State of Connecticut – G.O.

Issuer: State of Connecticut		
Assigned	**Rating**	**Outlook**
General Obligation Bonds (2022 Series C)	AA	Stable
General Obligation Refunding Bonds (2022 Series D)	AA	Stable
Taxable General Obligation Bonds (2022 Series A)	AA	Stable
Affirmed	**Rating**	**Outlook**
General Obligation Bonds	AA	Stable
Issuer: Connecticut Innovations, Incorporated		
Affirmed	**Rating**	**Outlook**
State of Connecticut General Fund Obligation Bonds 2014 Series A	AA	Stable

Methodology

U.S. State General Obligation Rating Methodology

ESG Global Rating Methodology

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Rating Summary: The long term G.O. rating continues to reflect the State of Connecticut's (the State's) strong credit profile, particularly the significant and continuing progress made in improving its financial position in recent years. The budget reserve fund (BRF or rainy-day fund) has increased from just 1.3% of general fund expenditures at FYE 2017 to a projected 30.3% at FYE 2022 supported by a trend of strong revenue performance and conservative budgeting. The BRF balance is limited to 15% of the subsequent year budget with excess amounts applied to long-term liabilities. Accordingly, the State expects to apply $3.38 billion from the projected FYE 2022 BRF balance to unfunded pension liabilities in the first half of FY 2023, supplementing the $3.44 billion actuarially determined employer contribution (ADEC) initially appropriated for that year.

Revenue projections for the FY 2022 to FY 2023 biennium have been revised steadily higher since enactment as recovery has progressed and the U.S. economy has strengthened despite a periodically resurgent pandemic. Based on the Office of Policy and Management's (OPM) latest April 2022 revenue and expenditure projections, the BRF balance is projected to increase to $6.70 billion at FYE 2022. In order to comply with the 15% statutory BRF cap, OPM projects transferring the aforementioned $3.38 billion to the State's pension systems. Revenue projections have been conservative through the pandemic, though KBRA notes that unfavorable developments with respect to the COVID-19 pandemic or the overall U.S. economy could result in negative variances.

The State received a $1.382 billion allocation from the Coronavirus Aid, Relief, and Economic Security Act (CARES) as part of the $150 billion state-focused Coronavirus Relief Fund (CRF). Substantially all of this has been spent or allocated. Connecticut was allocated an additional $2.812 billion from the American Recovery Plan Act (ARPA). The State had originally budgeted to apply $560 million toward revenue replacement in FY 2022 and $1.20 billion toward revenue replacement in FY 2023. The Revised Adopted FY 2023 budget signed into law on May 9, 2022, however, eliminates the use of ARPA funds as revenue replacement in FY 2022 and reduces the amount of revenue replacement in FY 2023 to $315 million. The $1.4 billion of revenue replacement that was eliminated between FY 2022 and FY 2023 will be directly appropriated outside of the general fund to a broad range of governmental purposes. The State plans to appropriate ARPA funds as follows: $663 million in FY 2022, $2.07 billion in FY 2023; $78 million in FY 2024, and $3.6 million FY 2025.

A revised adopted budget for the second year of the FY 2022 – FY 2023 biennium was signed into law on May 9, 2022. The budget assumes $22.39 billion in revenues (down 0.3% versus projected FY 2022) and $22.09 billion in expenditures (up 8.7% versus projected FY 2022) with increases to both revenues and expenditures relative to the budget adopted at the beginning of the biennium. The budget features $643 million in tax cuts of which approximately $200 million will be recurring beyond FY 2023.

Connecticut's economy continues to recover from the impacts of the COVID-19 pandemic. The seasonally unadjusted unemployment rate reached a high of 11.6% in May 2020 but jobs have returned quickly. As of April 2022, Connecticut's unemployment rate had eased to 3.8%, a level which, while much lower than last year's peak, exceeded the U.S. level of 3.3%.[1]

Wealth levels remain very high, with per capita income of $82,082 at 129% of the national average in 2021. The longer-term, pre-pandemic economic growth trend in the state was sluggish. Real gross state product (GSP) contracted in

[1] The seasonally adjusted unemployment rate is in contrast 4.4% for Connecticut and 3.6% for the U.S.

seven of the last fourteen years. KBRA continues to monitor economic growth in the context of the broad recovery since the early stages the pandemic with an eye toward the possible impact of further virus-related difficulties and developing macroeconomic headwinds.

The State has high debt levels, but this partly reflects its practice of issuing general obligation debt for certain university projects and for purposes that municipal entities and counties fund in other states, such as local school construction. Fixed costs (debt service, OPEB and pension) were 19.6% of general government expenditures in FY 2021, which KBRA views as high. Debt amortization is favorable with 73% of general obligation debt retired within 10 years.

The Stable Outlook reflects the diversity and high wealth levels of the economic base and strong reserve position which provides a good framework for future operations.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- State is projected to complete FY 2022 with a fully funded budget reserve fund exceeding 15% of general fund expenditures and is positioned to direct surplus resources toward supplemental pension contributions for a third consecutive year.
- Strong financial management framework for tracking revenues, monitoring budget performance and a history of making required adjustments.
- Strong wealth levels with the highest per capita personal income level among all states.

Credit Challenges

- Lower relative growth in the economic indicators of population, employment and gross state product, although there are very recent signs of growth in population.
- Unfunded pension liabilities and tax-supported debt burden are high relative to personal income, each exceeding by more than 3.0x the respective U.S. averages. However, the State borrows for many local purposes and the comparison on a combined state and local basis is more moderate.

Rating Sensitivities

▪ Stronger economic growth trends than what have been experienced since the Great Recession. ▪ Significant improvement in the funded ratios for the State's pension systems.	+
▪ Structural operating deficits in the general fund. ▪ Weakening in the State's employment base and economic activity.	-

Rating Highlights	
Per Capita Personal Income (2021) (in dollars)	$82,082
as a % of U.S.	*129%*
Population (2021)	3,605,597
Growth 2010 to 2021	*0.7%*
Real GDP, % Change 2010 to 2021	
Connecticut	0.6%
New England	15.2%
United States	24.1%
Budget Reserve Fund Balance ($ in millions)	
FYE 2017	$213
FYE 2018	$1,185
FYE 2019	$2,506
FYE 2020	$3,013
FYE 2021	$3,112
FYE 2022 Estimated[1]	$6,695
Pro Forma Direct Debt ($ in millions)	$26,739
Net Pension Liability[2] ($ in millions)	$36,430
Fixed Costs as a % of Governmental Expenditures (FY 2021)	19.6%

[1]Statute limits the BRF balance to 15% of the subsequent year's budget. To comply with this requirement, the State anticipates applying $3.382 billion of this projected balance toward the State's pension liabilities as a supplemental contribution in addition to the ADEC.

[2]Reflects 6/30/2021 measurement date for SERS and TRS and 6/30/2020 for JRS.

Rating Determinants (RD)	
1. Management Structure, Budgeting Practices and Policies	AA+
2. Debt and Additional Continuing Obligations	A+
3. Financial Performance and Liquidity Position	AA
4. State Resource Base	AA-

A detailed review of each rating determinant as well as an assessment of Bankruptcy and additional details about ESG Management can be found in KBRA's report dated December 10, 2021. Updates to ESG Management and rating determinants 2 through 4 can be found below.

ESG Management Update

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

Environmental Factors

In May 2022, Governor Ned Lamont signed legislation, Senate Bill 10: An Act Concerning Climate Change Mitigation, that updated State statute on greenhouse gas (GHG) emissions reductions. A newly added requirement is to eliminate GHG emissions from electricity supplied to electric customers in the State by 2040. The Governor also signed Senate Bill 4: An Act Concerning the Connecticut Clean Air Act, which includes updated mandates on transitioning the State's vehicle fleet away from fossil fuels. For example, the Connecticut Clean Air Act now requires 100% of state-owned and leased cars and light duty trucks to be battery electric vehicles by 2030.

Governance Factors

Cybersecurity: Following Connecticut's information technology initiatives in 2020 and 2021, including investments in cyber risk management, the State published its Cybersecurity Strategy (the "Strategy") in March 2022. The Strategy's four objectives are addressing the shortage of cyber skills, expanding public outreach and information sharing, ensuring secure state systems with a centralized cybersecurity program, and preparing for attacks through resilience planning.

RD 2: Debt and Additional Continuing Obligations Update

Tax-Supported Debt

Connecticut's state tax-supported debt burden is high relative to population, personal income, and gross state product, ranking among the most highly indebted (top 5%) of states by all three metrics. The debt burden partly reflects the State's practice of issuing general obligation debt for certain university projects and purposes that municipal entities and counties fund in other states, including school construction. Connecticut has not had a county form of government since 1960. The State's debt burden compares more favorably when assessed on the basis of aggregate state and local borrowing according to data from the U.S. Census Bureau's Annual Survey of State and Local Government Finances, ranking within the highest 20% of states by this more inclusive measure.

Figure 1

Pro Forma Direct Tax-Supported Debt Principal Amount Outstanding (dollars in millions)

	2/15/2018	2/1/2019	5/1/2020	2/1/2021	2/1/2022[1]
General Obligation Bonds	$14,038	$15,008	$14,005	$14,629	$14,994
General Obligation Bond Anticipation Notes	400	-	-	-	-
Pension Obligation Bonds (GO)[2]	2,370	2,368	2,394	2,411	2,434
UConn 2000 Bonds (GO)	1,421	1,635	1,569	1,661	1,535
Total General Obligation Debt	18,228	19,011	17,968	18,701	18,963
Special Tax Obligation Bonds	5,540	5,958	5,575	6,102	7,095
Other[3]	302	257	216	244	250
State Guaranteed City of Hartford Debt	-	516	488	494	431
Total Direct Tax-Supported Debt	**24,071**	**25,741**	**24,246**	**25,540**	**26,739**

Source: POS and historic GO Official Statements.

[1]General Obligation Bond balance adjusted to include $500 million in currently offered new money bonds.
[2]Includes accreted value of capital appreciation bonds.
[3]Includes lease financing, tax increment financings, CHFA Supportive Housing Bonds and CHFA

Figure 2

Debt Ratios[1] (in dollars)

	Connecticut	Average of U.S. States	Connecticut Rank Among the 50 States
Tax-Supported Debt:			
Per Capita	$7,415	$1,630	Highest 5%
as a % of Personal Income	9.6%	2.7%	Highest 5%
as a % of GSP	9.7%	2.6%	Highest 5%
Aggregate State and Local Debt:			
Per Capita	$15,034	$9,656	Highest 5%
as a % of Personal Income	19.8%	17.2%	Highest 20%
as a % of GSP	18.6%	14.8%	Highest 10%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures.
[1]Includes currently offered bonds.

Pensions

Funding status of the State's two major pension plans: the State Employee's Retirement System (SERS) and the State Teacher's Retirement System (TRS) remains among the lowest for U.S. States. The State has funded the full actuarially determined employer contribution (ADEC) to SERS since 2012 and TRS since 2006 but funded status of the two plans has remained weak in part because actual investment returns have lagged assumptions. The transition to more conservative return assumptions in recent years since 2016 and supplemental contributions beyond the ADEC in each of the last two years have been supportive of funding progress.

Figure 3

Net Pension Liability Ratios (GASB 67) (in dollars)	Connecticut	Average of U.S. States	Connecticut Rank Among the 50 States
Net Pension Liability:			
Per Capita	$10,103	$1,934	Highest 5%
as a % of Personal Income	13.0%	3.2%	Highest 10%
as a % of GSP	13.2%	3.2%	Highest 10%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures.

The plans have been transitioning the actuarial method for amortization of unfunded liabilities to a level-dollar basis from a level percent of payroll (backloaded) basis. The transition for SERS to this more conservative funding method was completed in 2021 with TRS transitioning through 2024. The shift has been a factor in recent and projected increases in the ADEC.

State statutes feature several mechanisms to direct excess General Fund resources toward the accelerated pay-down of long-term liabilities.

- The Revenue Volatility Cap requires that estimated and final personal income tax and pass-through entity tax receipts, in excess of a formula driven threshold[2] is directed to the BRF. Volatility cap deposits totaling $2.67 to the BRF are projected following the close of FY 2022.
- State statute additionally requires unappropriated general fund surpluses remaining at year-end be directed to the BRF. Transfers totaling $915 million to the BRF are projected for FY 2022 per this requirement.

Amounts in the BRF exceeding 15% of the current year's budget are required by statute to be directed toward the pay-down of long-term liabilities. This mechanism resulted in pension contributions exceeding the ADEC totaling $62 million for FY 2020 and $1.62 billion in FY 2021. Budget projections now indicate a supplemental contribution of approximately $3.38 billion from FY 2022 operations, which together with $3.44 billion already appropriated in fulfillment of the ADEC would result in a $6.82 billion contribution equivalent to nearly twice the ADEC for FY 2022.

Figure 4

State Contributions to SERS and TRS FYE June 30 (dollars in millions)	2017	2018	2019	2020	2021	2022 Budget	2023 Budget	2024 Projected	2025 Projected	2026 Projected
Actuarially Determined Employer Contribution	$ 2,581	$2,714	$2,867	$2,825	$3,057	$3,437	$3,721	$ 3,915	$ 4,058	$ 4,130
Additional Contributions†	-	-	-	62	1,624	3,382	-			
Total Contributions	2,581	2,714	2,867	2,887	4,681	6,819	3,721			
Total Contributions as a % of ADEC	100%	100%	100%	102%	153%	198%	100%			

Source: State of Connecticut

† Additional contributions beyond the ADEC are not budgeted for the current biennium, but surplus General Fund amounts and volatility cap deposits that would otherwise push the Budget Reserve Fund balance above the statutory cap, designated at 15% budgeted expenditures, may be available for this purpose. The $3.382 billion shown for 2022 is estimated and subject to change.

Total Fixed Costs

Total FY 2021 fixed costs including debt service, pension contributions toward ADEC[3], and pay-as-you-go OPEB represented 19.6% of governmental expenditures.

RD 3: Financial Performance and Liquidity Position Update

The State's financial position has trended favorably in the last several years as positive revenue performance, pandemic-related federal assistance, and expenditure discipline supported surpluses which were used to restore the balance of the State's budget reserve fund (BRF), from 1.1% of appropriations at FYE 2017 to the statutory limit of 15% of appropriations at FYE 2020 and FYE 2021. Negotiations with the State Employees Bargaining Agent Coalition this year resulted in agreements lasting through FY 2025, with 2.5% general wages increases for FY 2022 (retroactive), FY 2023, and FY 2024, providing increased certainty for labor expenses.

As required by statute, personal income tax and pass-through entity tax receipts above a designated threshold, as well as excess surplus funds available at year-end, are applied to the BRF up to the 15% funding cap, after which funds are directed to pay long-term liabilities. Per this mechanism, $62 million in excess funds from FY 2020 operations was directed toward supplemental pension contributions above the ADEC in early FY 2021. An additional $1.62 billion in

[2] The threshold for deposits is adjusted under a statutory formula that is pegged to a base of $3.15 billion for FY 2017, adjusted annually by the growth rate of State personal income.
[3] Supplemental contributions beyond the ADEC are excluded from this calculation.

excess funds from FY 2021 operations were applied in a similar manner toward pensions in the first half of the current 2022 fiscal year. OPM projects that an even larger surplus of $3.38 billion will be available to apply in a similar manner toward pensions in the first half of FY 2023.

CARES and ARPA

The State received $1.382 billion in CARES Act funds in 2020 and $2.812 billion in ARPA funds in 2021. CARES Act funds were limited to pandemic-related uses and were accounted for outside of the general fund. ARPA funds were more flexible. The State had originally budgeted to apply $560 million toward revenue replacement in FY 2022 and $1.20 billion toward revenue replacement in FY 2023. The Revised Adopted FY 2023 budget signed into law on May 9, 2022, however, eliminates the use of ARPA funds as revenue replacement in FY 2022 and reduces the amount of revenue replacement in FY 2023 to $315 million. The $1.4 billion of revenue replacement that was eliminated between FY 2022 and FY 2023 will be directly appropriated outside of the general fund to a broad range of governmental purposes. The State plans to appropriate ARPA funds as follows: $663 million in FY 2022, $2.07 billion in FY 2023; $78 million in FY 2024, and $3.6 million FY 2025.

Projected FY 2022 Operating Results

OPM projects that the general fund will complete FY 2022 with a sizable surplus. Gross general fund receipts are projected to increase 15.4% YoY to $25.14 billion as economically sensitive revenues continued to grow despite the periodically resurgent pandemic. Personal income and pass-through entity tax proceeds exceeded the revenue volatility cap by $2.67 billion, with this excess directed to the BRF resulting in estimated general fund revenues available for appropriation of $22.47 billion, an increase of 9.4% YoY. Total appropriations are projected in contrast to increase 4.6% YoY to $20.33 billion. A $915 million operating surplus is projected after accounting for supplemental appropriations implemented as part of the recently revised FY 2023 budget.

Figure 5

General Fund Summary Operations
Budgetary Modified Cash Basis (FYE June 30) (dollars in millions)

	2017	2018	2019	2020	2021	2022 Adopted Budget (6/23/2021)	2022 Revised Adopted Budget (5/9/2022)	2023 Adopted Budget (6/23/2021)	2023 Revised Adopted Budget (5/9/2022)
Revenues	17,703	19,670	20,600	19,724	21,773	21,431	25,135	21,413	23,921
Plus BRF Draws	23	483	-	-	-	-	-	-	-
Less Volatility Cap Deposits to BRF	-	(1,471)	(950)	(530)	(1,241)	(969)	(2,669)	(798)	(1,848)
Application of ARPA Funds						560	-	1,195	315
Revenues Available for Appropriation	17,726	18,681	19,650	19,194	20,531	21,022	22,465	21,810	22,388
Appropriations (Net Miscellaneous Adjustments)	(17,763)	(18,611)	(19,249)	(19,189)	(19,436)	(20,746)	(20,329)	(21,534)	(22,089)
Miscellaneous Adjustments	1	3	(0)	8	(0)	-	-	-	-
Prior Year Appropriations Continued into Current FY	97	60	134	165	139	-	-	-	-
Current Year Appropriations Cont. into Subsequ. FY	(60)	(134)	(165)	(139)	(758)	-	-	-	-
Actions Per Adopted FY 2023 Midterm Budget Adjustments Carryforwards/Use of Surplus	-	-	-	-	-	-	(1,222)	-	-
Operating Surplus (Deficit)[1]	**-**	**-**	**371**	**39**	**476**	**275**	**915**	**276**	**299**
Year End Surplus Transfer to BRF[1]	-	-	(371)	(39)	(476)				
Unappropriated Surplus (Deficit)	**-**	**-**	**-**	**-**	**-**				

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated May 2, 2022, Revised Adapted 2023 Budget dated May 9, 2022, and POS

[1] As required by statute, the projected FY 2022 unappropriated surplus of $915 million will be transferred to the BRF after the audit of FY 2022 operations and the General Fund surplus is confirmed. Because the BRF balance is already at the specified BRF cap at 15% of subsequent year's budgeted revenues, this balance is required by statute to be directed to outstanding long-term obligations of the State.

The projected $2.67 billion volatility cap deposit plus the $915 million surplus are projected to result in $3.58 billion available for deposit to the BRF, which together with the beginning BRF balance of $3.11 billion would result in an ending BRF balance of $6.70 billion, or 30.3% of budgeted FY 2023 appropriations. As required by statute, the State plans to transfer amounts exceeding the BRF cap at 15% of appropriations toward long-term liabilities in the first half of FY 2023. The State plans to direct this amount, estimated at $3.38 billion, toward pension contributions to SERS and TRS. The contribution would be in addition to the $3.44 billion already appropriated in satisfaction of the full ADEC for the State's pension obligations, for a total contribution of $6.82 billion, or 198% of the ADEC.

Figure 6

Budget Reserve Fund Summary Operations Budgetary Modified Cash Basis (FYE June 30) (dollars in millions)						2022		2023	
	2017	2018	2019	2020	2021	Adopted Budget (6/23/2021)	Revised Adopted Budget (5/9/2022)	Adopted Budget (6/23/2021)	Revised Adopted Budget (5/9/2022)
Beginning BRF Balance	236	213	1,185	2,506	3,013		3,112		3,313
Transfers to General Fund	(23)	(483)	-	-	-		-		-
Transfers from General Fund (Outside of Volatility Cap)	-	-	371	39	476		915		299
Volatility Cap Deposit	-	1,471	950	530	1,241		2,669		1,848
Ending BRF Balance Before Statutory Post-Close Transfers to SERS/TRS	**213**	**1,201**	**2,506**	**3,074**	**4,730**		**6,695**		**5,460**
as a % of Subsequent Year Appropriations	*1.1%*	*6.1%*	*13.1%*	*15.0%*	*22.8%*		*30.3%*		*24.7%*
Statutory Transfer to SERF and TRS Following Year End	-	(16)	-	(62)	(1,618)		(3,382)		2,147
Ending BRF Balance After Statutory Post-Close Transfer to SERS/TRS	**213**	**1,185**	**2,506**	**3,013**	**3,112**		**3,313**		**3,313**
as a % of Operating Expenditures	*1.1%*	*6.0%*	*13.1%*	*15.0%*	*15.0%*		*15.0%*		*15.0%*

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated May 2, 2022, Revised Adopted 2023 Budget dated May 9, 2022, and POS

Revised Adopted FY 2023 Budget

A revised adopted budget for the second year of the FY 2022 – FY 2023 biennium was signed into law May 9, 2022. The budget assumes $22.39 billion in revenues (down 0.4% YoY) and $22.09 billion in expenditures (up 2.6% from the original FY 2023 budget). Revenue estimates factor in the uncertainty of the current economic environment assuming a modest (0.7%) decline in personal income tax receipts and nearly level sales and use tax receipts.

Figure 7

General Fund Revenues and Expenditures Budgetary Modified Cash Basis (FYE June 30) (dollars in millions)	Actual									Budget and Projected 2022			2023		
	2017	Δ YOY (%)	2018	Δ YOY (%)	2019	Δ YOY (%)	2020	Δ YOY (%)	2021	Adopted Budget (6/23/2021)	Δ (%)	Revised Adopted Budget (5/9/2022)	Adopted Budget (6/23/2021)	Δ (%)	Revised Adopted Budget (5/9/2022)
Revenues															
Personal Income Tax	8,989	19.8%	10,770	-10.5%	9,640	-2.5%	9,398	10.0%	10,340	10,361	14.3%	11,841	10,522	11.3%	11,707
Pass-through Entity Tax	-	-	-	-	1,172	6.0%	1,242	24.8%	1,550	1,486	47.1%	2,186	1,568	24.8%	1,957
Less: Volatility Cap Deposit	-		(1,471)		(950)		(530)		(1,241)	(969)		(2,669)	(978)		(1,848)
Net PIT and Pass-Through Entity Tax	8,989	3.5%	9,299	6.1%	9,862	2.5%	10,109	5.3%	10,649	10,878	4.4%	11,358	11,112	6.3%	11,817
Federal Grants (excl. ARPA)	1,325	-13.7%	1,143	82.3%	2,084	-13.8%	1,797	-16.7%	1,496	1,852	9.2%	2,023	1,629	26.4%	2,059
Application of ARPA Funds	-		-		-		-		-	560	-100.0%	-	1,195	-73.6%	315
Sales and Use Tax	4,192	0.2%	4,202	3.2%	4,338	-0.5%	4,318	11.0%	4,793	4,275	11.5%	4,767	4,297	11.2%	4,778
Corporate Income Tax	1,038	-11.3%	921	15.2%	1,061	-11.9%	934	23.4%	1,153	1,116	21.1%	1,351	1,114	16.2%	1,294
Excise Taxes (Alcohol and Cigarettes)	445	-1.1%	440	-4.2%	421	-0.4%	419	2.6%	430	400	0.6%	402	383	0.9%	386
Indian Gaming Payments	270	1.1%	273	-6.6%	255	-35.6%	164	39.4%	229	246	0.0%	246	252	0.0%	252
Statutory Transfers from Other Funds	118	-7.3%	110	0.0%	110	24.0%	136	-15.8%	115	126	0.0%	126	122	-9.8%	110
Other	1,326	36.6%	1,811	-16.2%	1,519	-48.3%	785	112.3%	1,667	1,570	39.7%	2,193	1,706	-19.3%	1,378
Total Revenues	**17,703**	2.8%	**18,199**	8.0%	**19,650**	-2.3%	**19,194**	7.0%	**20,531**	**21,021**	6.9%	**22,466**	**21,810**	2.7%	**22,388**
Expenditures															
General Government	585	10.7%	648	0.8%	653	-2.8%	635	1.8%	646						
Public Safety	274	-5.3%	260	4.7%	272	3.2%	281	1.3%	284						
Conservation and Development	181	0.0%	181	-6.2%	170	0.9%	172	10.4%	189						
Health and Hospitals	1,190	-2.2%	1,163	2.6%	1,194	0.7%	1,203	3.4%	1,244						
Human Services	3,625	18.4%	4,292	0.5%	4,312	1.0%	4,357	-2.3%	4,258						
Education, Libraries and Museums	5,004	0.4%	5,025	3.7%	5,208	-1.0%	5,155	2.9%	5,304						
Corrections and Judicial	1,949	-2.0%	1,911	3.0%	1,968	1.8%	2,004	-0.5%	1,994						
Debt Service	1,935	1.1%	1,956	13.8%	2,225	-0.9%	2,205	0.5%	2,216						
Other	3,020	5.1%	3,175	2.3%	3,247	-2.1%	3,179	3.7%	3,297						
Total Expenditures	**17,763**	4.8%	**18,611**	3.4%	**19,249**	-0.3%	**19,189**	1.3%	**19,431**	**20,746**	-2.0%	**20,329**	**21,534**	2.6%	**22,089**

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated May 2, 2022, Revised Adopted 2023 Budget dated May 9, 2022 and POS

The budget provides for $643 million in tax cuts including:

- $150 million for suspension of the State excise tax on gasoline for July 1 through November 30;
- $125 million for a $250 per-child tax credit for lower and middle-earning families;
- $100 million to enact millage cap on property taxes for motor vehicles and appropriate funds to make localities whole for revenue reduction resulting from the cap;
- $60 million to increase the property tax credit from $200 to $300 per household.
- Of the cuts, approximately $400 million are one time with the remaining $200 million resulting in a recurring revenue impact.

Expectations for cyclically sensitive revenues were revised upward from the originally adopted biennium budget and are generally up YoY.

- Personal income tax and pass-through entity tax collections are projected to decline 2.6% YoY to $13.66 billion. This level of collections is however up 13.0% versus the original adopted biennium budget.
- Sales and use tax collections are projected to increase 0.2% YoY to $4.78 billion. This level of collections is 11.2% higher projected in the original adopted biennium budget.
- Corporate income tax collections are projected to decline 4.2% YoY to $1.29 billion. This level of collections is 16.2% higher than the original adopted biennium budget.

New spending initiatives include:

- Continuation of the ongoing suspension of bus fares on all public buses through December;
- $100 million in new investments in childcare;
- $97 million in new K-12 spending;
- $55 million in new affordable housing and programs to address homelessness;
- $158 million for COVID-19 preparedness including testing, kits, and state agency expenses.

FY 2021 Audited GAAP Results

Audited financial results from the State's FY 2021 ACFR confirm the trend of strong general fund financial performance through FY 2021 despite the pandemic. The State spent down its remaining $1.32 billion allocation CARES Act Funds in FY 2021 but did not tap ARPA Act funds within that operating year. General fund revenues increased $2.93 billion (14.6%) YoY.

Figure 8

General Fund Summary Statement of Income and Balance Sheet FYE June 30 (Audited, GAAP Basis) (dollars in millions)	**2017**	**2018**	**2019**	**2020**	**2021**
Statement of Income					
Revenues	18,502	20,663	20,776	20,062	22,990
Expenditures	17,138	18,077	18,358	18,726	20,710
Excess (Deficiency) of Rev. Over Exp.	1,364	2,586	2,418	1,336	2,280
Other Financing Sources (Uses)	(1,243)	(940)	(1,451)	(1,166)	(1,290)
Net Change in Fund Balance	**121**	**1,646**	**968**	**170**	**990**
Fund Balance (Deficit) - Beginning	(614)	(494)	1,151	2,121	2,293
Change in Reserve for Inventories	(1)	(0)	2	2	4
Fund Balance (Deficit) - Ending	**(494)**	**1,151**	**2,121**	**2,293**	**3,287**
Balance Sheet					
Assets					
Cash and Cash Equivalents	-	481	1,927	1,078	4,779
Taxes Receivable, Net	1,381	1,801	1,781	3,081	2,313
All Other	543	1,041	709	742	1,009
Total Assets	**1,924**	**3,323**	**4,417**	**4,901**	**8,102**
Liabilities					
Accounts Payable and Accrued Liabilities	**350**	**373**	**358**	**596**	**453**
Due to Other Funds	**356**	**84**	**75**	**84**	**1,701**
All Other	**1,062**	**1,030**	**1,049**	**1,151**	**1,389**
Total Liabilities	**1,768**	**1,487**	**1,482**	**1,831**	**3,543**
Deferred Inflows of Resources	650	685	814	777	1,272
Fund Balances					
Nonspendable	54	56	62	69	77
Committed for:					
Continuing Appropriations	60	134	165	139	758
Budget Reserve Fund	**213**	**1,201**	**2,506**	**3,013**	**3,112**
Future Budget Years	-	-	-	-	-
Assigned to Surplus Transfer	-	-	160	144	-
Unassigned	(821)	(241)	(771)	(1,072)	(661)
Fund Balance (Deficit) - Ending	(494)	1,151	2,121	2,293	3,287
Budget Reserve Fund as a % of Expenditures	*1.2%*	*6.6%*	*13.6%*	*16.1%*	*15.0%*
Unassigned Fund Balance as a % of Expenditures	*-4.8%*	*-1.3%*	*-4.2%*	*-5.7%*	*-3.2%*
Total Fund Balance as a % of Expenditures	*-2.9%*	*6.4%*	*11.6%*	*12.2%*	*15.9%*

Source: State of Connecticut ACFRs FY 2017 to FY 2021

Liquidity Position

The common cash pool represents the State's operating cash and includes the BRF. Available cash includes bond funds and other balances which can be made available to the common cash pool through temporary transfers under long established State practice. The State's level of cash in the common cash pool at a given point in the fiscal year reflects the seasonality of cash flow. The level of total available cash is impacted both by the rate of bond issuance and the rate of spending from those bond funds. The State has no plans to issue cash flow notes.

Figure 9

Available Cash Balance FYE June 30 (dollars in millions)	**2017**	**2018**	**2019**	**2020**	**2021**	**3/26/2022**
Common Cash Pool	$1,101	$1,871	$3,558	$4,353	$9,964	$10,542
Total Available Cash	$2,657	$3,399	$4,827	$5,725	$11,551	$12,689

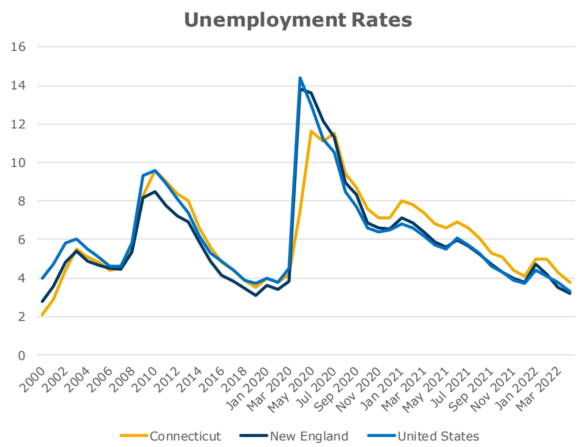
Source: State of Connecticut Treasurer's Office | Treasurer's Cash and Debt Monthly Reports.

RD 4: State Resource Base Update

Employment

Overall, State employment levels have almost fully recovered to pre-pandemic levels. According to Bureau of Labor Statistics data, the total number of jobs in the State remains 4.7% below the 2019 average levels as of April 2022. The State's unemployment rate increased slightly in January and February 2022 – correlated with the omicron variant of COVID-19 – but then declined to 3.8% in April 2022, slightly above regional (3.2%) and U.S. (3.3%) rates.

Figure 10



	Connecticut	New England	United States
April 2022	3.8	3.2	3.3
March 2022	4.3	3.5	3.8
2019 Average	3.5	3.1	3.7
Point Δ Since 2019 Average	-0.3	-0.1	0.4

Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted.

Figure 11

Total Employment (Not Seasonally Adjusted) (in thousands)						
	Connecticut	Δ(%)	New England	Δ(%)	United States	Δ(%)
2000	1,724		7,138		136,891	
2001	1,699	-1.5%	7,120	-0.3%	136,933	0.0%
2002	1,698	0.0%	7,125	0.1%	136,485	-0.3%
2003	1,688	-0.6%	7,100	-0.4%	137,736	0.9%
2004	1,687	-0.1%	7,118	0.2%	139,252	1.1%
2005	1,708	1.2%	7,164	0.6%	141,730	1.8%
2006	1,750	2.5%	7,260	1.3%	144,427	1.9%
2007	1,773	1.3%	7,311	0.7%	146,047	1.1%
2008	1,772	0.0%	7,297	-0.2%	145,362	-0.5%
2009	1,731	-2.3%	7,097	-2.7%	139,877	-3.8%
2010	1,728	-0.2%	7,102	0.1%	139,064	-0.6%
2011	1,742	0.8%	7,154	0.7%	139,869	0.6%
2012	1,730	-0.7%	7,192	0.5%	142,469	1.9%
2013	1,719	-0.6%	7,204	0.2%	143,929	1.0%
2014	1,764	2.6%	7,348	2.0%	146,305	1.7%
2015	1,786	1.2%	7,437	1.2%	148,834	1.7%
2016	1,801	0.9%	7,532	1.3%	151,436	1.7%
2017	1,839	2.1%	7,726	2.6%	153,337	1.3%
2018	1,856	0.9%	7,858	1.7%	155,761	1.6%
2019	1,882	1.4%	7,934	1.0%	157,538	1.1%
2020	1,750	-7.0%	7,327	-7.7%	147,795	-6.2%
2021	1,740	-0.6%	7,510	2.5%	152,581	3.2%
April 2022	1,794	3.1%	7,647	1.8%	152,581	0.0%
Δ Great Recession Trough to 2019	8.9%		11.7%		13.3%	
Δ 2019 Avg to Apr 2022	-4.7%		-3.6%		-3.1%	

Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted

Real Gross State Product

Connecticut's real gross state product (GSP) in CY 2021, in chained 2012 terms (i.e., inflation-adjusted with 2012 as the reference year), was essentially flat compared to CY 2010. In contrast, the New England region and the U.S. saw real GSP rise by 15.2% and 24.1%, respectively. According to the State, citing IHS Markit, real GSP in Q4 CY 2021 reached 99.9% of Q4 CY 2019 levels, and is forecasted to exceed Q4 CY 2019 levels in Q3 CY 2022.

Figure 12

Real GSP (chained 2012 millions of dollars)				
	2010	2021	Total Δ	CAGR
Connecticut	244,355	245,783	0.6%	0.05%
New England	871,287	1,003,841	15.2%	1.30%
United States	15,648,991	19,427,287	24.1%	1.99%

Source: U.S. Bureau of Economic Analysis