

December 10, 2020



CONNECTICUT GENERAL ASSEMBLY

Office of Fiscal Analysis

Fiscal Accountability Presentation

OFA DIRECTOR

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Structure of the Fiscal Accountability Report

General Fund Current Biennium (FY 20 - FY 21)

General Fund Out Years (FY 22 - FY 24)

Special Transportation Fund & Bonding

FY 20 April Projections to End-of-Year Actuals

In Millions of Dollars

FY 20 General Fund	April Estimate	Change Since April	Final EOY
Budgeted Surplus ¹	120.4	-	120.4
Revenue Adjustments	(1,058.6)	708.4	(350.2)
<i>Personal Income Tax - Withholding</i>	<i>(190.3)</i>	<i>95.0</i>	<i>(95.3)</i>
<i>Sales and Use Tax</i>	<i>(257.1)</i>	<i>130.7</i>	<i>(126.4)</i>
<i>Federal Funds</i>	<i>(266.6)</i>	<i>474.5</i>	<i>207.9</i>
<i>All Other Net</i>	<i>(344.6)</i>	<i>8.2</i>	<i>(336.4)</i>
Expenditure (Cost)/Savings	(20.3)	255.0	234.7
Technical Year-End Updates	-	-	33.8
FINAL SURPLUS/DEFICIT	(958.5)	963.4	38.7

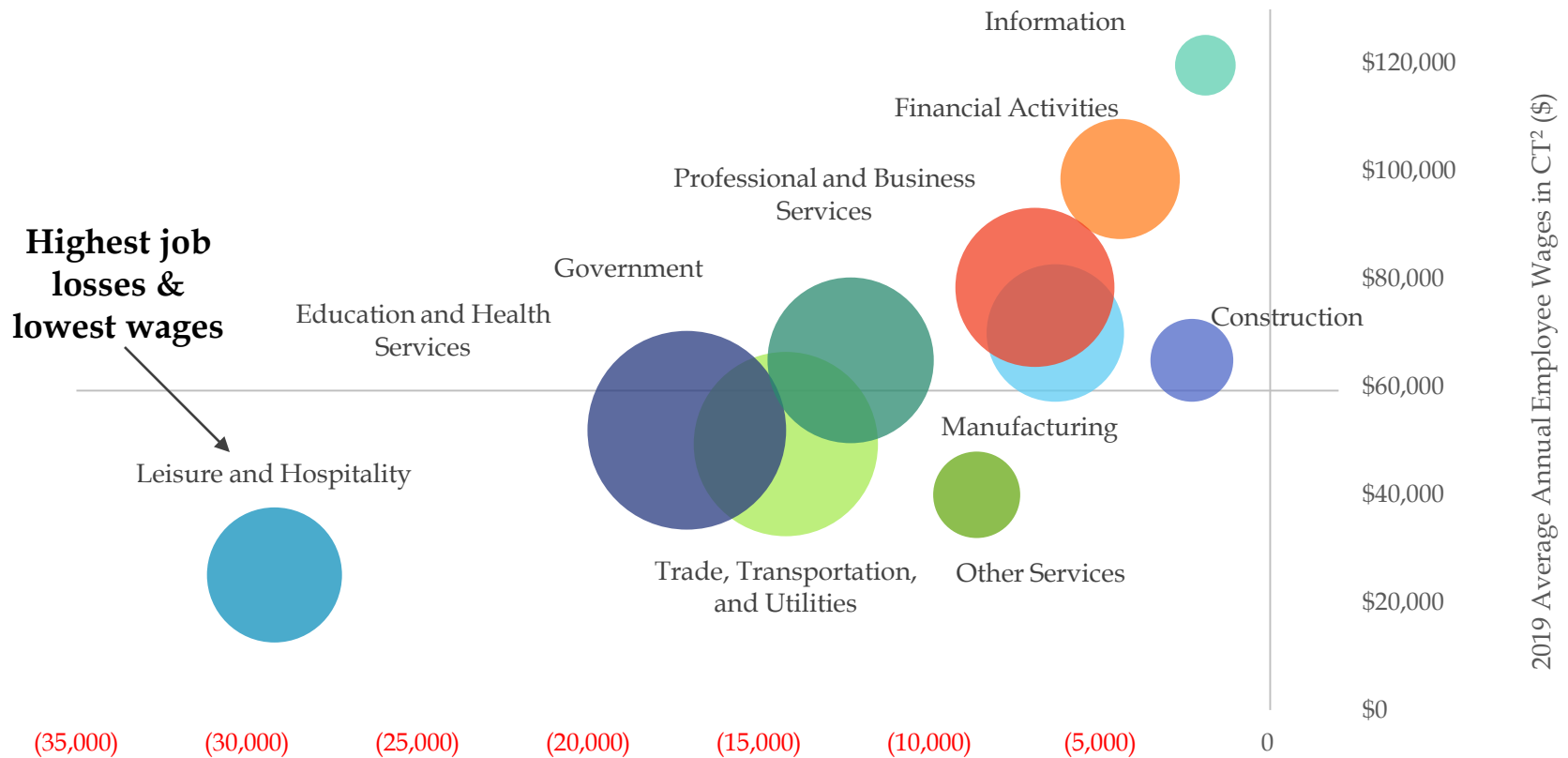
¹Includes December Special Session Revisions

FY 20 Budget Reserve Fund (BRF)

In Millions of Dollars

Budget Reserve Fund	FY 20
Beginning Balance	2,505.5
Volatility Cap Adjustment	530.3
Operating Surplus	38.7
End of Year Balance	3,074.5
BRF Cap	3,012.9
AMOUNT OVER/UNDER CAP	61.6

Economic Context: Connecticut Job Losses vs. Average Annual Wage by Industry



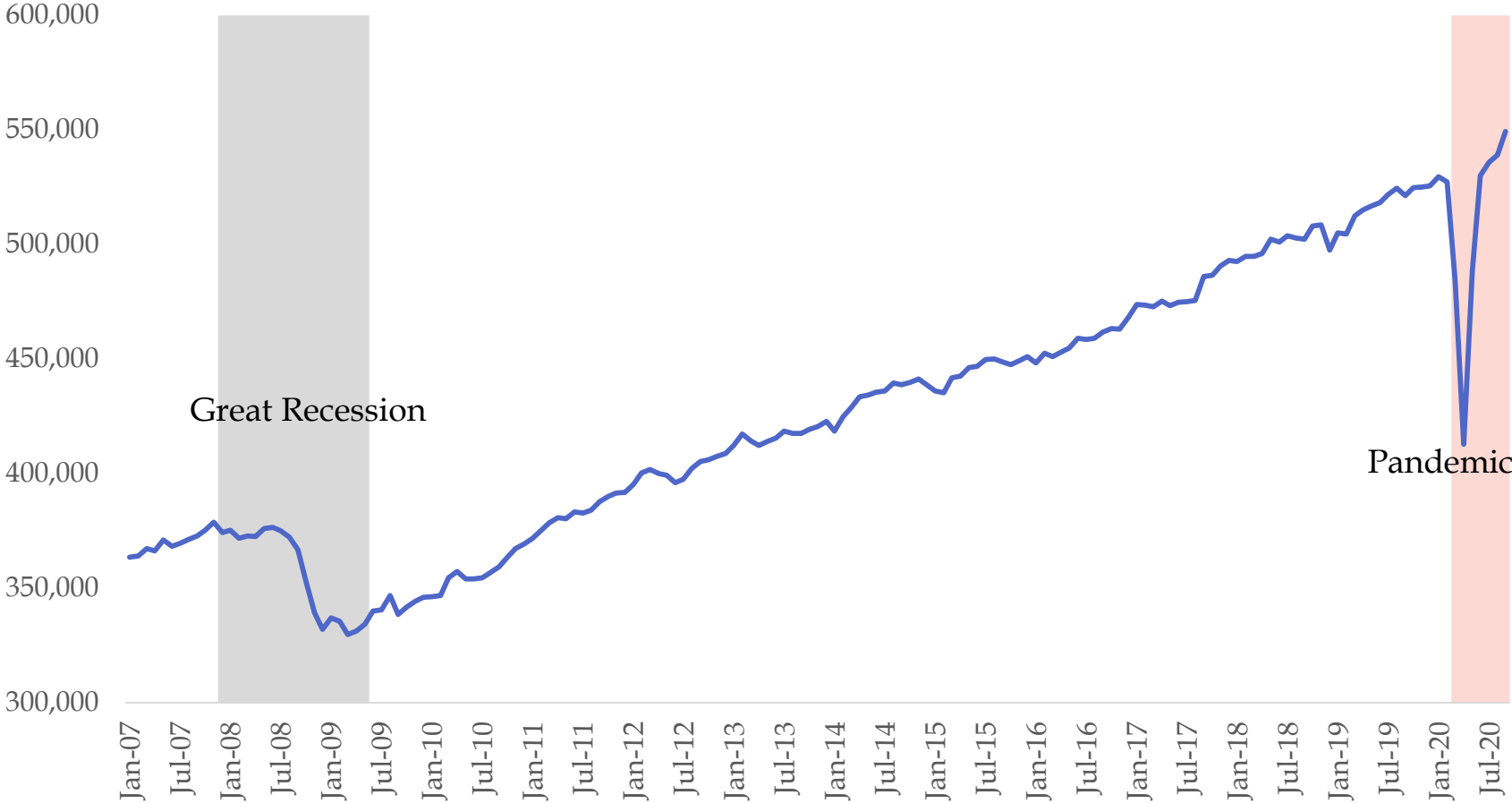
Change in Connecticut Jobs: September 2019 to September 2020¹

¹Change in Employment reflects preliminary September 2020 data from the US Bureau of Labor Statistics (BLS) Current Employment Survey. Natural Resources/Mining and Unclassified industries are not included due to size.

²Average Annual Wages reflects 2019 private sector annual data from the BLS Quarterly Census of Employment and Wages for Connecticut except for Government, which reflects the average wage for all Government employment regardless of industry. **Bubble size** reflects each industry's total Connecticut employment in September 2019.

Monthly Sales for Retail and Food Services

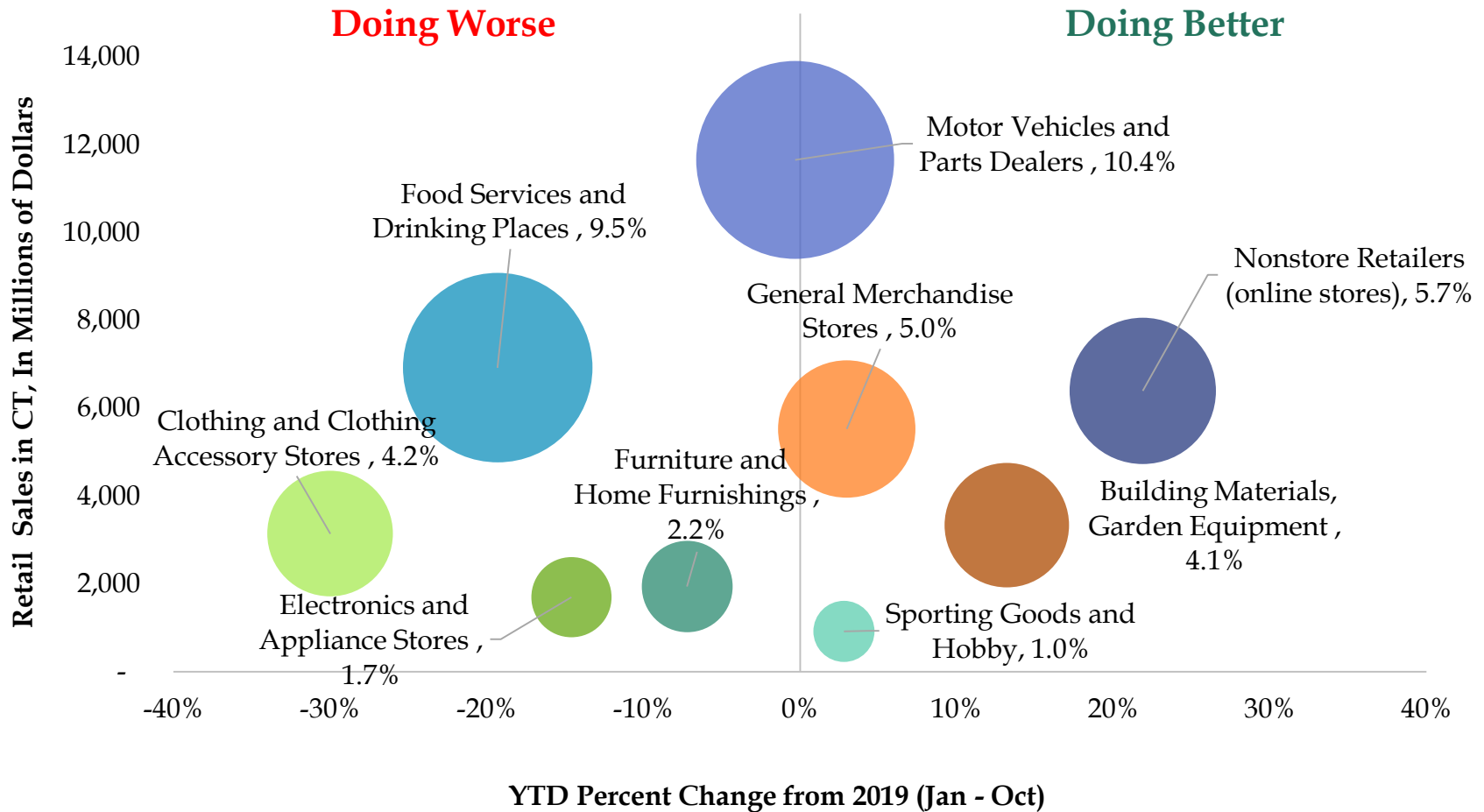
In Millions of Dollars: Jan. 2007 to Sep. 2020



Note: Seasonally Adjusted
Source: U.S. Census

Changes in Consumer Behavior

Percent change in Connecticut Sales over 2019 by Example Industry (Jan. to Oct.)



Bubble size reflects estimated share of Connecticut sales and use tax collections.

Source: U.S. Census, CT Department of Revenue Services, OFA Calculations

FY 21 General Fund Summary

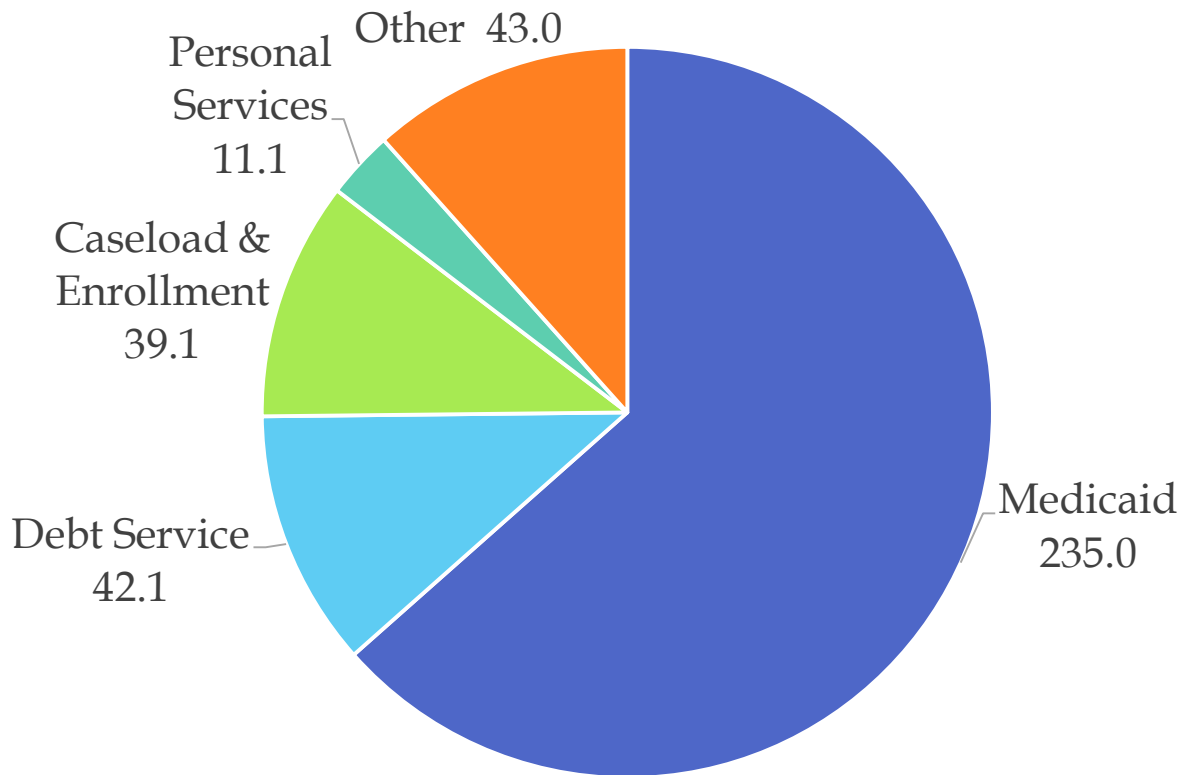
In Millions of Dollars

Summary	FY 21
Budgeted Balance	166.2
Revenue	
Budgeted	20,252.5
Consensus Adjustment	
Withholding	(487.9)
Sales & Use Tax	(342.1)
Corporations	(313.8)
Estimates & Finals / Pass-Through Entity Tax	(371.9)
Volatility Cap	301.5
Other	(201.1)
Changes Subtotal	(1,415.3)
Expenditures	
Budgeted	20,086.3
Rescissions, CRF & Hiring Savings	155.4
Lapses ¹	370.3
Deficiencies ¹	(131.1)
Changes Subtotal	394.6
SURPLUS/(DEFICIT)	(854.5)

¹These represent cumulative lapses and deficiencies across all General Fund accounts in all agencies.

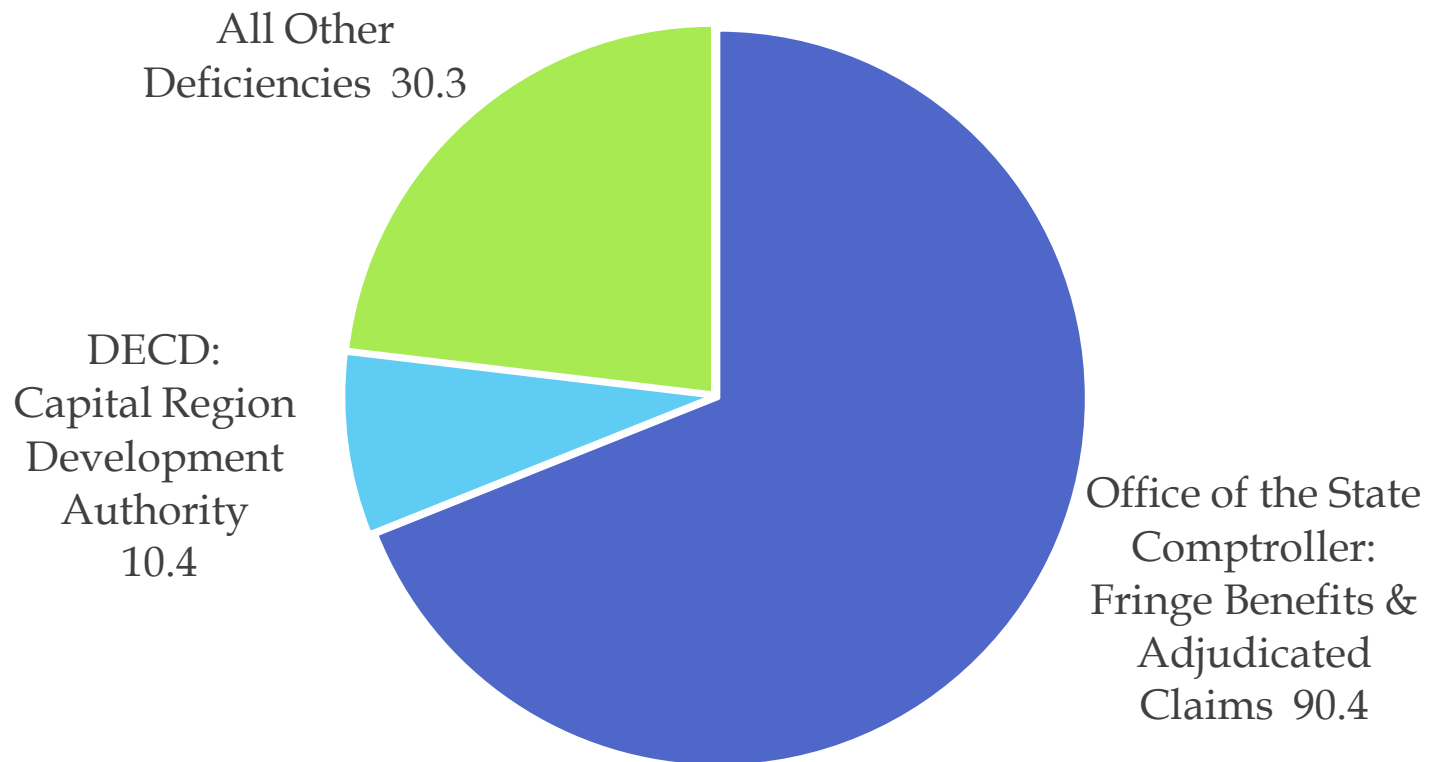
FY 21 Estimated Lapses by Account

In Millions of Dollars



FY 21 Estimated Deficiencies by Account

In Millions of Dollars



FY 21 Budget Reserve Fund

In Millions of Dollars

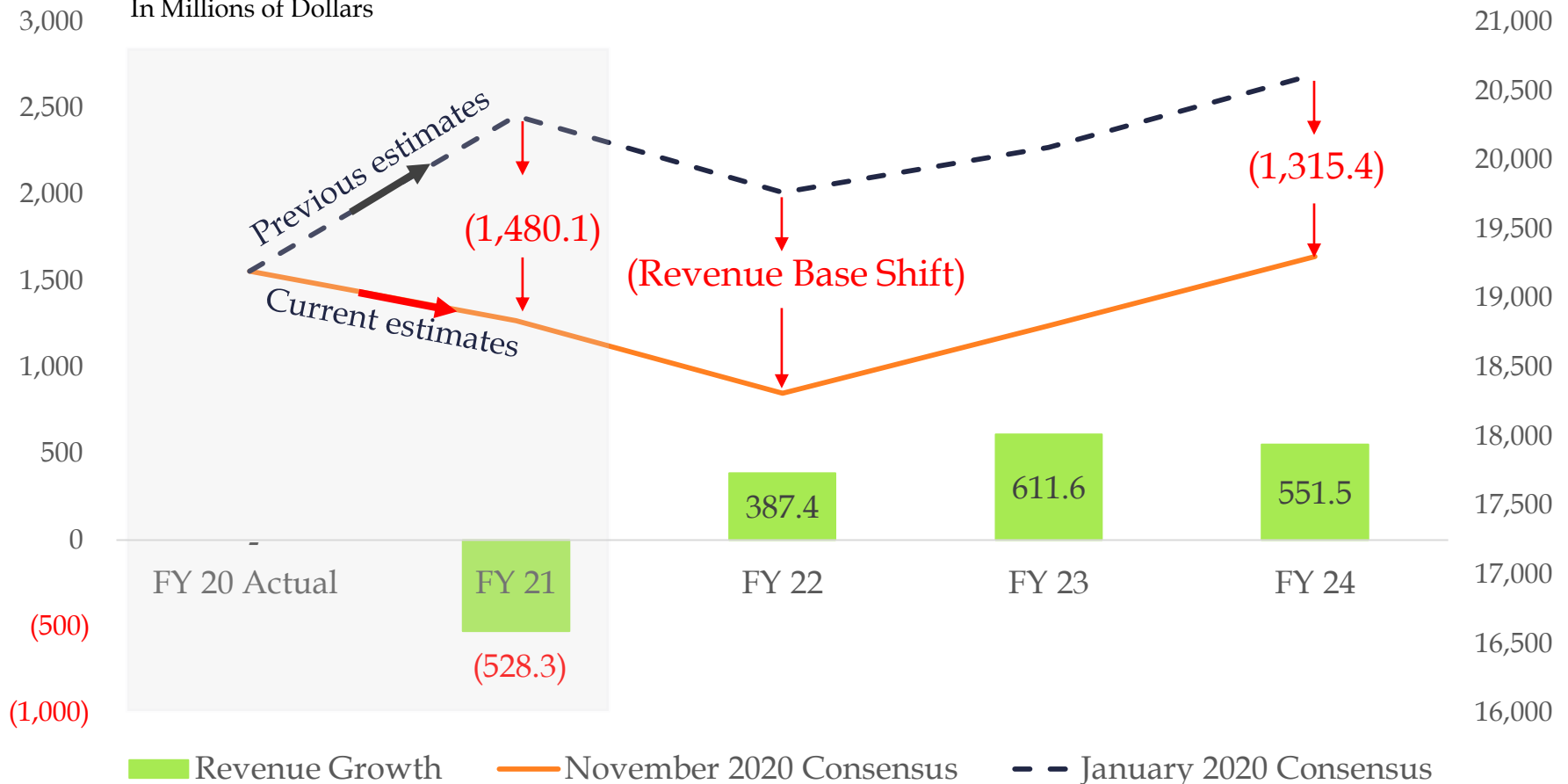
	FY 21
Beginning Balance	3,012.9
Estimated Transfer ¹	(854.5)
END OF YEAR BALANCE	2,158.4

¹This represents the amount necessary to cover the projected FY 21 deficit if no other action is taken.

General Fund Out Years: Revenue Base Shift

General Fund Total Revenue Projections and Revenue Growth¹

In Millions of Dollars



¹Revenue growth reflects year-over-year changes in the November consensus estimate excluding policy adjustments.

General Fund Fixed Cost Changes and Non-Fixed Cost Reductions

In Millions of Dollars

Category	FY 21	FY 22	FY 23	FY 24
January (Pre-Pandemic) Consensus Revenue	20,317.3	19,764.1	20,091.7	20,618.0
<i>Base Shift</i>	<i>(1,480.1)</i>	<i>(1,454.2)</i>	<i>(1,293.0)</i>	<i>(1,315.4)</i>
November Consensus Revenue	18,837.2	18,309.9	18,798.7	19,302.6
Previous Year Expenditure		19,691.7	18,309.9	18,798.7
Fixed Cost Growth		685.2	652.2	415.5
Non-Fixed Cost Expenditure Reductions		<i>(2,067.0)</i>	<i>(163.4)</i>	-
Subtotal - Expenditures	19,691.7	18,309.9	18,798.7	19,214.2
BALANCE	<i>(854.5)</i>	-	-	88.4
Unadjusted Balance	<i>(854.5)</i>	<i>(2,067.0)</i>	<i>(2,230.4)</i>	<i>(2,142.0)</i>

Projected Changes from FY 21 to FY 22

In Millions of Dollars

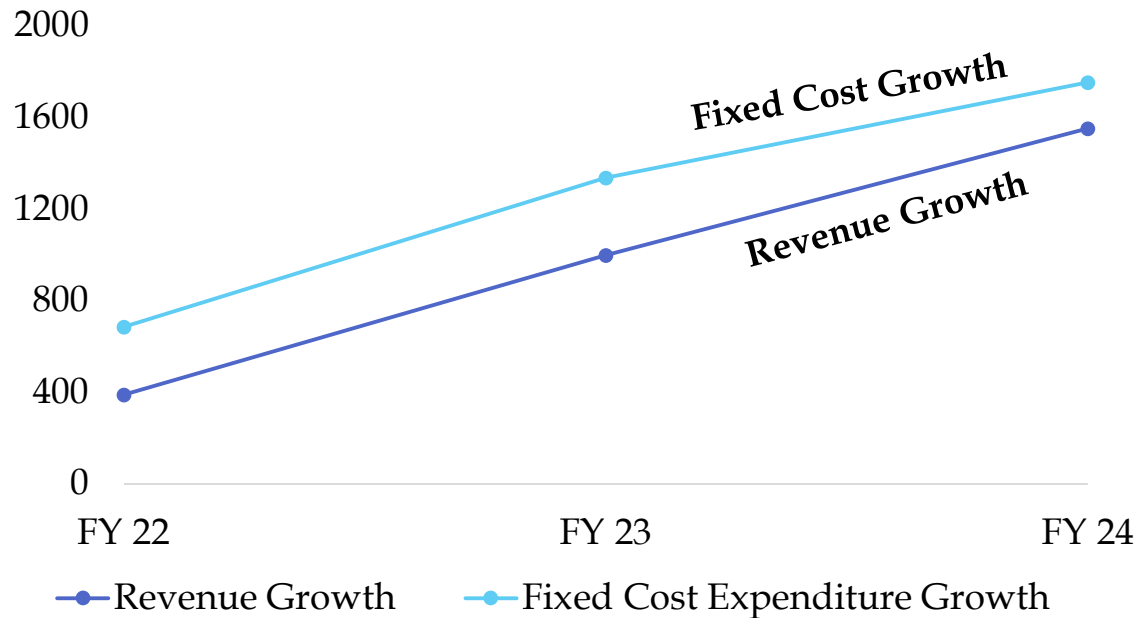
TOTAL: (1,212.5)		(355.8)	Municipal Revenue Sharing Account Diversion		
		(179.5)	Special Transportation Fund Diversion		
		(245.1)	Loss of Temporary Revenue		
		(56.3)	Tax Reductions (47.1) Other Policies (9.2)		
		(78.0)	Hospital Settlement		
Revenue Policy: (914.7)		(297.8)	Revenue Growth (387.4) vs. Fixed Cost Growth (685.2)		
Structural Imbalance: (297.8)					

Loss of Temporary Revenue		(245.1)
Amortization of the historical GAAP deficit resumes		(85.1)
Revenue credit from FY 20 to FY 21 expires		(85.0)
Temporary restrictions on property tax credits expire		(53.0)
Sunset of the corporation tax 10% surcharge (Income Year 2020)		(15.0)
Sunset of 10 cent surcharge on plastic bags		(7.0)

Tax Reductions		(47.1)
Exemption levels for annuities and other pension income increase		(16.4)
Exemption threshold for inheritance and estate tax increases: \$5.1 million to \$7.1 million (Income Year 2021)		(13.2)
Capital basis method for corporation tax continues to be phased out		(9.5)
Exemption rate for teachers' pension income increases from 25% to 50% (Income Year 2021)		(8.0)

Cumulative Structural Imbalance

In Millions of Dollars



Category	FY 22	FY 23	FY 24	TOTAL	Average Growth	
					\$	%
Revenue Growth	387.4	611.6	551.5	1,550.50	516.8	2.8%
Fixed Cost Growth	685.2	652.2	415.5	1,752.92	584.3	5.4%
BALANCE	(297.8)	(40.6)	136.0	(202.4)	(67.5)	

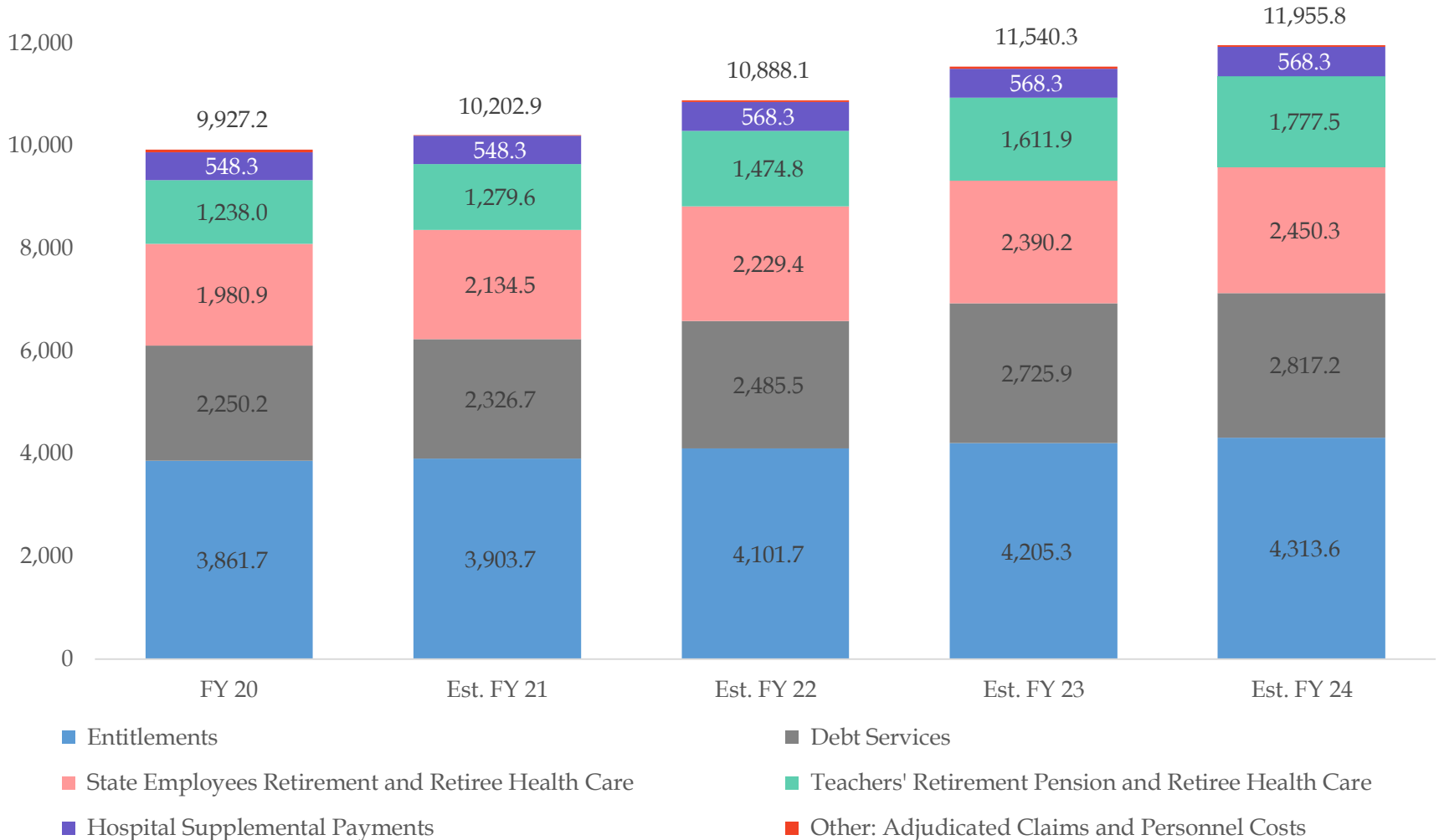
Revenue Growth by Source

In Millions of Dollars - Change from Prior Year

Source	FY 22	FY 23	FY 24
Personal Income Tax	252.5	415.6	351.1
Sales Tax	173.1	100.9	104.6
Business Taxes	(22.9)	143.5	94.4
Other Revenue	(81.4)	(14.9)	42.2
Federal Grants	13.9	26.5	21.7
Refunds	52.2	(60.0)	(62.5)
TOTAL GROWTH	387.4	611.6	551.5
PERCENT GROWTH %	2.1%	3.3%	2.9%

General Fund Fixed Cost Expenditures^{1,2}

In Millions of Dollars



1 Personnel costs reflect expenses associated with three collective bargaining contracts and the 27th payroll in FY 23.

2 Included in the totals for each fiscal year is Other: Adjudicated Claims and Personnel Costs. The amount for this category is, relative to the others, too small to be visible.

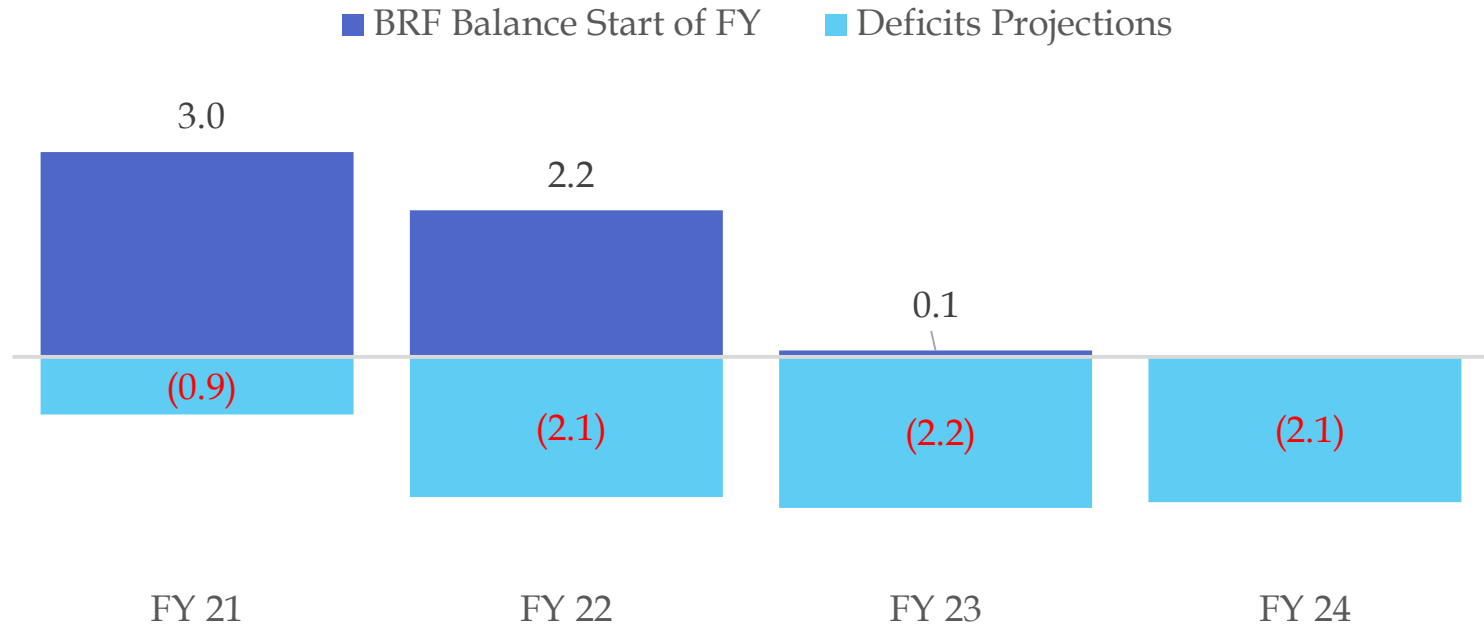
General Fund Fixed Cost Expenditure Growth

In Millions of Dollars

Category	FY 22	FY 23	FY 24
Entitlements	198.1	103.6	108.3
Debt Service	158.8	240.4	91.3
State Employees' Pension & Retiree Health Care	4.8	60.8	60.1
Teachers' Retirement & Retiree Health Care	195.2	137.1	165.6
Hospital Supplemental Payments	20.0	-	-
Other	18.4	10.3	(9.9)
TOTAL FIXED COST GROWTH	685.2	652.2	415.5

Projected Deficits and the Budget Reserve Fund

In Billions (Chart) and Millions (Table) of Dollars



Description	FY 21	FY 22	FY 23	FY 24
Budget Reserve Fund Balance at End of Year	3,012.9	2,158.4	91.4	-
Projected Deficits ¹	(854.5)	(2,067.0)	(2,230.4)	(2,142.0)
Use of Budget Reserve Fund	854.5	2,067.0	91.4	-
Revised Deficits	-	-	(2,139.0)	(2,142.0)
Budget Reserve Fund Balance at End of Year	2,158.4	91.4	-	-

Special Transportation Fund (STF) Summary

In Millions of Dollars

Components	FY 21	FY 22	FY 23	FY 24
Expenditures				
Non-Debt Service Expenditures	1,048.3	1,089.6	1,130.7	1,158.2
Debt Service	688.4	782.9	853.2	913.9
Expenditures Total	1,736.7	1,872.5	1,983.9	2,072.1
Revenue				
STF Revenue (Other Than Sales)	1,271.7	1,206.8	1,247.9	1,280.3
0.5% Sales Tax	342.1	355.8	364.9	374.0
Motor Vehicle Sales Tax	76.8	256.3	346.8	351.9
Revenue Total	1,690.6	1,818.9	1,959.6	2,006.2
Operating Balance				
Surplus/ (Deficit)	(46.1)	(53.6)	(24.3)	(65.9)
Year End Cumulative Balance	122.3	68.7	44.4	(21.5)
Debt Service Ratio	2.5	2.3	2.3	2.2

Estimates of General Obligation Bond Fund Use

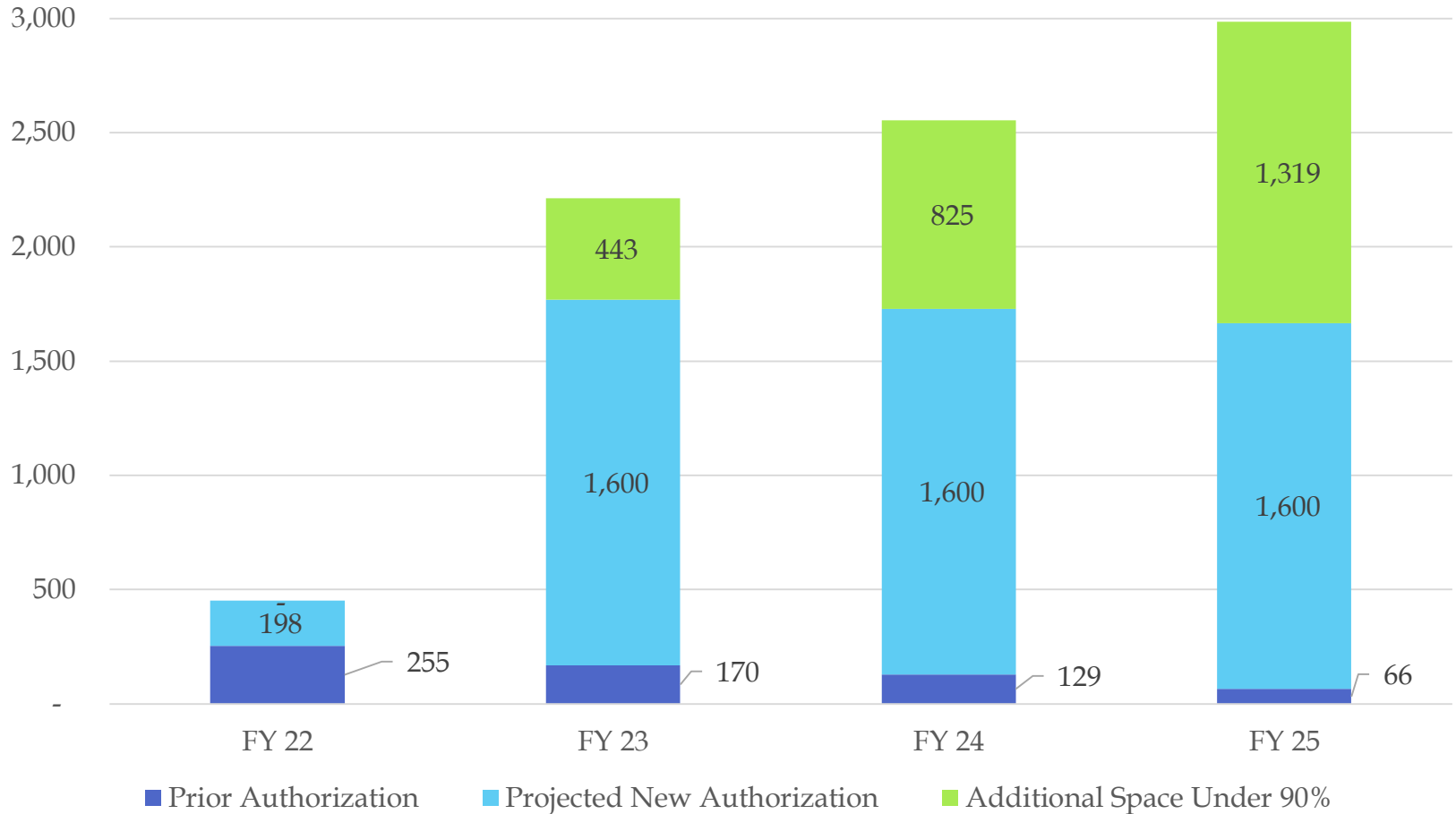
In Millions of Dollars

Fiscal Year	Debt Service	Authorizations	CY Allocations	Issuances[^]
21	2,327	1,904*	1,791	1,797
22	2,486	453**	1,725	2,051
23	2,726	1,770	1,685	1,725
24	2,817	1,729	1,656	1,685
25	2,874	1,666	1,614	1,600

*Actual net effective new authorizations for FY 21 (through July)
**FY 22 assumes authorizations limited by the 90% threshold
^Issuances include UConn 2000 program, which is exempted from the annual issuance limit

Projected Bond Authorizations and Remaining Authorization Space

In Millions of Dollars



Questions and Answers Following OPM's Presentation

*Thank
you!*

