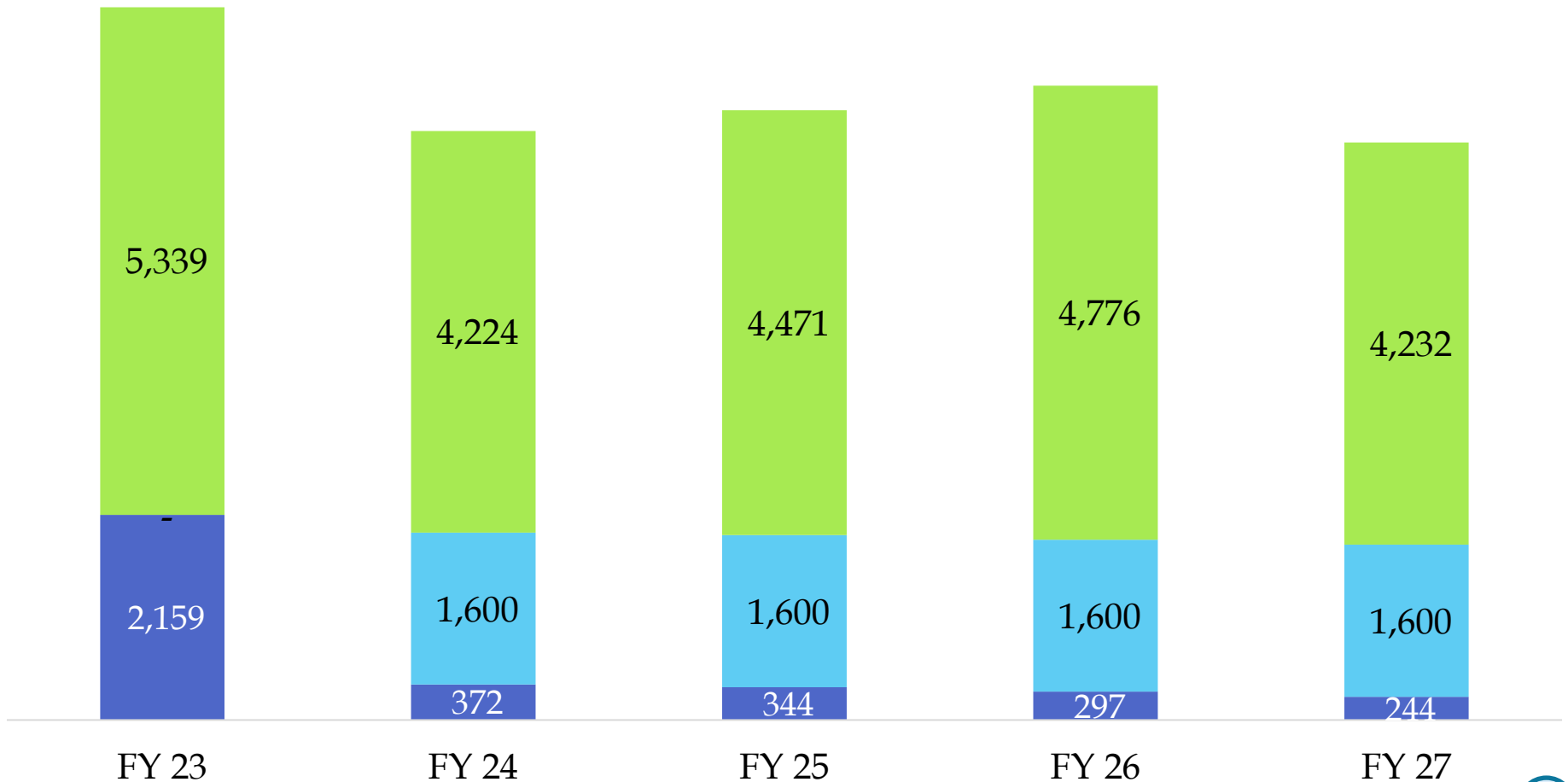
## Select Growth Rates

Component	CAGR FY 16-FY 23	FY 24	FY 25	FY 26
Expenditures (Total)	3.5%	3.8%	3.1%	3.2%
Revenues (Total)	6.7%	9.8%	-1.3%	-0.6%
Revenues (Less: Sales Tax)	0.8%	14.8%	-3.3%	-2.3%

# Estimates of General Obligation Bond Fund Use

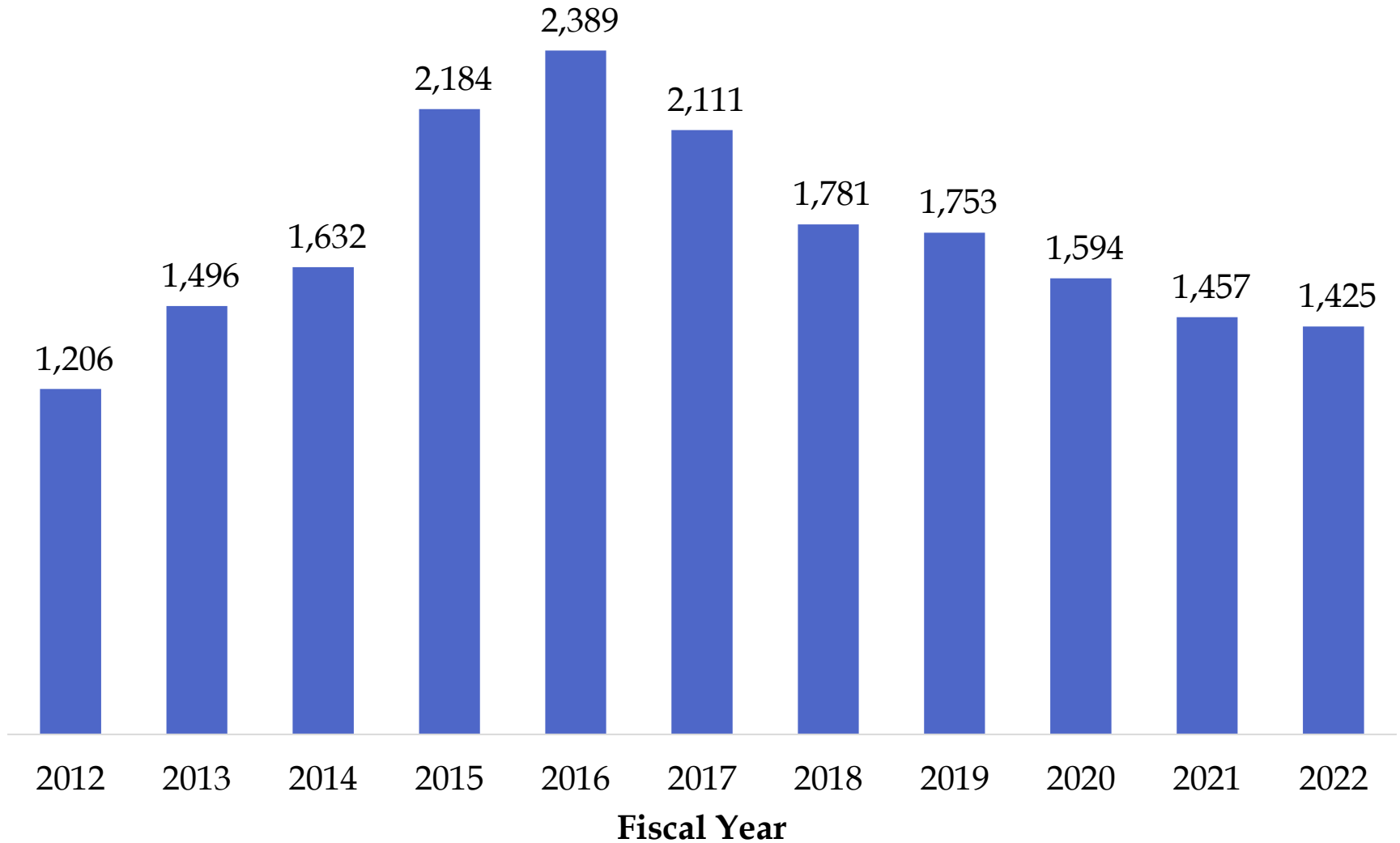
In Millions of Dollars

■ Prior Authorization ■ Projected New Authorization ■ Additional Space Under 90%



# General Obligation Bond Project Spending

In Millions of Dollars





# Tax Expenditure Estimates

In Millions of Dollars

Category	FY 23	FY 24	FY 25	FY 26
Personal Income Tax	702.1	751.3	779.3	812.1
Sales and Use Tax	5,404.2	5,530.1	5,656.5	5,784.6
Corporation and Insurance Taxes	440.9	445.5	485.8	486.1
Petroleum Companies Gross Earnings Tax	376.4	351.4	323.9	298.9
Motor Fuels and Motor Carrier Road Taxes	2,178.2	2,273.0	2,199.4	2,163.7
All Other Taxes	190.7	186.6	188.3	190.1
<b>TOTAL</b>	<b>9,292.4</b>	<b>9,537.9</b>	<b>9,633.2</b>	<b>9,735.5</b>

# Sales and Use Tax Category Comparison

In Millions of Dollars

Category	FY 23	% of Total
Consumer Goods	2,140.3	39.6%
Business Exemptions	339.4	6.3%
Service Exemptions	982.5	18.2%
Government and Nonprofit Organizations	1,730.5	32.0%
Miscellaneous	211.3	3.9%
<b>TOTAL</b>	<b>5,404.2</b>	<b>100.0%</b>

# Questions and Answers Following OPM's Presentation

*Thank  
you!*

