

State of Connecticut – General Obligation

Issuer: State of Connecticut		
Assigned	Rating	Outlook
General Obligation Bonds (2022 Series E)	AA	Stable
General Obligation Bonds (2022 Series F) (Social Bonds)	AA	Stable
General Obligation Refunding Bonds (2022 Series G)	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 general obligation rating reflects 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 an estimated 34.5% 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 \$4.11 billion from the estimated FYE 2022 BRF balance to unfunded pension liabilities next month, supplementing the \$3.43 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 broad federal stimulus and a faster than anticipated reopening of the economy supported strength in economically sensitive revenues. Based on the Office of Policy and Management’s (OPM) latest November 2022 revenue and expenditure projections, the State is projecting a total of \$2.85 billion in volatility cap and unappropriated surplus deposits to the BRF following the close of FY 2023, which the State will be required to transfer to fund long-term liabilities to comply with the 15% cap. KBRA notes however that unfavorable developments with respect to the U.S. economy could result in negative variances.

The State received \$1.382 billion in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds in 2020, which were applied to pandemic-related costs incurred between March 1, 2020 and December 30, 2020. The use of such funds

was accounted for outside of the general fund. The State received an additional \$2.812 billion in American Rescue Plan Act (ARPA) funds in 2021, the allowable uses of which are 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, eliminated the use of ARPA funds as revenue replacement in FY 2022 and reduced 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. While the majority of ARPA funds are now appropriated, only \$470 million or 16.8% of the total has been expended as of October 21, 2022.

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 for the general fund 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. OPM projections dated November 18, 2022 anticipate favorable general fund variances for FY 2023 with receipts 2.6% above budget and expenditures 0.6% below budget. The Connecticut General Assembly Office of Fiscal Analysis released an updated Fiscal Accountability Report on November 18, 2022. The report projects positive general fund surpluses each year through FY 2026 but cautions that there may be pressure in the upcoming FY 2024 to FY 2025 biennium to replace one-time carryforwards and ARPA funding that bolstered receipts in the prior biennium. The report also cautions that next year’s budget may face a more challenging revenue environment as higher rates and the fading impact of fiscal stimulus drag on cyclically sensitive revenue sources.

Connecticut’s economy has recovered significantly from the early months of the pandemic, but seasonally adjusted unemployment has trended higher than that of the New England region and U.S. over the last year. As of October 2022,



Connecticut's unemployment rate was 4.3%, higher than the New England region and U.S. at 3.3% and 3.7%, respectively. Wealth levels remain very high, with per capita income of \$83,294 at 130% 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 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 79% of general obligation debt scheduled to retire within 10 years.

The Stable Outlook reflects Connecticut's diverse and high wealth economic base, strong reserve position, and effective financial management practices, which together provide a solid foundation for future financial performance.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- State is projected to complete FY 2023 with a fully funded BRF exceeding 15% of general fund expenditures and is positioned to direct surplus resources toward supplemental pension contributions for a fourth 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 recent signs of growth in population.
- Unfunded pension liabilities and tax-supported debt burden are high relative to personal income, each exceeding the respective U.S. averages by more than 3.0x. 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.	-
Sustained weakening in the State's employment base and economic activity.	

Rating Highlights

Per Capita Personal Income (2021) (in dollars) <i>as a % of U.S.</i>	\$82,082 129%
Population (2021) <i>Growth 2010 to 2021</i>	3,605,597 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	\$7,420
Pro Forma Direct Debt (\$ in millions)	\$26,792
Net Pension Liability ² (\$ in millions)	\$36,379
Fixed Costs as a % of Governmental Expenditures (FY 2021)	19.6%

¹Statute limits the BRF balance to 15% of the subsequent year's budget. To comply with this requirement, the State anticipates applying \$4.107 billion of this projected balance toward the State's pension liabilities as a supplemental contribution in addition to the ADEC.

²Reflects 6/30/2021 measurement date for SERS, TRS 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 ESG management can be found in prior KBRA reports, the latest of which is [dated](#) May 25, 2022.

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 GSP, 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)	2/1/2019	5/1/2020	2/1/2021	2/1/2022	9/30/2022 ¹
General Obligation Bonds	\$ 15,008	\$ 14,005	\$ 14,629	\$ 14,994	\$ 14,311
General Obligation Bond Anticipation Notes	-	-	-	-	-
Pension Obligation Bonds (GO) ²	2,368	2,394	2,411	2,434	2,363
UConn 2000 Bonds (GO)	1,635	1,569	1,661	1,535	1,675
Total General Obligation Debt	19,011	17,968	18,701	18,963	18,349
Special Tax Obligation Bonds	5,958	5,575	6,102	7,095	6,940
Other ³	257	216	244	250	1,072
State Guaranteed City of Hartford Debt	516	488	494	431	431
Total Direct Tax-Supported Debt	25,741	24,246	25,540	26,739	26,792

Source: Office of the Treasurer Monthly Debt Statement dated November 3, 2022, POS and historic GO Official Statements.

¹General Obligation Bond balance adjusted to include \$650 million in currently offered new money bonds.

²Includes accreted value of capital appreciation bonds.

³Includes lease financing, tax increment financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds.

Figure 2

Debt Ratios ¹ (in dollars)	Connecticut	Average of U.S. States	Connecticut Rank Among the 50 States
Tax-Supported Debt:			
Per Capita	\$7,431	\$1,718	Highest 5%
as a % of Personal Income	8.9%	2.7%	Highest 5%
as a % of GSP	9.0%	2.5%	Highest 5%
Aggregate State and Local Debt:			
Per Capita	\$14,721	\$9,856	Highest 5%
as a % of Personal Income	19.0%	16.7%	Highest 20%
as a % of GSP	19.2%	15.6%	Highest 15%

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

¹Includes currently offered bonds.

Pensions

The State Employee's Retirement System (SERS) and the State Teacher's Retirement System (TRS) remains among the lowest funded pension plans among 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 three 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	\$10,090	\$2,060	Highest 5%
as a % of Personal Income	12.1%	3.2%	Highest 5%
as a % of GSP	12.2%	3.1%	Highest 5%

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 the transition for TRS ongoing 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 threshold¹, be directed to the BRF. Volatility cap deposits totaling \$3.05 billion to the BRF from FY 2022 operations are anticipated in December 2022, following the accounting close of FY 2022.
- State statute additionally requires unappropriated general fund surpluses remaining at year-end be directed to the BRF. Transfers totaling \$1.26 billion to the BRF from FY 2022 operations are anticipated in December 2022, following the accounting close of FY 2022.

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, \$1.62 billion in FY 2021, and an estimated \$4.11 billion for FY 2022. For FY 2022, the estimated \$4.11 billion supplemental contribution, together with the \$3.43 billion already appropriated in fulfillment of the ADEC, would result in a \$7.53 billion contribution equivalent to more than twice the ADEC for FY 2022.

Figure 4

State Contributions to SERS and TRS									
FYE June 30 (dollars in millions)									
	2018	2019	2020	2021	2022	2023	2024	2025	2026
					Estimate	Budget	Projected	Projected	Projected
Actuarially Determined Employer Contribution	\$ 2,714	\$ 2,867	\$ 2,825	\$ 3,057	\$ 3,427	\$ 3,728	\$ 3,915	\$ 4,058	\$ 4,130
Additional Contributions [†]	-	-	62	1,624	4,107	-			
Total Contributions	2,714	2,867	2,887	4,681	7,534	3,728			
Total Contributions as a % of ADEC	100%	100%	102%	153%	220%	100%			

Source: State of Connecticut

[†]Additional contributions beyond the ADEC are not budgeted for FY 2023, 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 \$4.11 billion shown for 2022 is estimated and subject to change.

Total Fixed Costs

Total FY 2021 fixed costs including debt service, pension contributions toward ADEC², 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 recent years. Positive revenue performance, pandemic-related federal assistance, and expenditure discipline have supported budgetary surpluses in each of the last five years and supplemental contributions to pensions in excess of the ADEC in each year since FY 2020. The BRF has been maintained at the statutory limit of 15% of appropriations at the end of each of the last three years and is budgeted to remain at this level in the current 2023 fiscal year. Negotiations with the State Employees Bargaining Agent Coalition last 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.

Pandemic-Related Federal Assistance

The States received \$1.382 billion in CARES Act funds in 2020 which were applied to pandemic-related costs incurred between March 1, 2020 and December 30, 2020. The use of such funds was accounted for outside of the general fund.

The State received \$2.812 billion in ARPA funds in 2021, the allowable uses of which is 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, eliminated the use of ARPA funds as revenue replacement in FY 2022 and reduced 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. While the majority of ARPA funds are now appropriated, only \$470 million or 16.8% of the total has been expended as of October 21, 2022.

FY 2022 Operating Results

The general fund ended FY 2022 with a sizable surplus. Gross general fund receipts increased 15.0% YoY to \$25.04 billion as broad federal stimulus and a rapidly reopening economy supported strength in economically sensitive receipts despite the periodically resurgent pandemic. Personal income and pass-through entity tax proceeds exceeded the revenue volatility cap by \$3.05 billion, with this excess directed to the BRF resulting in estimated general fund revenues

¹ 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.

² Supplemental contributions beyond the ADEC are excluded from this calculation.

available for appropriation of \$21.99 billion, an increase of 7.1% YoY. Total appropriations in contrast to increase 6.3% YoY to \$21.66 billion. A \$1.26 billion operating surplus was realized 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)							
	2018	2019	2020	2021	2022	2023	
						Adopted Budget	Estimate (Nov 2022)
Revenues	19,670	20,600	19,724	21,773	25,038	21,413	25,812
Plus BRF Draws	483	-	-	-	-	-	-
Less Volatility Cap Deposits to BRF	(1,471)	(950)	(530)	(1,241)	(3,047)	(798)	(2,853)
Revenues Available for Appropriation	18,681	19,650	19,194	20,531	21,991	22,388	22,959
Appropriations (Net Miscellaneous Adjustments)	(18,611)	(19,249)	(19,189)	(19,436)	(20,655)	(21,534)	(21,954)
Miscellaneous Adjustments	3	(0)	8	(0)	1	-	-
Prior Year Appropriations Continued into Current FY	60	134	165	139	758	-	-
Current Year Appropriations Cont. into Subsequ. FY	(134)	(165)	(139)	(758)	(834)	-	-
Actions Per Adopted FY 2023 Midterm Budget	-	-	-	-	-	-	-
Adjustments Carryforwards/Use of Surplus	-	-	-	-	-	-	-
Operating Surplus (Deficit)¹	-	371	39	476	1,261	854	1,005
Year End Surplus Transfer to BRF ¹	-	(371)	(39)	(476)	(1,261)	-	-
Unappropriated Surplus (Deficit)	-	-	-	-	-	-	-

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated September, 2022 for FY 2022, OPM Letter dated November 18, 2022 for FY 2023 estimate.

¹As 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 \$3.05 billion volatility cap deposit plus the \$1.26 billion surplus resulted in \$4.11 billion available for deposit to the BRF, which, together with the beginning BRF balance of \$3.11 billion, resulted in an ending BRF balance of \$7.42 billion, or 34.5% 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 \$4.11 billion, toward pension contributions to SERS and TRS. The contribution will be in addition to the \$3.433 billion already appropriated in satisfaction of the full ADEC for the State's pension obligations, for a total contribution of \$7.53 billion, or 220% of the ADEC.

Figure 6

Budget Reserve Fund Summary Operations							
Budgetary Modified Cash Basis (FYE June 30) (dollars in millions)							
	2018	2019	2020	2021	2022	2023	
						Adopted Budget	Estimate (Nov 2022)
Beginning BRF Balance	213	1,185	2,506	3,013	3,112	-	3,313
Transfers to General Fund	(483)	-	-	-	-	-	-
Transfers from General Fund (Outside of Volatility Cap)	-	371	39	476	1,261	-	1,005
Volatility Cap Deposit	1,471	950	530	1,241	3,047	-	1,848
Ending BRF Balance Before Statutory Post-Close Transfers to SERS/TRS	1,201	2,506	3,074	4,730	7,420	-	6,166
as a % of Ensuig FY Net GF Approps. ¹	6.1%	13.1%	15.0%	22.8%	34.5%	-	28.1%
Statutory Transfer to SERF and TRS Following Year End	(16)	-	(62)	(1,618)	(4,107)	-	(2,853)
Ending BRF Balance After Statutory Post-Close Transfer to SERS/TRS	1,185	2,506	3,013	3,112	3,313	-	3,313
as a % of Ensuig FY Net GF Approps.	6.0%	13.1%	15.0%	15.0%	15.0%	-	15.0%

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated September 30, 2022, OPM Letter dated November 18, 2022, and POS.

¹Figures for FY 2023 is as a % of estimated appropriations for the current year.

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. As of November 2022, OPM estimates that FY 2023 receipts will come in \$571 million, or 2.6%, over budget at \$22.96 billion and that expenditures will come in \$135 million, or 0.6%, below budget at \$21.95 billion.

Figure 7

General Fund Revenues and Expenditures													
Budgetary Modified Cash Basis (FYE June 30) (dollars in millions)													
	Actual								Budget and Projected				
	2018	Δ YOY (%)	2019	Δ YOY (%)	2020	Δ YOY (%)	2021	Δ YOY (%)	2022	Δ (%)	Revised Adopted Budget (5/9/2022)	Δ (%)	OPM November Estimate
Revenues													
Personal Income Tax	10,770	-10.5%	9,640	-2.5%	9,398	10.0%	10,340	17.3%	12,132	-3.5%	11,707	0.0%	11,707
Pass-through Entity Tax	-	-	1,172	6.0%	1,242	24.8%	1,550	48.9%	2,308	-15.2%	1,957	0.0%	1,957
Less: Volatility Cap Deposit	(1,471)		(950)		(530)		(1,241)		(3,047)		(1,848)		(1,848)
Net PIT and Pass-Through Entity Tax	9,299	6.1%	9,862	2.5%	10,109	5.3%	10,649	7.0%	11,392	3.7%	11,817	0.0%	11,817
Federal Grants (excl. ARPA)	1,143	82.3%	2,084	-13.8%	1,797	-16.7%	1,496	29.3%	1,935	6.4%	2,059	3.4%	2,129
Application of ARPA Funds	-		-		-		-		-		315	0.0%	315
Sales and Use Tax	4,202	3.2%	4,338	-0.5%	4,318	11.0%	4,793	0.5%	4,818	-0.8%	4,778	5.9%	5,058
Corporate Income Tax	921	15.2%	1,061	-11.9%	934	23.4%	1,153	21.5%	1,401	-7.6%	1,294	0.0%	1,294
Excise Taxes (Alcohol and Cigarettes)	440	-4.2%	421	-0.4%	419	2.6%	430	-5.7%	406	-4.8%	386	0.0%	386
Indian Gaming Payments	273	-6.6%	255	-35.6%	164	39.4%	229	8.7%	249	1.3%	252	0.0%	252
Statutory Transfers from Other Funds	110	0.0%	110	24.0%	136	-15.8%	115	10.2%	126	-12.8%	110	0.0%	110
Other	1,811	-16.2%	1,519	-48.3%	785	112.3%	1,667	-0.2%	1,664	-17.2%	1,378	16.1%	1,599
Total Revenues	18,199	8.0%	19,650	-2.3%	19,194	7.0%	20,531	7.1%	21,991	1.8%	22,388	-0.6%	22,959
Expenditures													
General Government	648	0.8%	653	-2.8%	635	1.8%	646	16.0%	750	44.7%	1,085		
Public Safety	260	4.7%	272	3.2%	281	1.3%	284	6.9%	304	23.1%	374		
Conservation and Development	181	-6.2%	170	0.9%	172	10.4%	189	23.0%	233	-44.0%	131		
Health and Hospitals	1,163	2.6%	1,194	0.7%	1,203	3.4%	1,244	2.6%	1,276	7.3%	1,370		
Human Services	4,292	0.5%	4,312	1.0%	4,357	-2.3%	4,258	4.4%	4,445	12.1%	4,984		
Education, Libraries and Museums	5,025	3.7%	5,208	-1.0%	5,155	2.9%	5,304	7.4%	5,698	3.0%	5,871		
Corrections and Judicial	1,911	3.0%	1,968	1.8%	2,004	-0.5%	1,994	-4.1%	1,912	9.3%	2,089		
Debt Service	1,956	13.8%	2,225	-0.9%	2,205	0.5%	2,216	4.9%	2,325	10.6%	2,572		
Other	3,175	2.3%	3,247	-2.1%	3,179	3.7%	3,297	12.5%	3,709	-2.6%	3,614		
Total Expenditures	18,611	3.4%	19,249	-0.3%	19,189	1.3%	19,431	6.3%	20,652	7.0%	22,089	-0.6%	21,954

Source: Annual Financial Reports of the State Comptroller, OPM Letter dated September 30, 2022, Revised Adopted 2023 Budget dated May 9, 2022, OPM Letter dated November 18, 2022, and POS.

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 that can be made available to the common cash pool through temporary transfers under long established State practice. Variability in the 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)						
	2018	2019	2020	2021	2022	10/1/2022
Common Cash Pool	\$1,871	\$3,558	\$4,353	\$9,964	\$12,758	\$10,558
Total Available Cash	\$3,399	\$4,827	\$5,725	\$11,551	\$14,612	\$11,948

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

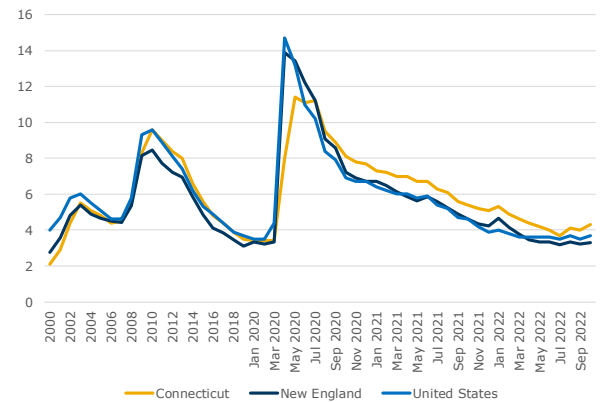
RD 4: State Resource Base Update

Employment

State employment has rebounded from the early months of the pandemic but remains below the pre-pandemic level. According to Bureau of Labor Statistics data, as of October 2022, the total number of jobs in the State is 3.2% below the 2019 average. State unemployment has trended higher than the regional and U.S. average in the last year. As of October 2022, state unemployment was 4.3%, higher than New England and the U.S. at 3.3% and 3.7%, respectively.

Figure 10

Unemployment Rates



	Connecticut	New England	United States
October 2022	4.3	3.3	3.7
September 2022	4.0	3.2	3.5
2019 Average	3.5	3.1	3.7
Point Δ Since 2019 Average	-0.8	-0.2	0.0

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	1,749	-7.0%	7,326	-7.7%	147,806	-6.2%
2021	1,738	-0.6%	7,508	2.5%	152,579	3.2%
October 2022	1,822	4.8%	7,736	3.0%	158,608	4.0%
Δ Great Recession Trough to 2019	8.9%		11.7%		13.3%	
Δ 2019 Avg to October 2022	-3.2%		-2.5%		0.7%	

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

Real Gross State Product

Connecticut's real gross state product (GSP) in 2021 was essentially flat compared to 2010. In contrast, the New England region and the U.S. saw real GSP rise by 16.1% and 25.3%, respectively.

Figure 12

Real GSP				
(chained 2012 millions of dollars)				
	2010	2021	Total Δ	CAGR
Connecticut	244,355	246,556	0.9%	0.08%
New England	871,287	1,011,338	16.1%	1.36%
United States	15,648,991	19,609,812	25.3%	2.07%

Source: U.S. Bureau of Economic Analysis



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