

December 3, 2024



CONNECTICUT GENERAL ASSEMBLY
Office of Fiscal Analysis

FISCAL ACCOUNTABILITY REPORT

OFA ACTING DIRECTOR / SECTION CHIEF
Robert Wysock

Structure of the Fiscal Accountability Report

General Fund (GF)
FY 25 Update

GF Out Years
FY 26 – FY 28

Special Transportation Fund (STF)

Economic Trends

Bonding & Tax Expenditures

November Updates to FY 25 GF Estimates

In Millions of Dollars

Summary	FY 25
Budgeted Balance	297.9
Revenue	
Budgeted	23,103.7
Updates (net) through April Consensus	25.8
April Consensus Revenue	23,129.5
Nov. 2024 Consensus Adjustment	
Withholding	130.0
E&F/PET	240.0
Volatility Adjustment	(240.0)
Health Provider	(65.9)
Federal Grants	72.4
Transfers To/From	111.2
Transfers from Tobacco Health Trust Fund	12.0
Miscellaneous Taxes	(20.0)
Inheritance & Estate	15.0
Other (net)	(4.3)
Subtotal	250.4
Expenditures	
Budgeted	22,805.9
Lapses	95.4
Deficiencies	(487.2)
Technical	(59.5)
Subtotal	(451.3)
SURPLUS/(DEFICIT)	122.7

FY 25 Expenditure Adjustments

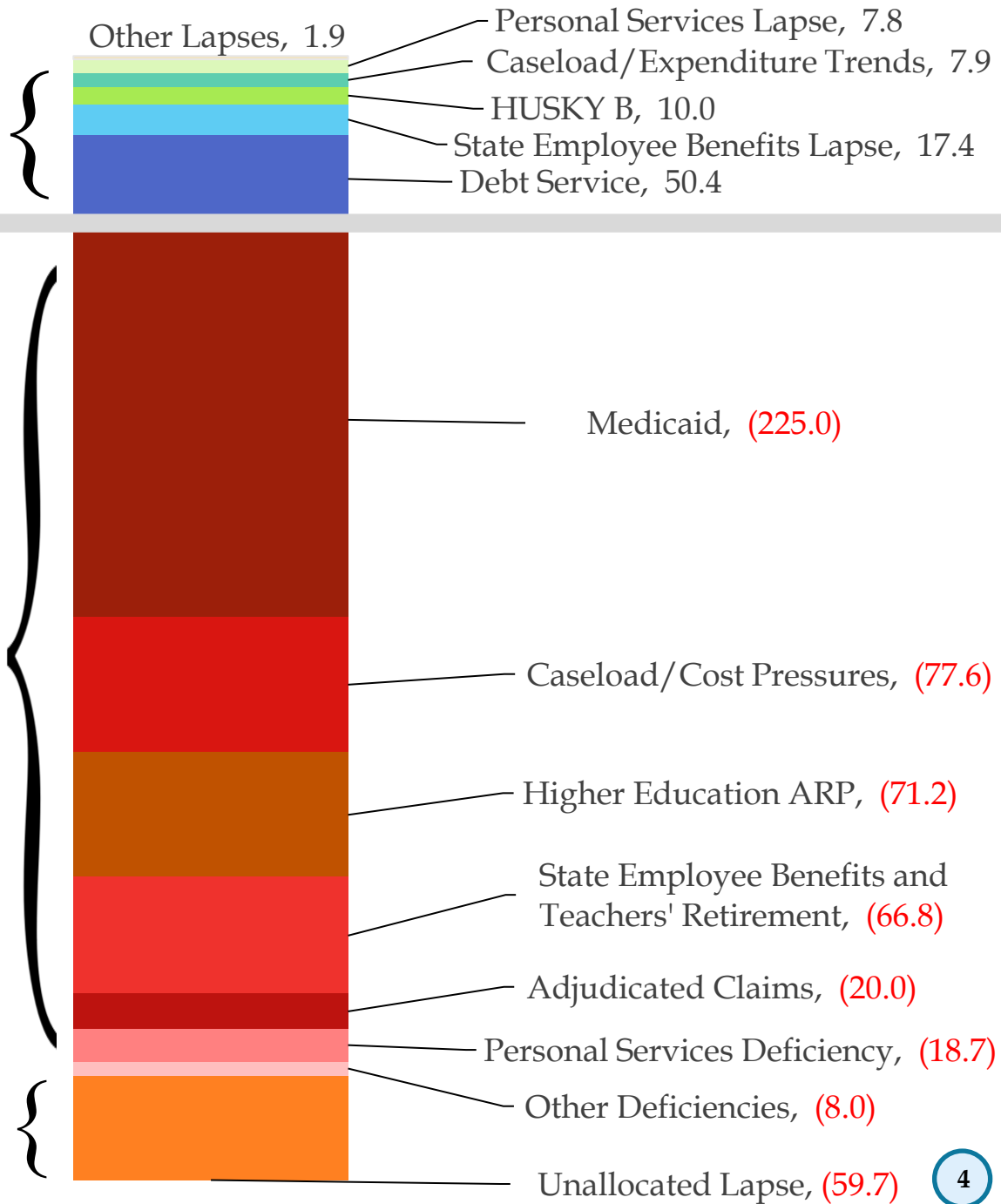
In Millions of Dollars

**NET
TOTAL**
(451.3)

Deficiencies
(487.2)

Technical
(59.7)

Lapses
95.4



Out Year Projections

In Millions of Dollars

Using the required FAR methodology:

Fund	FY 25	FY 26	FY 27	FY 28
November Consensus Revenue	23,379.9	23,879.7	24,571.4	25,323.6
Expenditures				
Previous Year Expenditure		23,257.2	23,506.3	23,779.6
Fixed Cost Growth		249.1	273.3	249.3
Non-Fixed Cost Expenditure Reduction		-	-	-
Subtotal - Expenditures	23,257.2	23,506.3	23,779.6	24,028.9
BALANCE	122.7	373.4	791.8	1,294.7

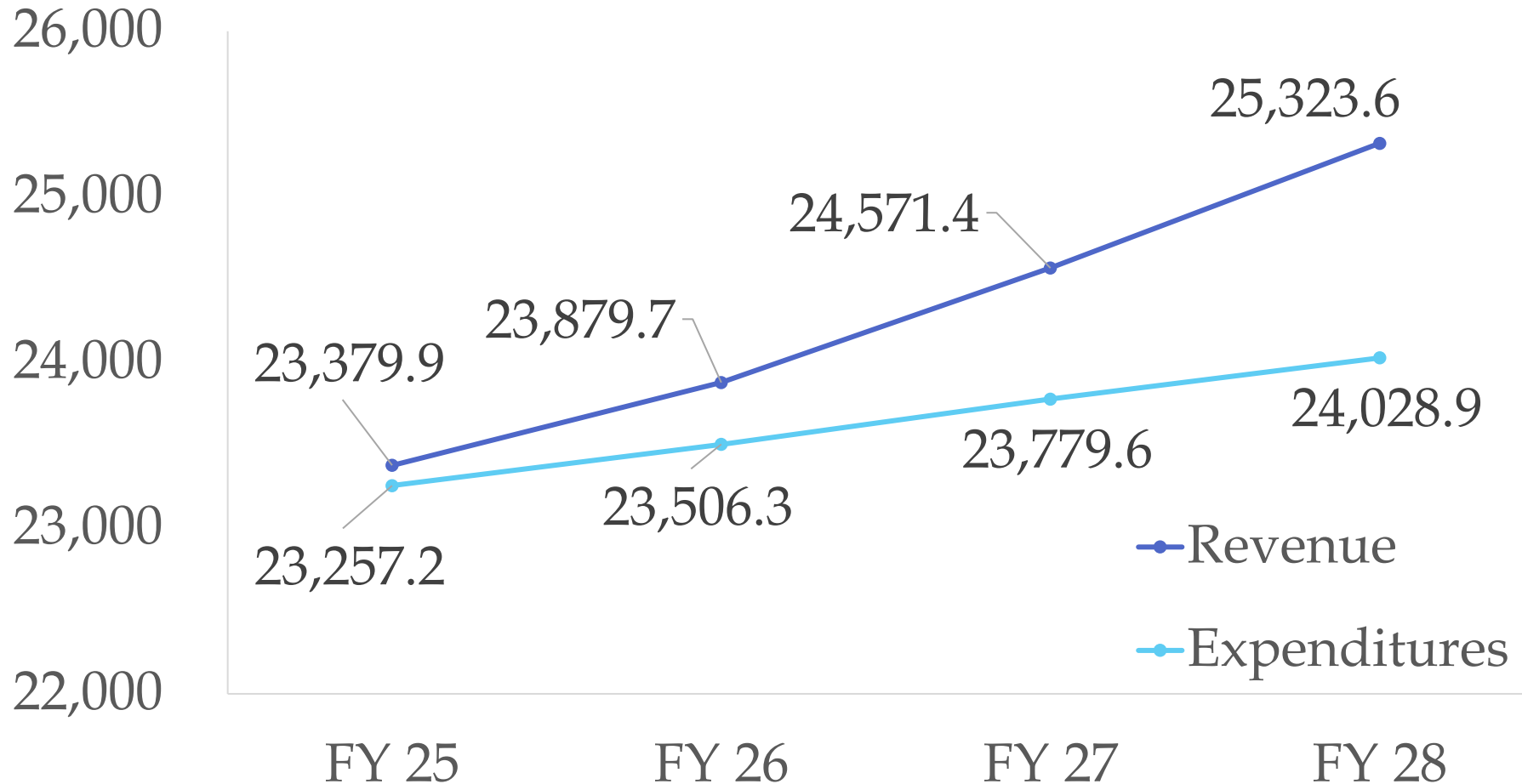
Out Year Revenue Growth Change from Prior Year

In Millions of Dollars

Source	FY 26	FY 27	FY 28
Personal Income Tax	578.3	603.5	586.1
Sales Tax	130.5	128.7	134.5
Business Taxes	65.2	53.7	54.9
Other Revenue	15.6	(7.0)	23.1
Refunds	(49.5)	(82.2)	(81.2)
TOTAL GROWTH	740.1	696.7	717.4
PERCENT GROWTH %	3.2%	2.9%	2.9%

Projected Revenue and Expenditures

In Millions of Dollars



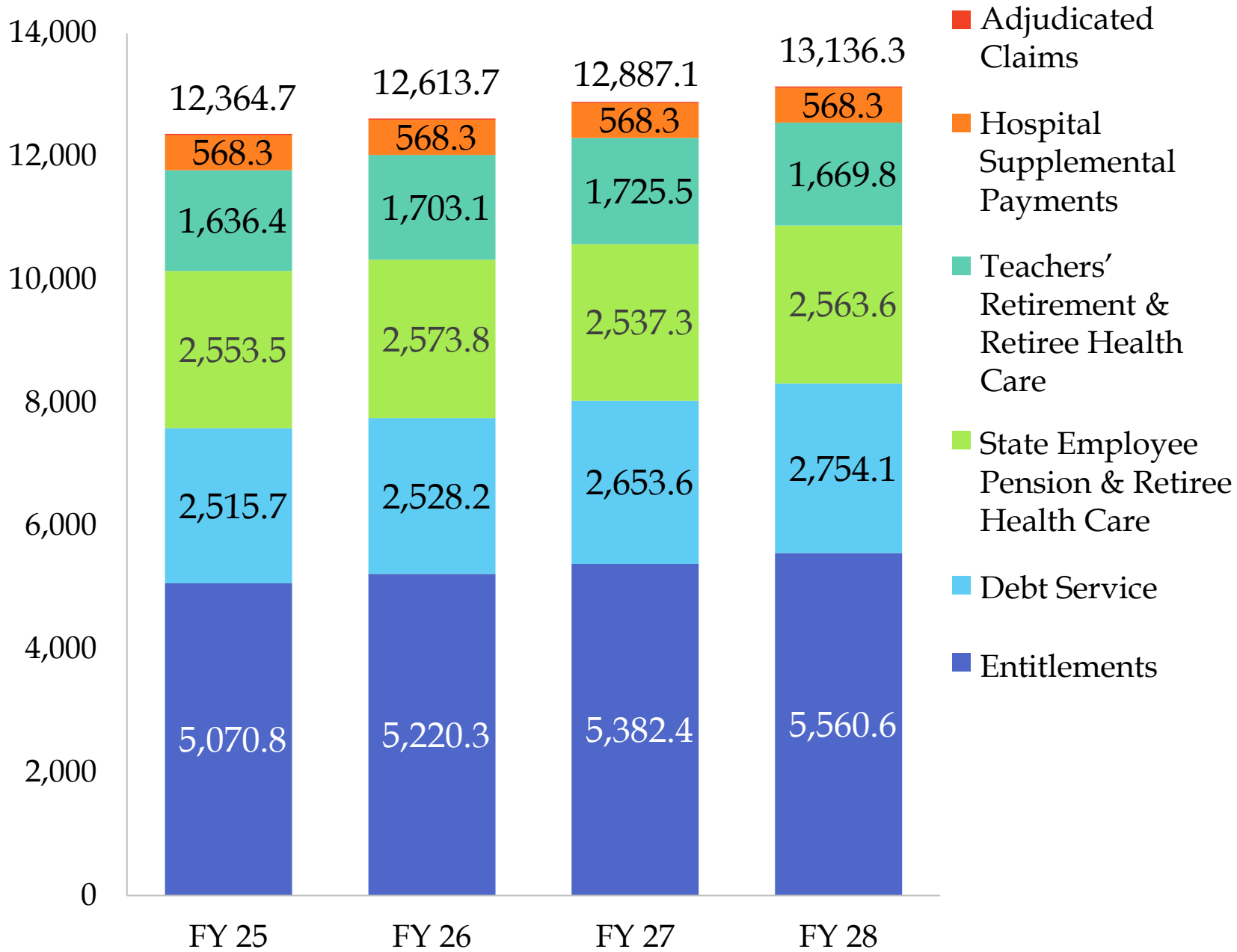
General Fund Structural Balance

In Millions of Dollars

Category	FY 26	FY 27	FY 28	TOTAL	Average Growth	Annualized Growth %
Revenue Growth	740.1	696.7	717.4	2,154.2	718.1	2.7%
Fixed Cost Growth	249.1	273.3	249.3	771.7	257.2	2.0%
BALANCE	491.1	423.4	468.1	1,382.6	460.9	

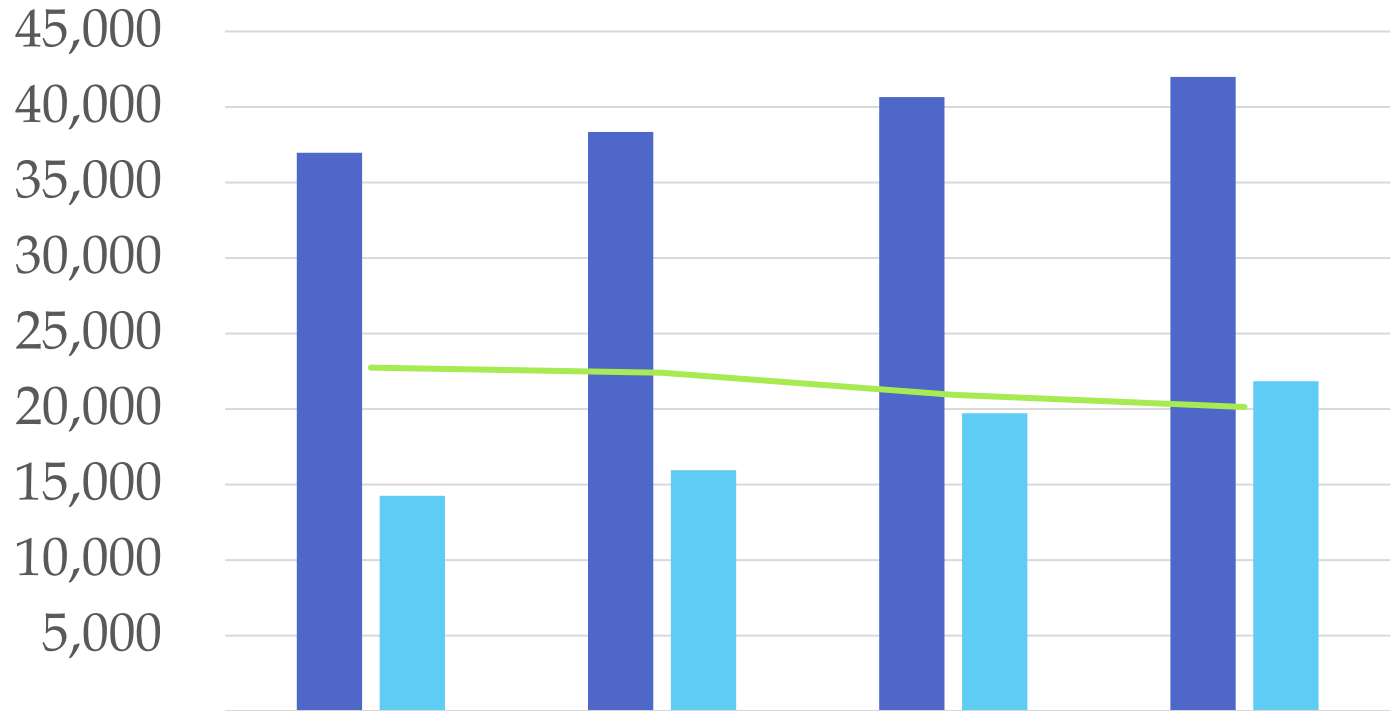
Out Year Fixed Cost Expenditures

In Millions of Dollars



SERS Funding Trends

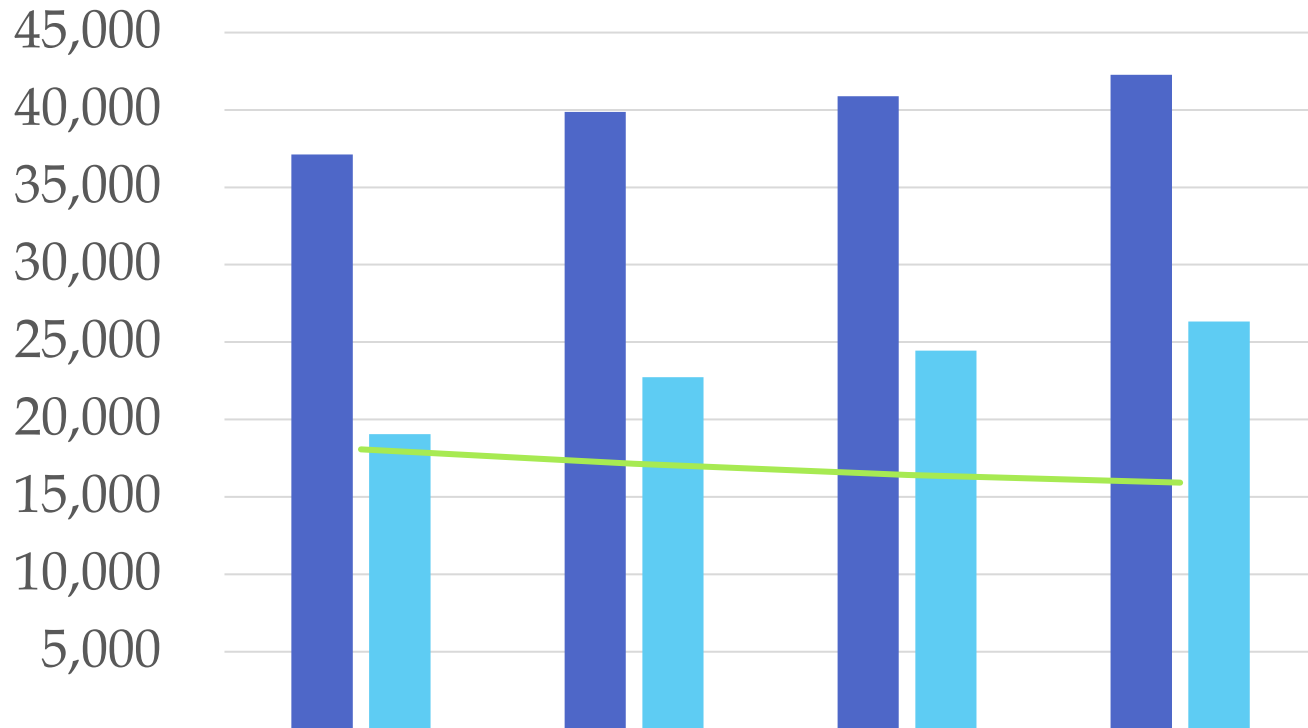
In Millions of Dollars



	2020	2021	2022	2023
Actuarial Liability	36,971	38,344	40,657	41,981
Actuarial Assets	14,243	15,947	19,726	21,847
UAAL	22,728	22,398	20,931	20,134
Funded Ratio	38.5%	41.6%	48.5%	52.0%

TRS Funding Trends

In Millions of Dollars



	2020	2022	2023	2024
Actuarial Liability	37,128	39,860	40,877	42,260
Actuarial Assets	19,055	22,729	24,455	26,334
UAAL	18,073	17,131	16,422	15,926
Funded Ratio	51.3%	57.0%	59.8%	62.3%

Projected Budget Reserve Fund (BRF) Balances

In Millions of Dollars

Projected Budget Reserve Fund Adjustments	FY 25	FY 26	FY 27	FY 28
Balance Starting Point	4,105.1	4,231.1	4,280.3	4,325.2
Volatility Deposit	1,403.5	1,278.2	1,267.1	1,278.8
Surplus ¹	122.7	-	-	-
Funds for Allocation Subtotal	1,526.2	1,278.2	1,267.1	1,278.8
Funds Deposited into Budget Reserve Fund	126.0	49.2	44.9	45.3
Budget Reserve Fund Balance	4,231.1	4,280.3	4,325.2	4,370.5
Balance Relative to General Fund Net Appropriations	18.0%	18.0%	18.0%	18.0%
Funds Dedicated to Reducing Long-Term Debt	1,400.2	1,229.0	1,222.2	1,233.5

¹ Note that the projected surplus in FY 25 reflects the estimates provided in Section II. There is no surplus or deficit assumed from FY 26 to FY 28 due to the lack of a budget in place.

Multiple fiscal pressures outside of the fixed costs methodology will affect budgets in the out years.

Fiscal Guardrails

- Revenue Cap
- Volatility Cap
- Spending Cap

Growth in Non-Fixed Costs

E.g., Education Cost Sharing (ECS) will increase by approximately \$91.7 million in FY 26

Expiring Temporary Transfers

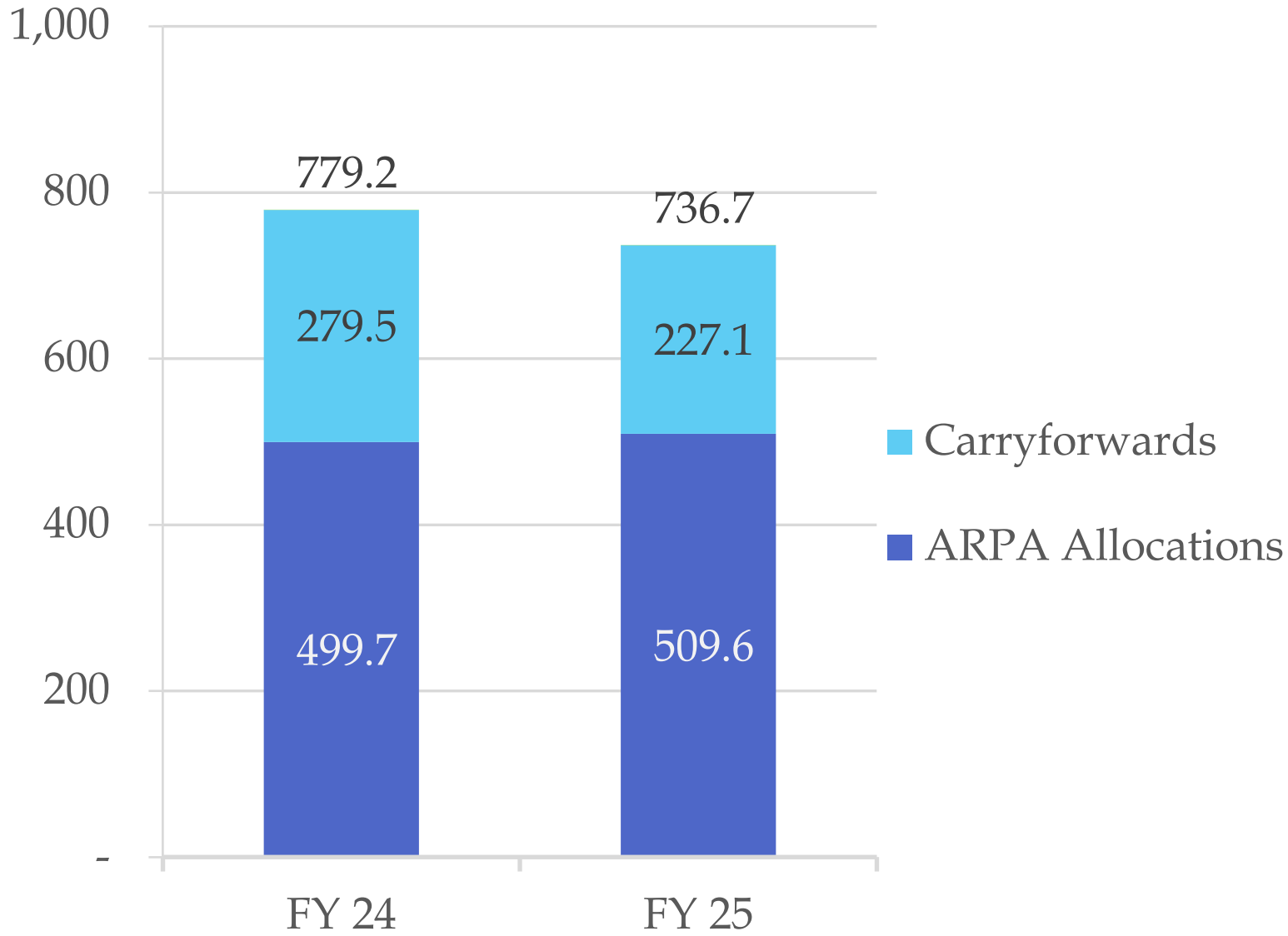
- \$104.9 million Municipal Revenue Sharing
- \$10.3 million Cannabis Regulatory Fund

Expiring ARPA and Carryforward Resources

SEBAC Wages

FY 24 & FY 25 ARPA Reallocations and Carryforwards

In Millions of Dollars



SEBAC Wage Agreement Costs (Actual and Potential)

In Millions of Dollars

	FY 26	FY 27	FY 28
FY 25	150.6	150.6	150.6
Potential FY 26	130.6	150.6	150.6
Potential FY 27	-	130.6	150.6
Potential FY 28	-	-	130.6
TOTAL	281.2	431.8	582.4

Note: This assumes a potential future agreement will have annual costs similar to the FY 25 agreement.

Special Transportation Fund Projections

In Millions of Dollars

Components	FY 25	FY 26	FY 27	FY 28
Expenditures¹				
Debt Service	899.5	941.5	1046.1	1147.7
Other	1327.3	1325.4	1319.7	1320.4
TOTAL	2,226.8	2,266.9	2,365.8	2,468.1
Revenue				
Sales and Use Taxes	997.0	1020.8	1045.4	1070.3
Fuel Taxes	847.4	838.4	847.8	856.4
Other	511.9	502.7	499.8	496.8
TOTAL	2,356.3	2,361.9	2,393.0	2,423.5
Operating Balance				
Surplus/ (Deficit)	129.5	95.0	27.2	(44.6)
Year End Cumulative Balance	570.5	665.5	692.8	648.2
Debt Service Ratio	2.6	2.5	2.3	2.1

¹ Expenditures follow the fixed cost methodology which only allows for growth on necessary "fixed cost drivers."

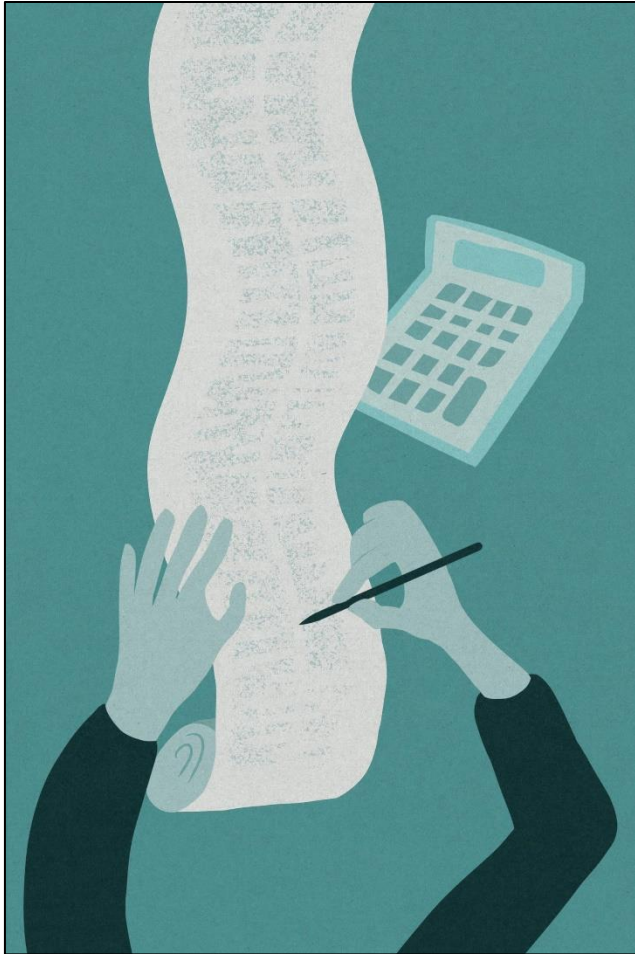
Special Transportation Fund

Select Growth Rates

Growth Rates ¹	FY 25	FY 26	FY 27	FY 28	FY 25 - FY 28 CAGR
Debt Service	4.2%	4.7%	11.1%	9.7%	7.4%
Revenue (Total)	(2.3%)	0.2%	1.3%	1.3%	0.1%
Sales and Use Tax	4.1%	2.6%	2.6%	2.6%	3.0%
All Other Revenue	(5.7%)	(1.2%)	0.5%	0.4%	(1.5%)

¹Annual growth from prior year is shown, except for the annualized FY 25 - FY 28 rate.

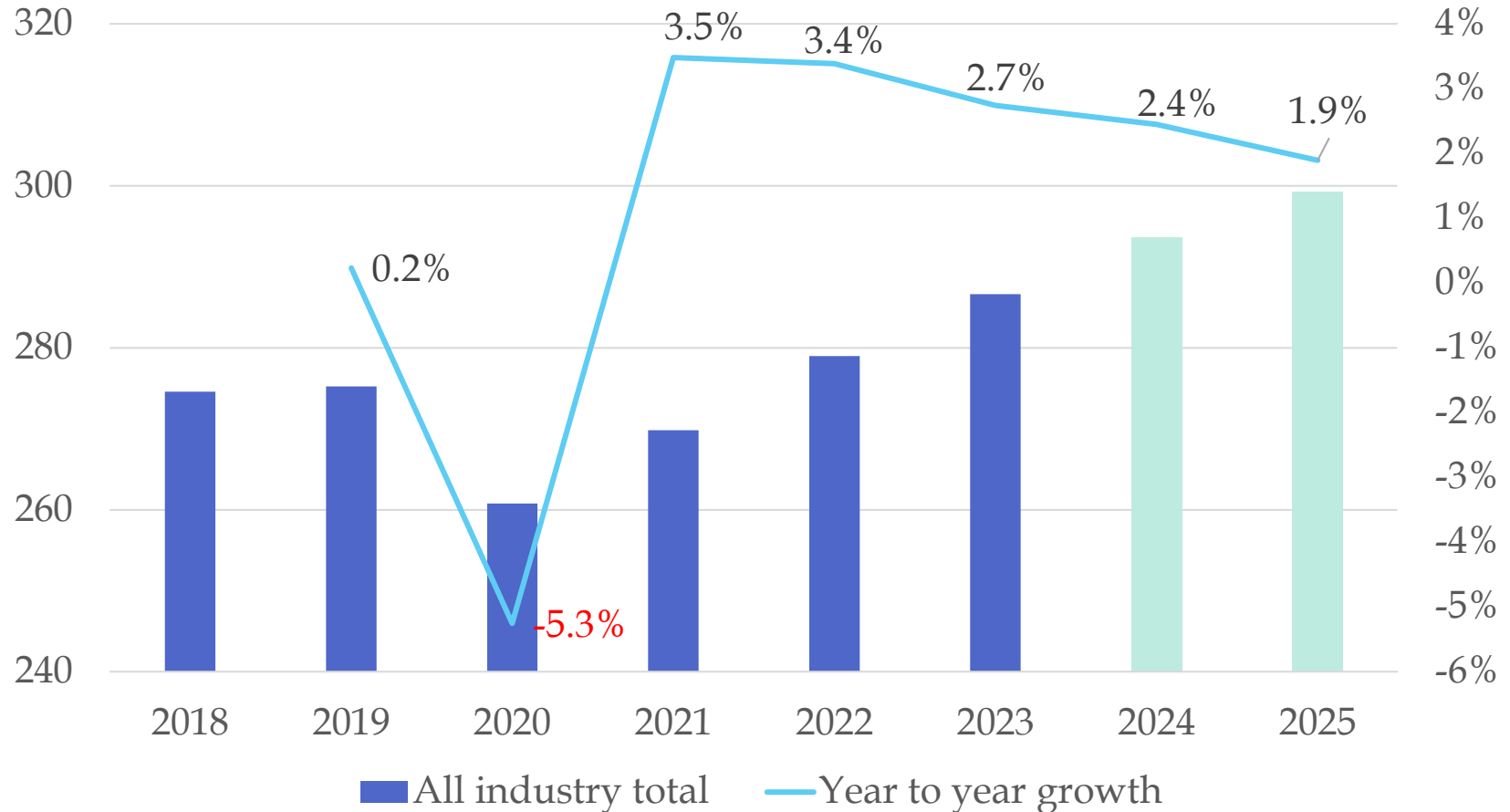
Economic Trends



- CT Gross State Product
- Wage Growth
- Population Trends
- Inflation
- Retail Sales
- Housing: Listings and Rental Vacancies

CT Real Gross State Product

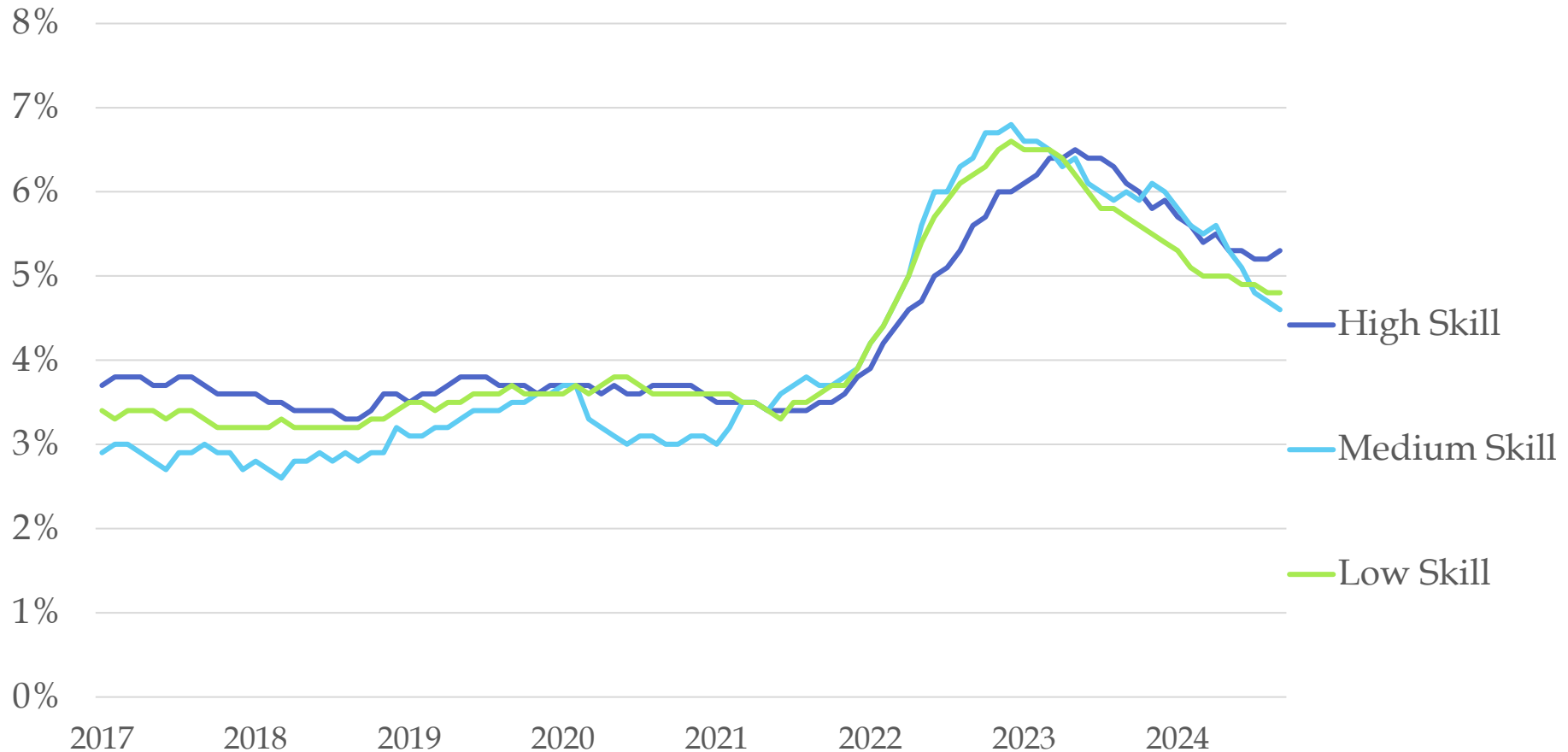
In Billions of Dollars, Adjusted for Inflation



Note: Dollar amounts are shown in chained 2017 dollars.

Source: U.S. Bureau of Economic Analysis, Moody's Analytics Forecast; OFA calculations

U.S. Median Year-over-Year Wage Growth by Occupation

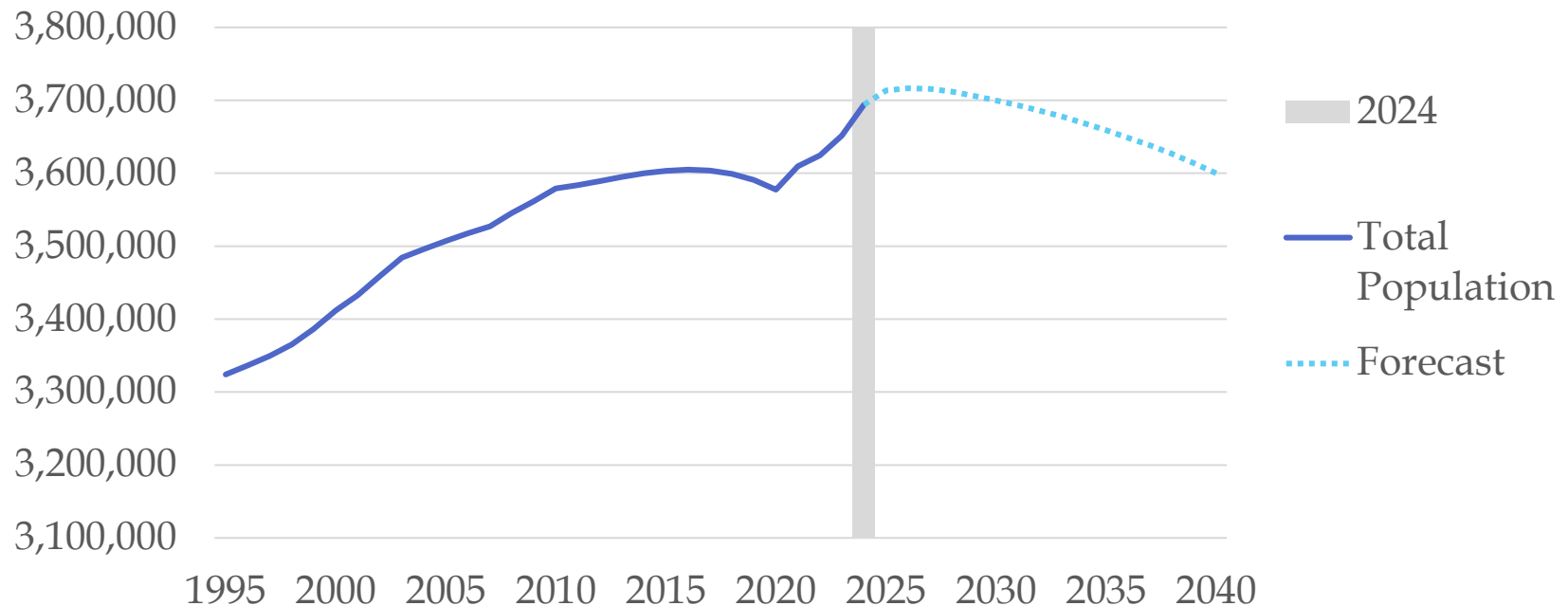


Source: U.S. Bureau of Labor Statistics Current Population Survey, Federal Reserve Bank of Atlanta as retrieved from FRED, Federal Reserve Bank of St. Louis; OFA calculations

CT Population Trends

- Connecticut population remains stagnant.
- International migration partially offsets negative net migration.
- Connecticut's population over 65 continues to rise faster than all other age groups.

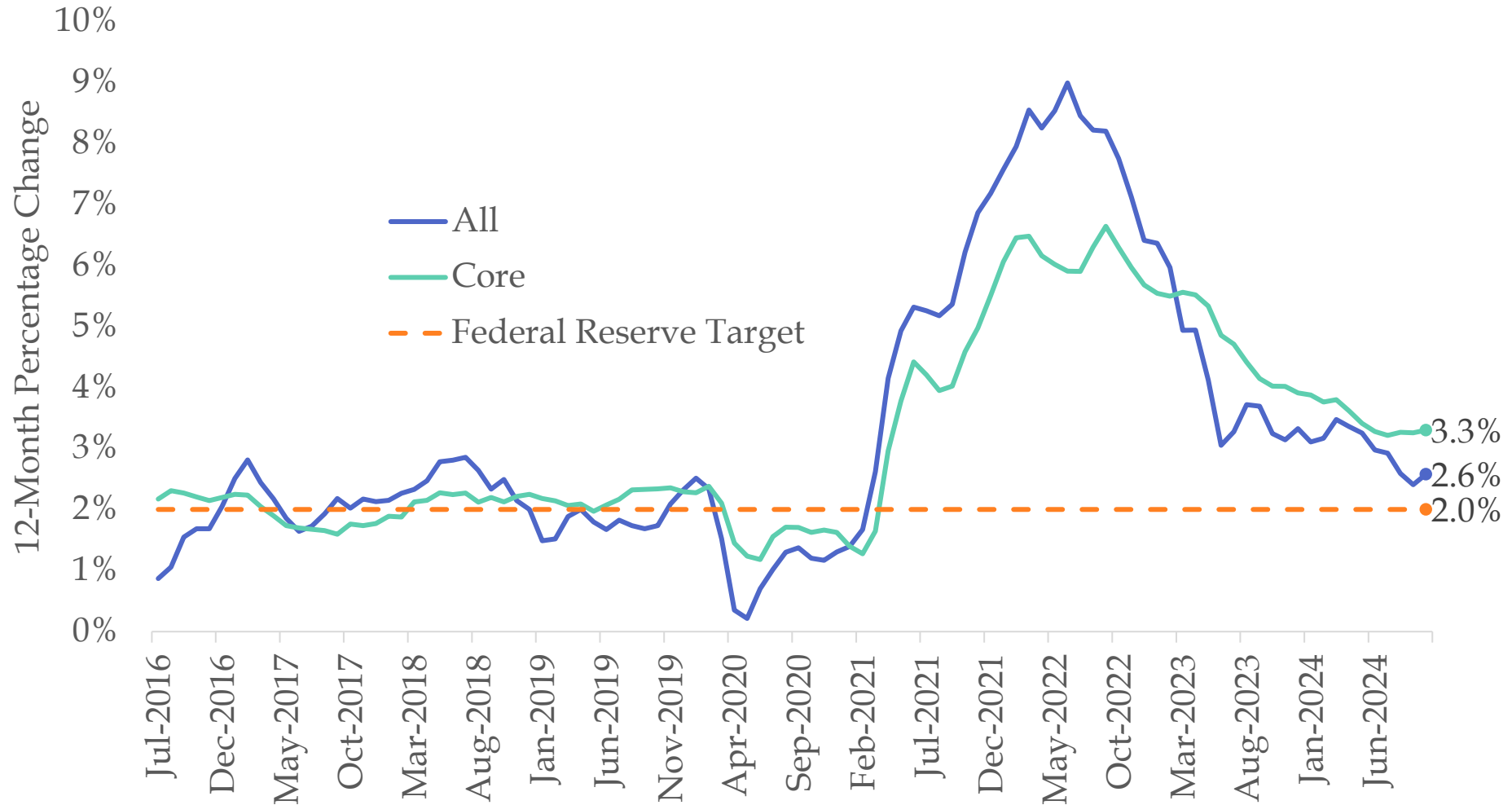
Connecticut Total Population Over Time



Source: U.S. Census Bureau, Moody's Analytics Forecast

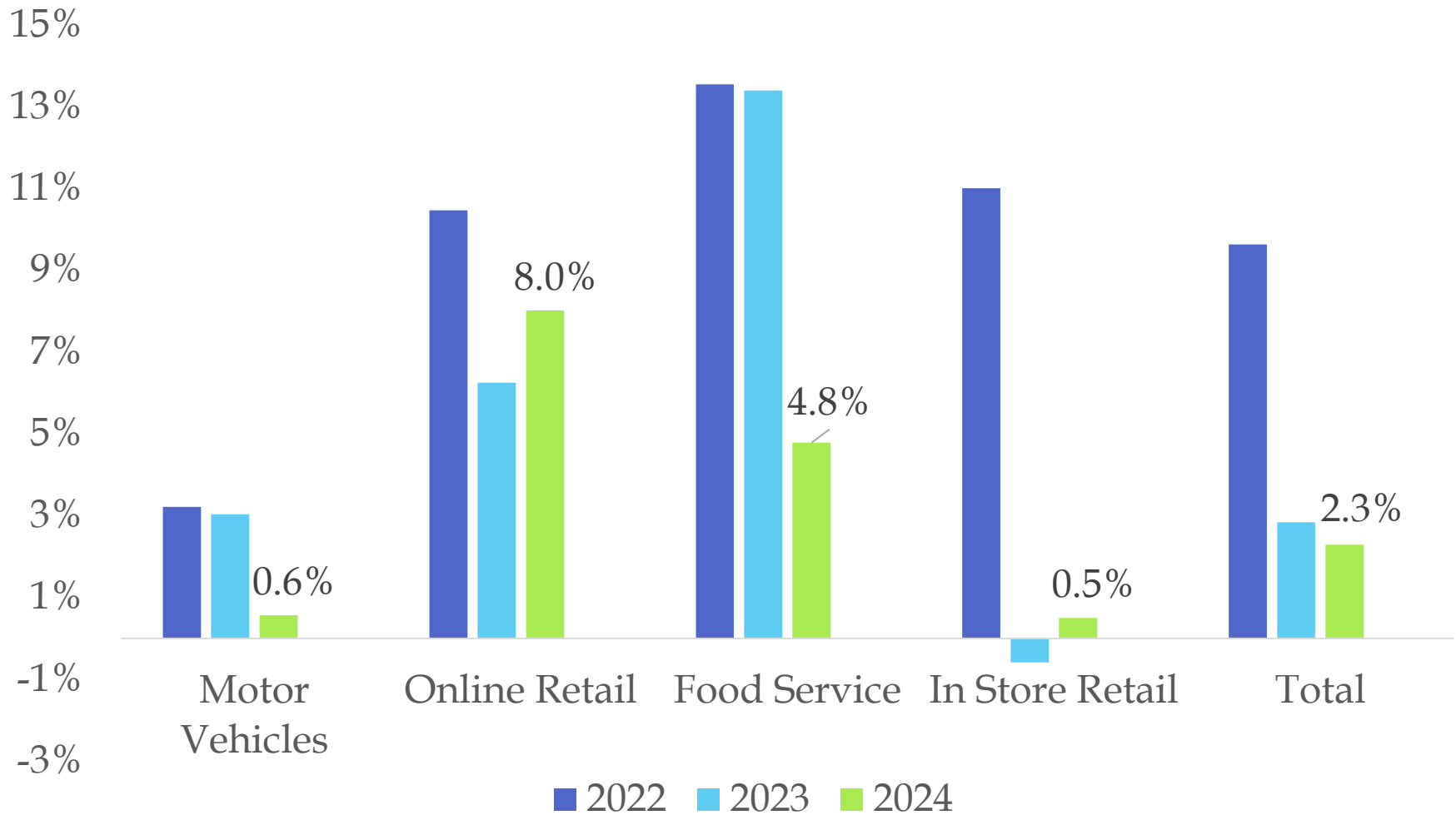
U.S. Inflation: Consumer Price Index (CPI)

as of October 2024



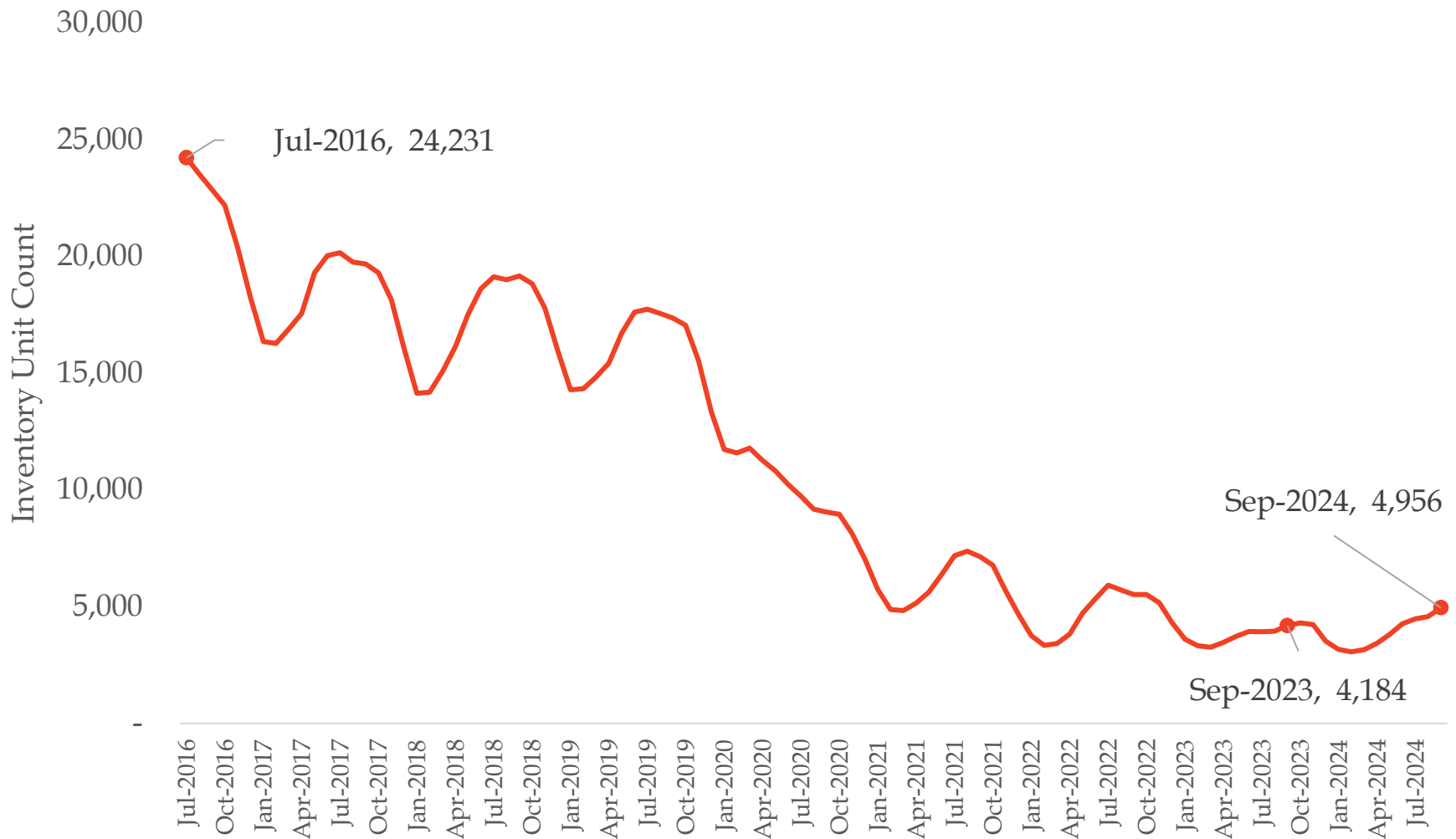
Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, and Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average, both seasonally adjusted, retrieved from FRED, Federal Reserve Bank of St. Louis

U.S. Monthly Retail Sales Year-Over-Year Growth



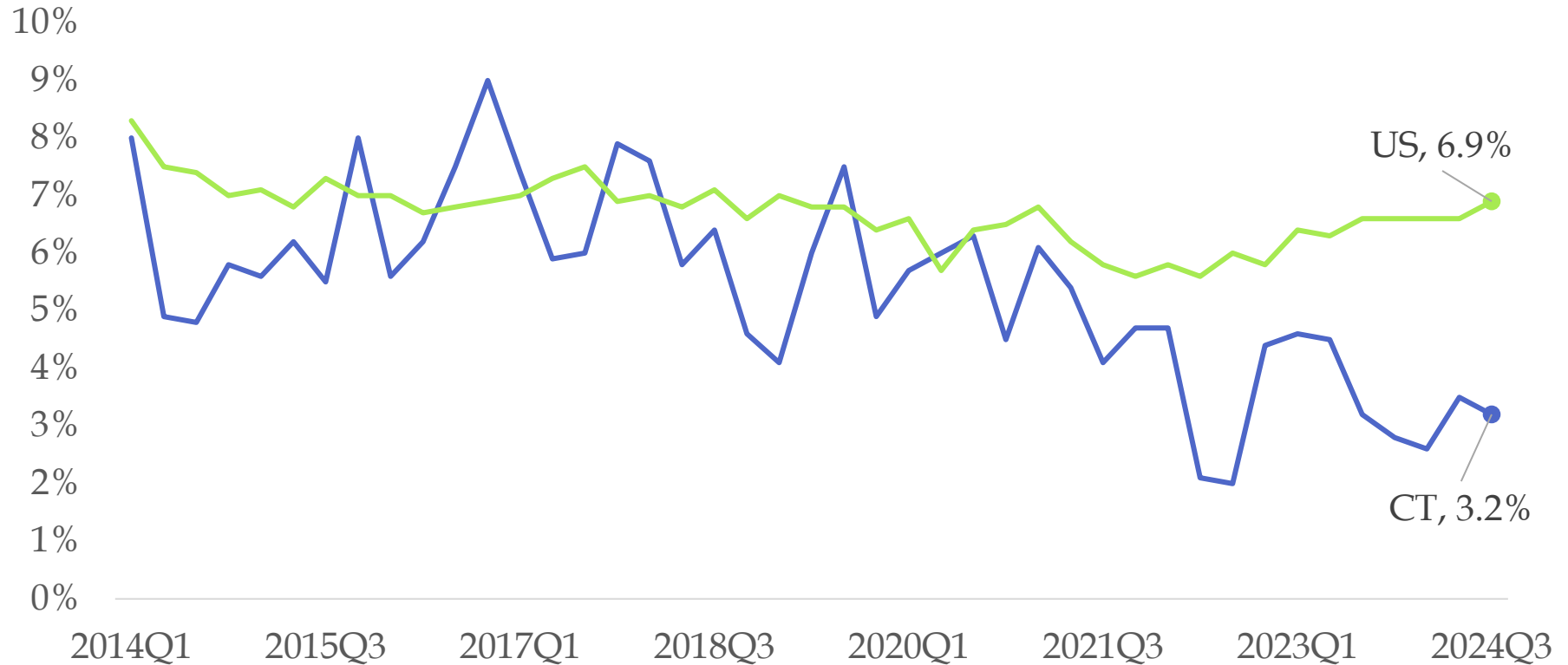
Source: U.S. Census; OFA calculations

Housing Inventory: Active Listing Count for Connecticut



Source: Realtor.com, Housing Inventory: Active Listing Count in Connecticut, retrieved from FRED, Federal Reserve Bank of St. Louis

Vacancy Rates in the Housing Rental Market



Source: U.S. Census; OFA calculations

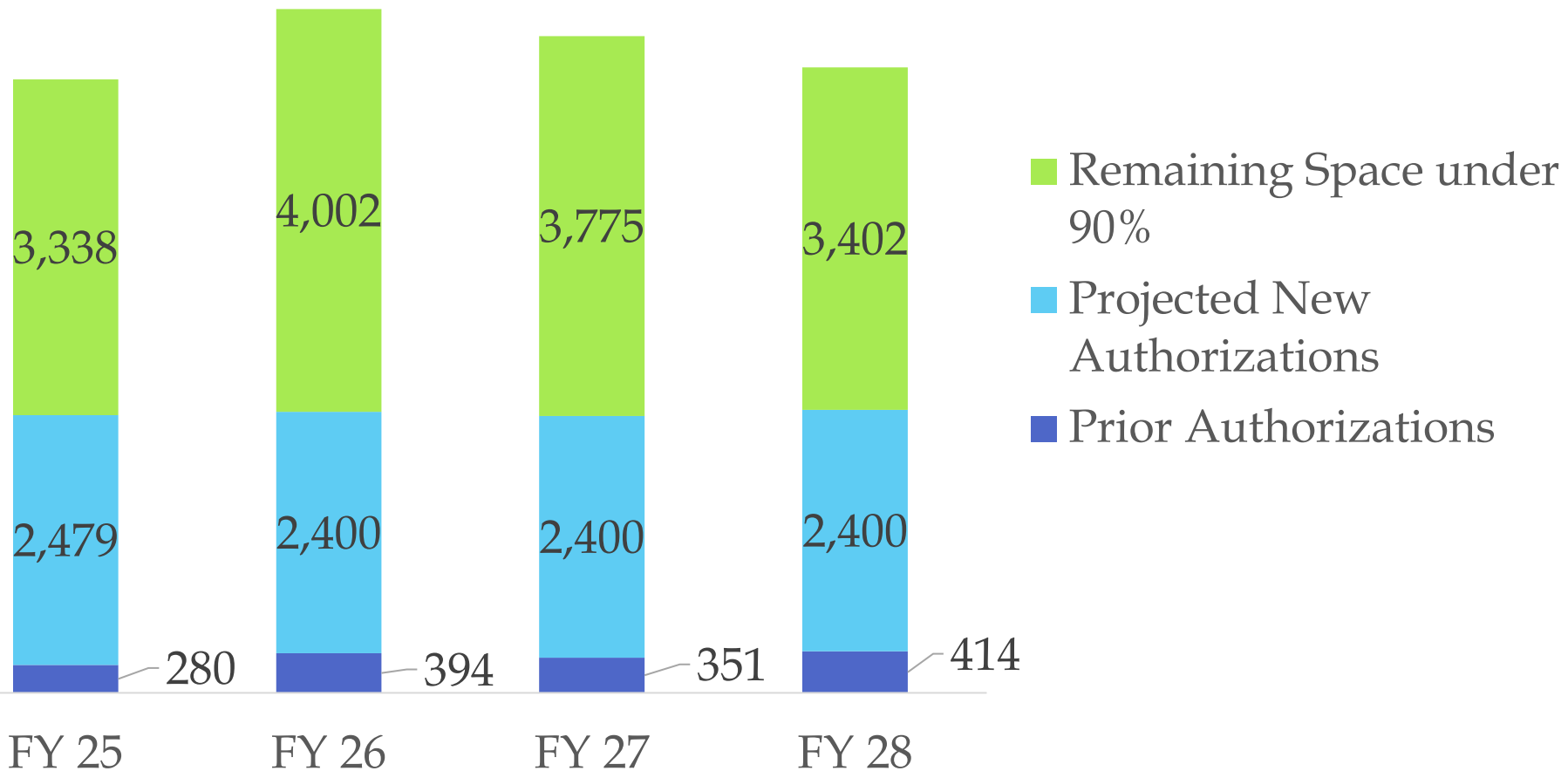
Estimates of General Obligation Bond Use

In Millions of Dollars

Description	FY 25	FY 26	FY 27	FY 28	FY 29
Authorizations	2,758.8	2,793.5	2,751.3	2,813.8	2,811.9
Allocations	2,042.1	2,144.2	2,251.4	2,364.0	2,482.2
Issuance	1,600.0	1,800.0	1,800.0	1,800.0	1,750.0
Debt Service	2,515.7	2,528.2	2,653.6	2,754.1	2,787.9

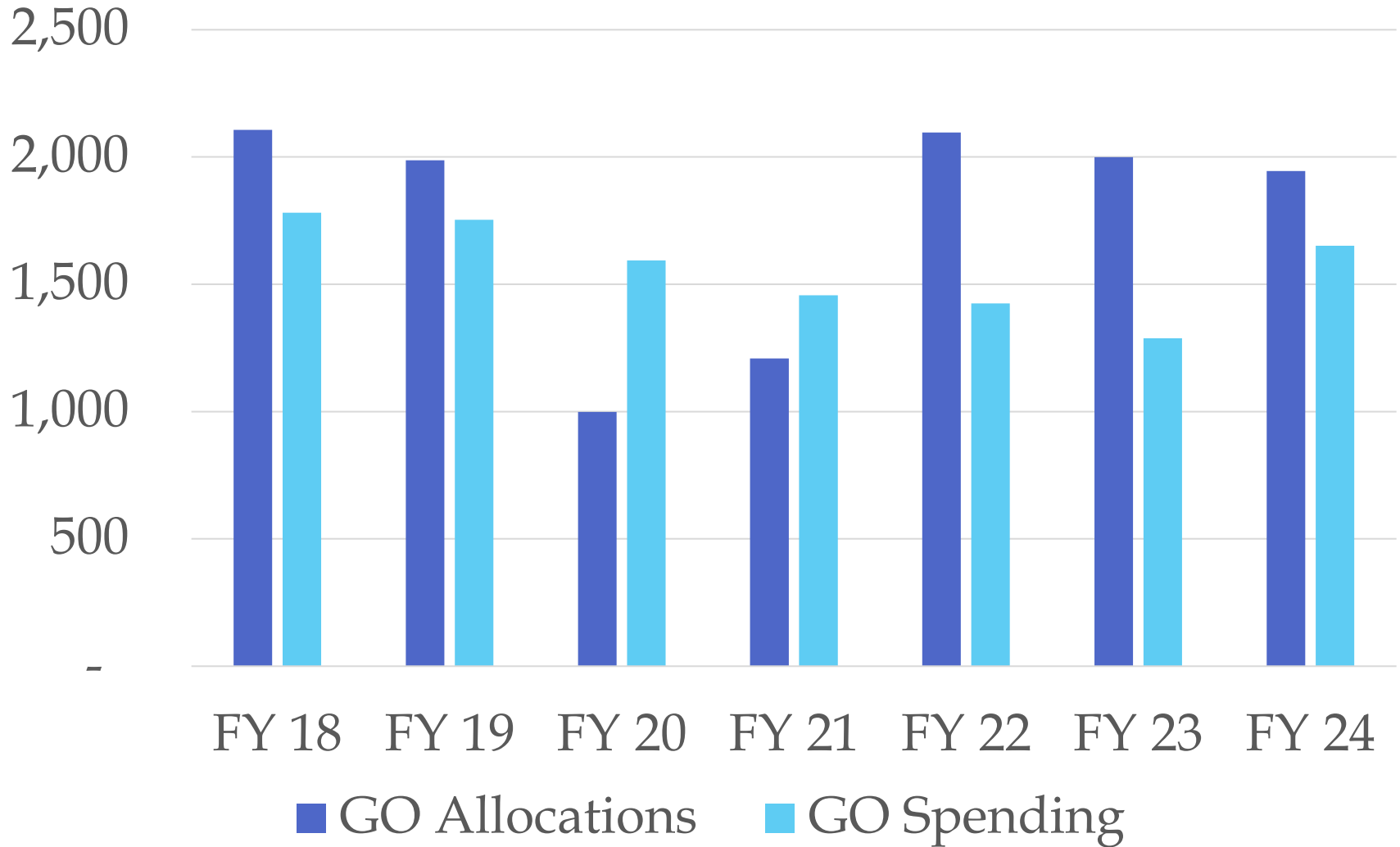
Projected Bond Authorizations

In Millions of Dollars



General Obligation Bond Spending and Allocations

In Millions of Dollars



Tax Expenditure Estimates

In Millions of Dollars

Types of Tax Expenditures

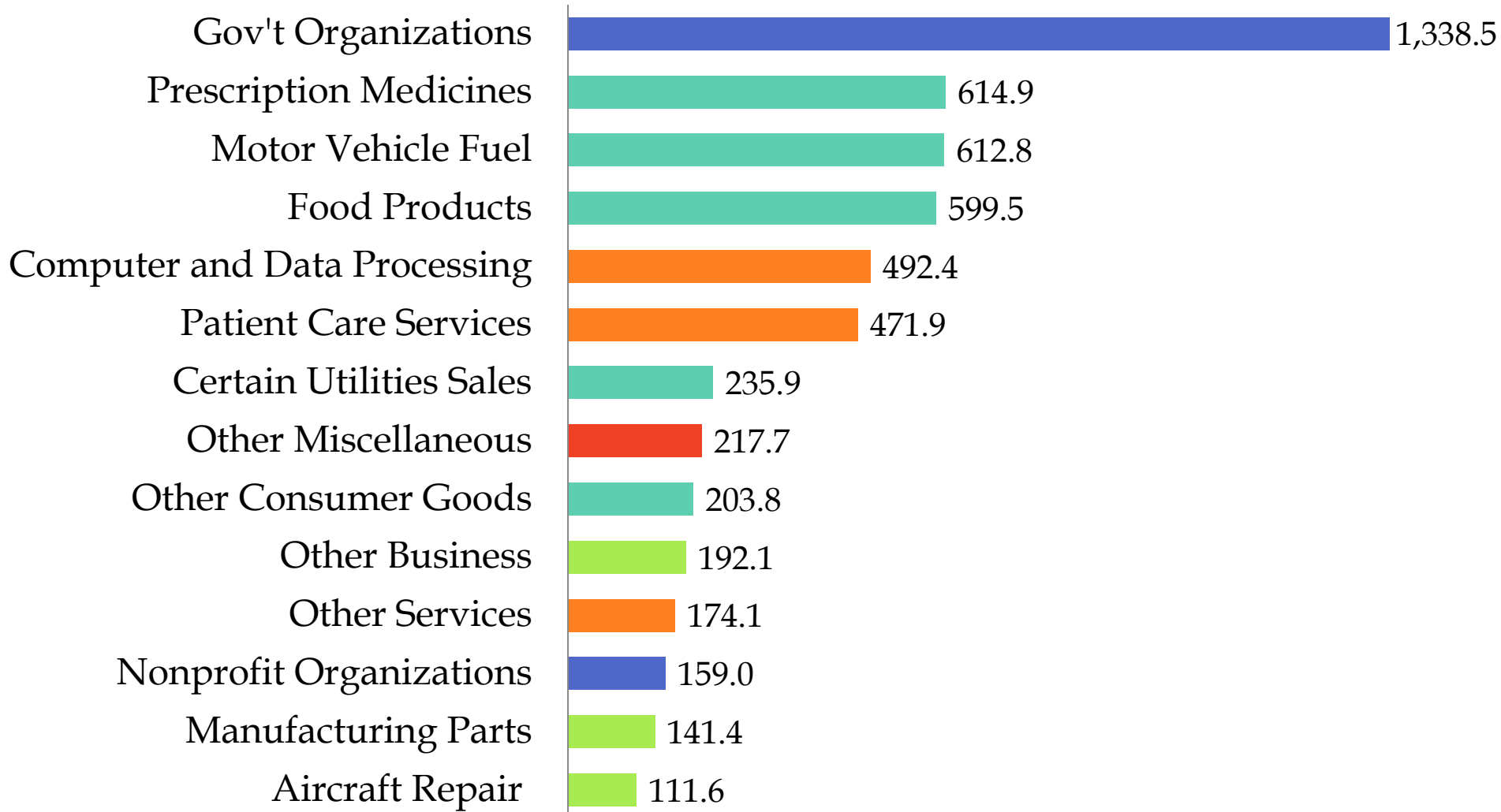
- Credit: directly reduces a taxpayer's liability
- Exemption: excludes specified transactions from a tax (e.g., food products)
- Deduction: reduces a taxpayer's taxable income (e.g., CHET contributions)

Category	FY 25	FY 26	FY 27	FY 28
Personal Income Tax	834.8	879.3	914.1	935.4
Sales and Use Tax	5,565.7	5,704.2	5,845.0	5,991.3
Corporation and Insurance Taxes	559.1	542.2	547.3	555.5
Petroleum Companies Gross Earnings Tax	517.6	517.0	537.1	555.0
Motor Fuels and Motor Carrier Road Taxes	2,538.1	2,495.2	2,476.9	2,462.0
All Other Taxes	208.2	211.2	214.1	217.0
TOTAL	10,223.5	10,349.1	10,534.5	10,716.2

Note: Includes estimated identifiable revenue reductions of \$100,000 or more.

FY 25 Major Sales and Use Tax Expenditures

In Millions of Dollars



Questions and Answers Following OPM's Presentation

*Thank
you!*

