Charting the Course of Connecticut's COVID Economy

2020 Issues Conference
Office of Legislative Research
Office of Fiscal Analysis
Presentation Overview

• Part I: Employment
• Part II: Housing
• Part III: Consumers and Businesses
• Part IV: State Budget
Part I: Employment
Connecticut’s official unemployment rate peaked in July at 10.2%; The national rate peaked at 14.7% in April

CT vs. US Unemployment Rates

Source: CT DOL Research Office, Labor Market Information
CT DOL analysts believe the official BLS estimate understates the actual unemployment level. They estimate CT’s unemployment rate peaked in April at 19%.

CT Unemployment Rates: Actual vs. Estimated

Unemployment Claims

44,075  Average weekly initial UI claims for April 2020
        ↑ 963% from April 2019

318,463  Number of continuing claims CT DOL processed for the
        week of May 2, 2020, nearly 18% of the state’s workforce

80,570   Number of Pandemic Unemployment Assistance (PUA)
        continuing claims for the week of May 9, 2020

Source: CT DOL Research Office, Average Weekly Initial Claims and Statewide Claims Profile; US DOL, Weekly Pandemic Claims Data
Since February, industry sectors providing "in-person" services have suffered the greatest job losses.
Who are the Unemployed?

• More Female
• Younger
• Lower Wage
Which Industries are Hiring?

- **Health Care and Social Assistance**: 10,632 postings
- **Retail Trade**: 7,884 postings
- **Finance & Insurance**: 4,622 postings
- **Manufacturing**: 3,865 postings
- **Professional, Scientific, & Technical Services**: 2,866 postings

Source: CT DOL Research Office Analysis of Help Wanted Online (HWOL) Data Series
Part II: Housing
Unequal Impacts of COVID-19

Looming Eviction Crisis

Booming Housing Market
Existing eviction moratoriums are set to expire at the end of December

COVID-19 Public Health and Civil Preparedness Emergencies

Connecticut Eviction Moratorium

CDC Eviction Moratorium
As protections expire, evictions are increasing

Hartford County

Fairfield County

Source: Princeton University Eviction Lab, March 15–Nov. 22, 2020
Many renters are behind on rent and believe eviction is likely in the near future

Not Caught Up On Rent (among adults in rental housing), Oct. 28 – Nov. 23.

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT</td>
<td>19%</td>
</tr>
<tr>
<td>NY</td>
<td>25%</td>
</tr>
<tr>
<td>NJ</td>
<td>21%</td>
</tr>
<tr>
<td>MA</td>
<td>17%</td>
</tr>
<tr>
<td>RI</td>
<td>17%</td>
</tr>
<tr>
<td>ME</td>
<td>14%</td>
</tr>
<tr>
<td>NH</td>
<td>12%</td>
</tr>
<tr>
<td>VT</td>
<td>12%</td>
</tr>
</tbody>
</table>

38,882
CT renters behind on rent who believe eviction is likely in the next two months

$40 Million
Current funding for the state’s COVID-19 Temporary Rental Housing Assistance Program (TRHAP)

Source: Center on Budget and Policy Priorities analysis of Census Bureau Household Pulse Survey
Landlords expect the pandemic to drive an increased eviction rate

3.1%
Average statewide eviction rate between 2001 and 2016
Source: DataHaven analysis (2019) of Eviction Lab data

4.9%
Best case estimate of average expected 2020 eviction rate by CT landlords
Source: State survey of residential landlords, May 2020

16.5%
Worst case estimate of average expected 2020 eviction rate by CT landlords
Source: State survey of residential landlords, May 2020
Black and Latino renters are more likely to be impacted by an increased eviction rate

Eviction Filings, March 11 to Nov. 23, 2020

- **61%** Share of Black renter households
- **66%** Share of Latino renter households
- **12%** Share of White renter households
- **26%** Severe Cost-Burden Renter Rate*

Source: Census Bureau ACS, 2018 & 2017(*)
The pandemic housing market is strong across the country

↑ 21%  
Home sales year-over-year

↑ 15%  
Median sale price year-over-year

↓ 33%  
Inventory year-over-year

38 days  
Average time from listing to contract

Source: RE/MAX, Oct. 2020
Home values in the state are at their highest level since the housing crash

$276,319 as of Oct. 31, 2020

+8% during the pandemic

Source: Zillow Home Value Index (ZHVI)
Experts cite several pandemic-related factors driving the strong performance of the housing market

- Low Interest Rates
- Increased Mobility
- Pandemic Priorities
A booming housing market may exacerbate existing inequities in homeownership

Hartford MSA

<table>
<thead>
<tr>
<th>PRICE TIER</th>
<th>Lowest</th>
<th>Low-middle</th>
<th>Middle</th>
<th>High-middle</th>
<th>Highest</th>
<th>All</th>
</tr>
</thead>
</table>

Sold above list

+103% increase in low-middle tier properties selling above list from Sept. 2019 to Sept. 2020

CT Homeownership rate by race/ethnicity

76% White
34% Latino
39% Black

Source: Census Bureau ACS, 2018
Part III: Consumers and Businesses
The economy rebounded a bit in 3rd quarter after a 2nd quarter drop, but it's not enough.

### Gross Domestic Product (GDP)

<table>
<thead>
<tr>
<th></th>
<th>CT</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q</td>
<td>↓ 31.1%</td>
<td>↓ 31.4%</td>
</tr>
<tr>
<td>3Q</td>
<td>data not yet available</td>
<td>↑ 33.1%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis (BEA)
Consumer spending has bounced back since its low point in April, but the rate of growth has slowed.

**Consumer Spending, 2019 v. 2020**
*(in billions of chained 2012 dollars)*

14.96%
Spending growth between April and June

1.5%
Spending growth between August and October

Source: BEA
As consumer spending decreased, personal savings hit a record high. But only some are saving.

Personal Savings as a Percentage of Disposable Personal Income

Source: BEA

66% +
Share of spending reductions attributable to households in the top 25% of income distribution

Source: Opportunity Insights Economic Tracker
Spending on services has not recovered as well as spending on goods

Year-Over-Year Changes in Consumer Spending, by Category

Durable Goods
Nondurable Goods
Services

Source: BEA
Connecticut residents are traveling less

Connecticut Vehicle Miles Traveled, 2019 & 2020

Bradley Airport Traffic, 2019 & 2020

Source: Federal Highway Administration

Source: Connecticut Airport Authority
Telework down from April, but still part of life for most Americans

- Always (51%)
- Sometimes (18%)
- Never (31%)

Source: Gallup News Poll

69% worked from home at least sometimes in April

58% worked from home at least sometimes in September
Significantly fewer businesses expect to be profitable in 2020, but most expect to at least break even

**Business Profitability Expectations**

- **2019**
  - Profit (77%)
  - Break Even (13%)
  - Loss (11%)

- **2020**
  - Profit (47%)
  - Break Even (28%)
  - Loss (25%)

**Business Sales Growth**

- **2019**
  - Growing (39%)
  - Holding Steady (44%)
  - Declining (18%)

- **2020**
  - Growing (25%)
  - Holding Steady (41%)
  - Declining (34%)

Source: Connecticut Business and Industry Association Business Survey 2020
The Federal Paycheck Protection Program may have mitigated some of the pandemic's effects on businesses

64,629
Number of PPP loans received by CT businesses

$6.72 B
Total PPP loans awarded to CT businesses

$103,952
Average loan amount to CT businesses

Economists found that PPP significantly increased companies' employment, financial health, and continuity in the short-term, but its medium-term effects are unknown.

Source: Small Business Administration

Source: Has the Paycheck Protection Program Succeeded?; Hubbard and Strain
Part IV: State Budget
## FY 21 General Fund Summary

### In Millions of Dollars

<table>
<thead>
<tr>
<th>Summary</th>
<th>FY 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Balance</td>
<td>166.2</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Budgeted</td>
<td>20,252.5</td>
</tr>
<tr>
<td><strong>Consensus Adjustment</strong></td>
<td></td>
</tr>
<tr>
<td>Withholding</td>
<td>(487.9)</td>
</tr>
<tr>
<td>Sales &amp; Use Tax</td>
<td>(342.1)</td>
</tr>
<tr>
<td>Corporations</td>
<td>(313.8)</td>
</tr>
<tr>
<td>Estimates &amp; Finals / Pass-Through Entity Tax</td>
<td>(371.9)</td>
</tr>
<tr>
<td>Volatility Cap</td>
<td>301.5</td>
</tr>
<tr>
<td>Other</td>
<td>(201.1)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>(1,415.3)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>Budgeted</td>
<td>20,086.3</td>
</tr>
<tr>
<td>Rescissions, CRF &amp; Hiring Savings</td>
<td>155.4</td>
</tr>
<tr>
<td>Lapses¹</td>
<td>370.3</td>
</tr>
<tr>
<td>Deficiencies¹</td>
<td>(131.1)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>394.6</td>
</tr>
<tr>
<td><strong>SURPLUS/(DEFICIT)</strong></td>
<td>(854.5)</td>
</tr>
</tbody>
</table>

¹These represent cumulative lapses and deficiencies across all General Fund accounts in all agencies.
### General Fund Fixed Cost Changes and Non-Fixed Cost Reductions  
*In Millions of Dollars*

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

*In Millions of Dollars*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$(1,212.5)</td>
</tr>
<tr>
<td>Revenue Policy:</td>
<td>$(914.7)</td>
</tr>
<tr>
<td>Municipal Revenue Sharing Account Diversion</td>
<td>$(355.8)</td>
</tr>
<tr>
<td>Special Transportation Fund Diversion</td>
<td>$(245.1)</td>
</tr>
<tr>
<td>Loss of Temporary Revenue</td>
<td>$(56.3)</td>
</tr>
<tr>
<td>Tax Reductions, Other Policies</td>
<td>$(78.0)</td>
</tr>
<tr>
<td>Hospital Settlement</td>
<td>$(297.8)</td>
</tr>
<tr>
<td>Revenue growth vs. Fixed Cost Growth</td>
<td>$(387.4)</td>
</tr>
</tbody>
</table>
## Projected Deficits and Budget Reserve Fund Balances

*In Millions of Dollars*

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 21</th>
<th>FY 22</th>
<th>FY 23</th>
<th>FY 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Reserve Fund Balance at End of Year</td>
<td>3,012.9</td>
<td>2,158.4</td>
<td>91.4</td>
<td>-</td>
</tr>
<tr>
<td>Projected Deficits</td>
<td>(854.5)</td>
<td>(2,067.0)</td>
<td>(2,230.4)</td>
<td>(2,142.0)</td>
</tr>
<tr>
<td>Use of Budget Reserve Fund</td>
<td>854.5</td>
<td>2,067.0</td>
<td>91.4</td>
<td>-</td>
</tr>
<tr>
<td>Revised Deficits</td>
<td>-</td>
<td>-</td>
<td>(2,139.0)</td>
<td>(2,142.0)</td>
</tr>
<tr>
<td>Budget Reserve Fund Balance at End of Year</td>
<td>2,158.4</td>
<td>91.4</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Questions?

Presented by:
Rute Pinho
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Heather Poole
Neil Ayers