

**INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT**

FEBRUARY 15, 2024

This Information Statement of the State of Connecticut (the “State”) contains information through February 15, 2024. The State expects to include this Information Statement in its Official Statements for securities offerings as a “Part II” and has numbered the pages accordingly. The State expects to update this Information Statement from time to time with supplementary information in connection with such offerings, but except as expressly noted all information is as of February 15, 2024. Such updates are expected to include certain interim financial information prepared on a statutory basis, but are not expected to include interim financial information prepared in accordance with GAAP.

The audited GAAP financial statements of the State for the fiscal year ended June 30, 2023, which ordinarily would be included herein as **Appendix II-C**, have not yet been completed and released. The State will refile this Information Statement with **Appendix II-C** when such financial statements are released. Information ordinarily included herein using such information is also blank and will be included in the refiled Information Statement.

Information of interest to investors may also be posted on the State’s investor relations website at www.buyctbonds.com. Reference to such website is presented herein for informational purposes only. Such website and the information or links contained therein are not incorporated herein.

This Information Statement is updated from time to time to delete stale information for which new information has been provided and to add supplementary information in connection with the State’s general obligation bond offerings. These updates are indicated by shading such information as exemplified by this paragraph. Information not highlighted continues to speak as of February 15, 2024.

This Information Statement and any appendices attached hereto should be read collectively and in their entirety.

This Information Statement may be obtained electronically at www.buyctbonds.com or by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 165 Capitol Avenue, Hartford, Connecticut 06106, (860) 702-3288.

Constitutional Elected Officers

Governor	Edward (“Ned”) Miner Lamont, Jr.
Lieutenant Governor	Susan Bysiewicz
Secretary of the State	Stephanie Thomas
Treasurer	Erick Russell
Comptroller	Sean Scanlon
Attorney General	William Tong

TABLE OF CONTENTS

INDEX TO TABLES.....	II-4
FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS.....	II-6
INTRODUCTION	II-7
FINANCIAL PROCEDURES	II-8
The Budgetary Process	II-9
Financial Controls	II-11
Accounting Procedures	II-14
Cash Management and Investment	II-15
STATE GENERAL FUND	II-18
General Fund Revenues	II-18
General Fund Expenditures.....	II-22
Forecasted Operation	II-26
Adopted Budget for Fiscal Years 2022 and 2023	II-28
Fiscal Year 2023 Operations.....	II-28
Adopted Budget for Fiscal Years 2024 and 2025	II-28
Fiscal Year 2024 Operations.....	II-30
Federal Infrastructure Improvement and Jobs Act (“IIJA”).....	II-31
General Fund Budget History	II-33
STATE DEBT	II-36
Constitutional Provisions	II-36
Statutory Provisions	II-36
Types of Direct General Obligation Debt	II-39
OTHER FUNDS, DEBT AND LIABILITIES	II-49
Special Transportation Fund and Debt.....	II-49
Other Special Revenue Funds and Debt	II-50
Contingent Liability Debt	II-51
PENSION AND RETIREMENT SYSTEMS.....	II-58
Pension Systems - Overview	II-58
State Employees’ Retirement Fund (“SERF”).....	II-61
Teachers’ Retirement Fund (“TRF”)	II-72
SERF/TRF Sensitivity and Stress Test Analyses.....	II-80
Investment of Pension Funds	II-81
Investment Returns	II-82
Other Retirement Systems	II-82
Social Security and Other Post-Employment Benefits (“OPEB”)	II-82
Additional Information	II-88
CLIMATE CHANGE	II-89
Climate Impacts	II-89
State Actions to Improve Sustainability and Resiliency	II-90
State Response to Reduce Its Contribution to Climate Change	II-92
LITIGATION	II-94
OTHER MATTERS	II-96
COVID-19 Outbreak.....	II-96
Hospital Dispute	II-96
Information Technology, Cybersecurity and Related Matters	II-96

INDEX TO APPENDICES TO INFORMATION STATEMENT.....	II-99
APPENDIX II-A GOVERNMENTAL ORGANIZATION AND SERVICES.....	II-A-2
Introduction.....	II-A-2
State Government Organization.....	II-A-2
State Employees.....	II-A-6
Governmental Services	II-A-9
APPENDIX II-B STATE ECONOMY	II-B-2
Economic Resources.....	II-B-2
Economic Performance.....	II-B-5
Employment.....	II-B-9
Manufacturing.....	II-B-12
Unemployment Rates.....	II-B-18
APPENDIX II-C June 30, 2023 Audited Basic (GAAP-Based) Financial Statements - To be Included	
Upon Completion	II-C-1
APPENDIX II-D June 30, 2019-June 30, 2023 Statutory Basis General Fund Financial Statements	II-D-1
APPENDIX II-E Adopted Budget and Financial Results for Fiscal Years 2023, Adopted and Estimated	
Budget for Fiscal Year 2024 and Adopted Budget for Fiscal Year 2025	II-E-2

INDEX TO TABLES

Table Number		Page
1	Fixed Costs – General Fund Summarized by Major Expenditure Category.....	II-26
2	Summary of Operating Results — Statutory Basis	II-33
3	Summary of Operating Results — Statutory Basis vs. GAAP Basis.....	II-33
4	Unreserved Fund Balance —Statutory Basis.....	II-34
5	Unreserved Fund Balance — Statutory Basis vs. GAAP Basis.....	II-34
6	General Fund Fund Balances-GAAP Basis	II-35
7	Statutory Debt Limit	II-38
8	Direct General Obligation Indebtedness Principal Amount Outstanding as of February 1, 2024	II-43
9	Outstanding Long-Term General Obligation Debt and Debt Ratios	II-43
9a	Combined State and Local Debt Compared to State Personal Income.....	II-44
10	Summary of Principal, Mandatory Sinking Fund Payments, and Interest on LongTerm Direct General Obligation Debt ^(a) As of February 1, 2024.....	II-45
11	Outstanding Long-Term Direct General Obligation Debt.....	II-46
12	Authorized but Unissued Direct General Obligation Debt as of February 1, 2024	II-47
13	Statutory General Obligation Bond Authorizations and Reductions	II-47
14	General Obligation Bond Allocations for Fiscal Years 2019 – 2023	II-48
15	Special Tax Obligation Bonds as of February 1, 2024	II-50
16	Special Capital Reserve Fund Debt as of February 1, 2024	II-55
17	State Employees’ Retirement Fund	II-64
18	Normal Cost by Tier	II-65
19	Modeling Of State Employees’ Retirement Fund Future Funded Ratios and Annual Contribution Requirements.....	II-66
20	State Employees’ Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits	II-68
21	State Employees’ Retirement Benefit Cost-Of-Living Allowances	II-71
22	Teachers’ Retirement Fund.....	II-76
22a	Modeling of Teachers’ Retirement Fund Future Funded Ratios and Annual Contribution Requirements	II-78
23	Teachers’ Retirement Benefit Cost-Of-Living Allowances	II-79
24	Pension Fund Investment Allocations as of June 30, 2023	II-81
25	State Employee Retirees Health Care and Life Insurance Benefits.....	II-85
26	Teachers’ Retirement Health Insurance Fund	II-88
A-1	Structure of State Government	II-A-3

Table Number		Page
A-2	State Employees By Function of Government	II-A-6
A-3	State Employees As of April 30, 2023 By Function of Government and Fund Categories	II-A-7
A-4	Full-Time Work Force Collective Bargaining Units and Those Not Covered by Collective Bargaining	II-A-8
A-5	Function of Government Headings	II-A-9
B-1	Population	II-B-2
B-2	Connecticut Personal Income by Place of Residence	II- B-6
B-3	Annual Growth Rates in Personal Income By Place of Residence	II- B-6
B-4	Sources of Personal Income By Place of Residence Calendar Year 2022	II- B-7
B-5	Gross State Product (In Millions)	II- B-7
B-6	Gross State Product (In Millions of 2012 Chained Dollars)	II- B-8
B-7	Gross State Product by Industry in Connecticut	II- B-9
B-8	Non-agricultural Employment	II- B-10
B-8a	Connecticut Survey Employment Comparisons	II- B-10
B-9	Connecticut Non-agricultural Employment, Calendar Year 2022	II- B-11
B-10	Connecticut Non-agricultural Employment (Annual Averages)	II- B-12
B-11	Manufacturing Employment	II- B-13
B-12	Manufacturing Employment By Industry	II- B-13
B-13	Exports Originating in Connecticut	II- B-14
B-14	Defense Contract Awards	II- B-15
B-15	Non-manufacturing Employment	II- B-16
B-16	Connecticut Non-manufacturing Employment By Industry	II- B-16
B-17	Retail Trade In Connecticut	II- B-17
B-18	Unemployment Rate	II- B-18

FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

This Information Statement and its appendices attached hereto include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Information Statement and its appendices are based on information available to the State up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the State assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; (ii) action or inaction by the U.S. Congress on issues associated with the federal debt limit, federal appropriations and continuity of federal operations; (iii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iv) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; (v) future energy costs; (vi) health care related matters including Medicaid reimbursements; (vii) federal defense spending; (viii) financial services industry developments; (ix) litigation or arbitration; (x) climate and weather related developments, natural disasters and other acts of God; (xi) changes in retirement rates, inflation rates, interest rates, increases in health care costs, longevity rates and other factors used in estimating future obligations of the State, among others; (xii) the effects of epidemics and pandemics, including economic effects; (xiii) foreign hostilities or wars; (xiv) foreign or domestic terrorism or domestic violent extremism; (xv) disruptions to the State’s technology network including computer systems and software and (xvi) other factors contained in this Information Statement and its appendices. Investors should carefully review all of the factors.

INTRODUCTION

This Information Statement of the State of Connecticut (the “State”) contains certain information that a potential investor might consider material in reaching a decision to invest in securities of the State. Quotations from and summaries and explanations of provisions of laws of the State contained in this Information Statement do not purport to be complete and are qualified in their entirety by reference to such provisions of law. This Information Statement and any appendices attached hereto should be read collectively and in their entirety.

The information included in this Information Statement is organized as follows:

Financial Procedures discusses the legal and administrative processes, procedures, controls and policies that generally apply to all State funds.

State General Fund discusses the State’s General Fund, which is the source of financing for most operating activity of the State. The discussion includes both prospective and historical information about the General Fund. Additional information regarding General Fund activity is included in **Appendices II-C, II-D and II-E** to this Information Statement.

State Debt describes the procedures for the authorization to incur State debt and the various ways in which the State may borrow funds to finance State functions and capital projects. This section provides both current and historical information about the State’s borrowing practices and State indebtedness.

Other Funds, Debt and Liabilities provides an overview of certain obligations of the State that are not accounted for in the General Fund but that are contingent liabilities of the State. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix II-C** to this Information Statement.

Pension and Retirement Systems describes the major pension and retirement systems of the State. Additional information regarding these systems is included in **Appendix II-C** to this Information Statement.

Climate Change describes the impact of climate change on the State and the actions the State is taking to improve sustainability and resiliency.

Litigation comprises a summary of pending legal actions in which the fiscal impact of an adverse decision may not be determined at this time and the Attorney General is unable to opine that a final judgment against the State in such suits would not materially adversely affect the State’s financial position.

Other Matters includes additional matters that do not fall within the other headings.

Appendices II-A through II-E to this Information Statement contain detailed information relating to the information summarized in the Information Statement and should be read in their entirety. **Appendix II-A** provides information concerning the organization of the State government and services. **Appendix II-B** provides information about the State’s economy. **Appendices II-C and II-D** provide financial statements of the State. **Appendix II-E** provides additional budgetary and financial information.

The State’s fiscal year begins on July 1 and ends on June 30. References to “Fiscal Year” throughout this Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2024 refers to the fiscal year beginning July 1, 2023 and ending June 30, 2024.

References herein to “CGS” refer to the Connecticut General Statutes.

FINANCIAL PROCEDURES

The State has in place a number of constitutional provisions, statutes, regulations and administrative policies and procedures that bear on fiscal management and accountability. These include provisions that limit debt and expenditures and provisions that lay out a sequence for planning future budgets, the development and adoption of a biennial budget and the monitoring of the State's financial position against the current budget. Taken as a whole, the State believes these provisions provide budgetary discipline, financial controls and forecasting and monitoring resulting in sound fiscal management and accountability. These provisions include the following elements, each of which are explained in more detail in the text that follows:

Budget Discipline	<i>Balanced Budget Requirement</i>	The State Constitution provides that the General Assembly may not authorize general budget expenditures in excess of estimated revenues. State law requires that total net appropriations for each fund shall not exceed estimated revenues for such fund.
Financial Controls	<i>Spending Cap</i>	The General Assembly is prohibited by the State Constitution from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions.
Budget Discipline	<i>Biennial Budget</i>	The budget covers a two year period and the power to propose, enact and implement such budget rests with the Governor and General Assembly.
Budget Discipline	<i>Line Item Veto</i>	Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill.
Financial Controls	<i>Debt Limit</i>	By statute, the State may not authorize general obligation debt in excess of 1.6 times General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission. In addition, there are additional issuance limits imposed on the Treasurer.
Forecasting and Monitoring	<i>Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools</i>	Monthly reports are required from the Comptroller and the Office of Policy and Management, and periodic reports from other governmental entities, including the Legislature's Office of Fiscal Analysis.
Financial Controls	<i>Rescission Authority and Deficit Mitigation</i>	The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1% of total General Fund appropriations. The Governor is authorized to reduce allotments up to 5% of any appropriation, but not to exceed 3% of any fund and to make further reductions with legislative approval.
Budget Discipline	<i>Budget Reserve Fund</i>	There exists both a constitutional and a statutory regime for funding the Budget Reserve Fund.
Financial Controls	<i>GAAP Based Budgeting</i>	The State has transitioned from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board.
Budget Discipline	<i>Bond Covenant</i>	The State has covenanted with bondholders to follow financial disciplines and controls.

The Budgetary Process

Balanced Budget Requirement and Spending Cap. The State Constitution provides that the amount of general budget expenditures authorized for any fiscal year may not exceed the estimated amount of revenue for such fiscal year. The Constitution also precludes the General Assembly from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage that exceeds the greater of the percentage increase in personal income or the percentage increase in inflation unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

In addition to the exclusion of debt service from the budget cap, by statute there are also excluded expenditures of any federal funds granted to the State or its agencies; expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized; expenditures for federal programs in which the State is participating for which the State received federal matching funds in the first fiscal year in which such expenditures are authorized and temporarily payments for a portion of the state employee and teachers' pension contributions. In addition, a base year adjustment is made in any fiscal year in which an expenditure item is moved on or off budget.

In addition to the above limitations on the authorization of general budget expenditures, the General Assembly is prohibited from authorizing General Fund and Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed 98.75% of the estimated revenues included in a budget act. The General Assembly may, however, authorize appropriations exceeding such percentage if the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such percentage for the purposes of such emergency or extraordinary circumstances and such appropriation is for the fiscal year in progress only or if each house of the General Assembly approves by majority vote any such appropriation for purposes of an adjusted appropriation and revenue plan. This is referred to as the "revenue cap". See **STATE DEBT – Statutory Provisions – Bond Covenant** herein.

Biennium Budget. The State's fiscal year begins on July 1 and ends on June 30. The CGS require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document to the General Assembly in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report that sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, that sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to the Office of Policy and Management ("OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. On or before September 1 of each odd-numbered year, each agency submits its recommended adjustments or revisions of such estimates. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to OPM on or before September 1 and the joint legislative standing committee on finance, revenue and bonding on or before November 15. Upon receipt of such agency reports, it is OPM's practice to prepare a preliminary budget report.

Budget Document. The budget document is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly on the day the General Assembly first convenes in even-numbered years. By statute, the budget document must contain the Governor's budget message, the Governor's program for meeting the expenditure needs of the State, as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. The Governor also will recommend the manner in which any deficit will be met or any surplus used.

Adoption of the Budget. Following publication and presentation of the budget document to the General Assembly, the Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or related reports. Prior to June 30 of each odd-numbered year, the General Assembly enacts legislation making appropriations for the next two fiscal years and setting forth revenue estimates for those years.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two thirds vote of each house.

Statutory Debt Limit. In addition to the biennial budget, the General Assembly also authorizes a variety of types of debt. CGS Section 3-21 provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there are certain statutory exclusions and deductions. In addition, the Treasurer may not issue general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate \$2.4 billion in any fiscal year, subject to certain exclusions and inflationary adjustments, and the State Bond Commission may not authorize bond issuances or credit revenue bond issuances of more than \$2.4 billion in any fiscal year, subject to certain exclusions and inflationary adjustments. See STATE DEBT – Statutory Provisions – *Bond Covenant* herein.

Consensus Revenue Estimates. OPM and the Legislature's Office of Fiscal Analysis ("OFA") are required by statute to issue consensus revenue estimates each year by November 10. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Fiscal Accountability Report. By statute, by November 20 annually, the Secretary of OPM and the Director of OFA each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) for the current biennium and the next ensuing three fiscal years, an estimate of State revenues, the level of expenditure change from current year expenditures allowable by consensus revenue estimates in each fund, any changes to current year expenditures necessitated by fixed cost drivers, and the aggregate changes to current year expenditures required to accommodate fixed cost drivers without exceeding the current revenue estimate; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years and the

assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities. By December 15 annually, the legislative committees then meet with the Secretary of OPM and the Director of OFA to consider the submitted reports.

Financial Controls

Expenditures. The financial control procedures utilized by the State are described below and may be generally summarized as follows: the legislature must appropriate funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

Governor's Role in Expenditure Control. Before an appropriation for a budgeted agency becomes available for expenditure, the agency must submit to the Governor not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant.

If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required, within thirty days of such statement date, to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report must include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

In addition, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate \$2.4 billion in any fiscal year, subject to certain exclusions and inflationary adjustments.

Comptroller's Role in Expenditure Control. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund to the Governor on or before the first day of the following month. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

Treasurer's Role in Expenditure Control. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. Payments of principal or interest of State bonds and payments of interest on funds held by the Treasurer on which the Treasurer is required to pay interest do not require specific appropriations.

Use of Appropriations; Unexpended Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations.

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any unappropriated surplus shall be used to fund a Budget Reserve Fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. In 2017, the General Assembly, restructured the funding and use of the Budget Reserve Fund by a three-fifths vote of each house. All revenue in excess of \$3.15 billion received by the State each fiscal year from estimated and final payments of the personal income tax imposed under Chapter 229 of the CGS and the pass-through entity tax is to be transferred by the Treasurer to the Budget Reserve Fund. The \$3.15 billion amount is subject to annual adjustment by the compound annual growth rate of personal income in the State over the preceding five calendar years and further subject to amendment by a vote of at least three-fifths of the members of each house of the General Assembly due to changes in State or federal tax law or policy or significant adjustments to economic growth or tax collections. The Treasurer is also required to transfer any unappropriated surplus in the General Fund to the Budget Reserve Fund, unless otherwise directed by law.

Prior to July 1, 2024, amounts in excess of 15% of the net General Fund appropriations for a fiscal year were transferred in varying amounts to the State Employees' Retirement System and the Teachers' Retirement System. On and after July 1, 2024, whenever the amount in the Budget Reserve Fund equals 15% or more but less than 18% of the net General Fund appropriations for the current fiscal year, (i) 50% of the amount of such surplus in excess of that transferred to the Budget Reserve Fund shall be transferred to said fund, to a maximum amount in said fund of 18% of the net General Fund appropriations for the current fiscal year, and (ii) 50% of the amount of such surplus shall be deemed to be appropriated, as selected by the Treasurer in the best interests of the State, to (I) the State Employees Retirement Fund, in addition to the contributions required pursuant to CGS Section 5-156a, but not exceeding 5% of the unfunded past service liability of the State Employees Retirement System as set forth in the most recent actuarial valuation certified by the State Employee Retirement Commission, or (II) the Teachers' Retirement Fund, in addition to the payments required pursuant to CGS Section 10-183z, but not exceeding 5% of the unfunded past service liability of the Teachers' Retirement System as set forth in the most recent actuarial valuation prepared for the Teachers' Retirement Board. On and after July 1, 2024, whenever the amount in the Budget Reserve Fund equals 18% of the net General Fund appropriations for the current fiscal year, no further transfers shall be made by the Treasurer to the Budget Reserve Fund and the amount of such funds in excess of that transferred to said fund shall be deemed to be appropriated, as selected by the Treasurer in the best interests of the State, to (i) the State Employees Retirement Fund, in addition to the contributions required pursuant to CGS Section 5-156a, but not exceeding 5% of the unfunded past service liability of the State Employees Retirement System as set forth in the most recent actuarial valuation certified by the State Employee Retirement Commission, or (ii) the Teachers' Retirement Fund, in addition to the payments required pursuant to CGS Section 10-183z, but not exceeding 5% of the unfunded past service liability of the Teachers' Retirement System as set forth in the most recent actuarial valuation prepared for the Teachers' Retirement Board. For management and accounting purposes, the State treats funds that would be transferred to the Budget Reserve Fund but for the 15% cap, as being transferred to the Budget Reserve Fund and then withdrawn after the end of the fiscal year and applied as per the statute.

Any surplus in excess of the amounts transferred to the Budget Reserve Fund and the State Employees' Retirement System or the Teachers' Retirement System, as applicable, shall be deemed to be appropriated for:

(1) redeeming prior to maturity any outstanding indebtedness of the State selected by the Treasurer in the best interests of the State; (2) purchasing outstanding indebtedness of the State in the open market at such prices and on such terms and conditions as the Treasurer shall determine to be in the best interests of the State for the purpose of extinguishing or defeasing such debt; (3) providing for the defeasance of any outstanding indebtedness of the State selected by the Treasurer in the best interests of the State by irrevocably placing with an escrow agent in trust an amount to be used solely for, and sufficient to satisfy, scheduled payments of both interest and principal on such indebtedness; (4) making additional payments towards unfunded past service liability of the State Employees Retirement System or of the Teachers' Retirement System, as selected by the Treasurer in the best interests of the State; or (5) any combination of these methods.

Whenever the amount in the Budget Reserve Fund equals or exceeds 5% of the net General Fund appropriations for the current fiscal year, the General Assembly may transfer funds in excess of the 5% threshold from the Budget Reserve Fund, for the purpose of paying unfunded past service liability of the State Employees' Retirement Fund or the Teachers' Retirement Fund, as the General Assembly, in consultation with the Treasurer, determines to be in the best interests of the State.

Whenever in any fiscal year the Comptroller has determined that there is a deficit with respect to the immediately preceding fiscal year, to the extent necessary, funds credited to the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit.

In addition, the General Assembly may transfer funds from the Budget Reserve Fund to the General Fund if any consensus revenue estimate maintained or revised for the current biennium projects a decline in General Fund revenues for the current biennium of 1% or more from the total amount of General Fund estimated revenue on which the budget act or adjusted revenue plan enacted by the General Assembly was based. Any such transfer may be made at any time during the remainder of the current biennium. The General Assembly may also transfer funds from the Budget Reserve Fund to the General Fund if the consensus revenue estimate maintained or revised not later than April thirtieth annually projects a decline in General Fund revenues, in either year or both years of the biennium immediately following such consensus revenue estimate, of one per cent or more from the total of General Fund appropriations for the current year. Any such transfer shall be made in the fiscal year for which such deficit is projected.

The balance in the Budget Reserve Fund as of June 30, 2023 was \$3,315.8 million. The balance in the Budget Reserve Fund for the last three fiscal years and application:

**Budget Reserve Fund
(In Millions)**

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Budget Reserve Fund Beginning Balance	\$ 3,012.9	\$ 3,112.0	\$ 3,313.4
Plus Surplus	475.9	1,261.3	555.3
Plus Volatility Cap	<u>1,241.5</u>	<u>3,047.5</u>	<u>1,321.8</u>
Total	\$ 4,730.3	\$ 7,420.8	\$ 5,190.5
Budget Reserve Fund Statutory 15% Cap	\$ 3,112.0	\$ 3,313.4	\$ 3,315.8
Excess to Pension Funds (State Employees' Retirement Fund/Teachers' Retirement Fund)	(1,618.3)	(4,107.4)	(1,874.7)
BRF Net Increase / (Decrease)	\$ 99.1	\$ 201.4	\$ 2.4
BRF Balance as a % of Ensuing Fiscal Year Appropriations ¹	15.0%	15.0%	15.0%
Application of Excess Budget Reserve Fund:			
State Employees' Retirement Fund	\$ 714.7	\$ 3,203.8	\$ 1,046.7
Teachers' Retirement System	<u>903.6</u>	<u>903.6</u>	<u>828.0</u>
Total	\$ 1,618.3	\$ 4,107.4	\$ 1,874.7

Bond Covenant. The Treasurer is required to include a covenant in general obligation bonds and credit revenue bonds issued on or after July 1, 2023, and prior to July 1, 2025 requiring the State to comply with various statutory provisions. See STATE DEBT – State Direct General Obligation Debt – Bond Covenant herein.

Accounting Procedures

Books and Records. The State uses an enterprise resource planning system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system.

Financial Reporting. For a number of years, the State has prepared annual financial statements in two ways: financial statements prepared using the guidance of Generally Accepted Accounting Principles in the United States of America (“GAAP”), as prescribed by the Government Accounting Standards Board (“GASB”), and financial statements prepared on a statutory basis (that is, following the adopted budget and related statutes, and referred to as “statutory basis” statements). As described below, the State has transitioned to both budgeting and statutory financial statement reporting more in line with GAAP standards.

While not required by statute to prepare financial statements in accordance with GAAP, since 1988 the State has issued annual comprehensive financial reports in accordance with the guidelines established by GASB. These reports include audited annual financial statements prepared using the guidance of GAAP. The State does not prepare GAAP statements on an interim basis.

The Comptroller prepares financial statements annually on a statutory basis for submission to the Governor by September 30 of each year, unless extended by State law. The State’s Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

The statutory basis of accounting used for budgetary financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. As described below under “**GAAP Based Budgeting**”, commencing in Fiscal Year 2014 appropriations have been made in line with the accrual of expenses for GAAP purposes, and the differences between the two methods are less significant than they would have been without the budgetary conversion to GAAP budgeting, discussed below. Under the statutory basis, expenditures are recorded in the fiscal year in which the payment is processed versus when the expense is realized under a GAAP basis. In addition, there is a recording of expenditure accruals to the fiscal year in which specific goods and services are received even though payment is not processed until the next fiscal year. Such accrued expenditures include State payroll expenses, general agency operating expenses, and Medicaid expenses. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations. Under the statutory basis, there are limited modifications from the cash basis in recording revenues permitted by statute or decision of the Comptroller. Under the modified accrual basis used for GAAP financial recording, generally all revenues are recognized when they are realized or realizable and earned.

The audited financial statements for Fiscal Year 2023, prepared using the guidance of GAAP and as prescribed in pronouncements of GASB, have not been completed as of the date of this Information Statement. The department within the Office of the State Comptroller that prepares financial statements experienced in 2023 an unusually large number of retirements among its most senior and expert personnel. In addition, the Office of the State Comptroller was in the process of moving to new software involved in the production of the financial statements and the related Annual Comprehensive Financial Report. This process was more involved and time consuming than initially projected. Accordingly, the audited financial statements for Fiscal Year 2023, which

ordinarily would have been included in **Appendix II-C**, are not included and will be included when available. The audited statutory basis financial statements for Fiscal Years 2019 through 2023 appear in **Appendix II-D**.

GAAP Based Budgeting. Legislation passed in 2011 required the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not recognize a concept of GAAP budgeting or prescribe standards for GAAP budgeting, the State interprets the policy objectives of the GAAP budgeting requirement as a requirement to authorize expenditures in line with the accrual of the expenditures, to estimate revenues in line with the accrual of revenues, and an intention, over time, to reduce or eliminate the GAAP deficit. The transition to the implementation of the use of GAAP accrual principles with respect to the preparation of the biennial budget included changing the meaning of a deficit as it relates to the requirement that the Governor's budget include recommendations to the General Assembly regarding the manner in which any deficit shall be met. As a result, prior to the start of the biennium for which the budget document is transmitted to the General Assembly, the Governor now accounts for the amount necessary to extinguish any unreserved negative balance in each budgeted fund as addressed in the most recently issued statutory basis annual financial report issued by the Comptroller. The Governor is not required to account for the extinguishment of any unreserved negative balance resulting from adjustments that are not accounted for within the budget process.

The Comptroller initiated a process intended to result in the implementation of the policy objectives of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State previously prepared on a modified cash basis. The Comptroller established an opening combined balance sheet for each appropriated fund reflecting GAAP accrual principles. This combined balance sheet reflected as a deferred charge the accumulated deficit in the General Fund on June 30, 2013 of \$1,217.1 million, as determined on the modified accrual basis of GAAP and identified in the annual comprehensive financial report of the State as the unassigned fund balance in the General Fund ("Accumulated 2013 GAAP Deficit"). This deficit in practical terms represents a reduction in the State's cash resources. Proceeds of the issuance of bonds (since retired) and appropriated funds have reduced the Accumulated 2013 GAAP Deficit to \$603.8 million as of June 30, 2023. It is not expected that further appropriations will be made to reduce the Accumulated 2013 GAAP Deficit, as the State's cash resources are currently ample.

Cash Management and Investment

The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest funds under the control of the Treasurer in a variety of investments allowed by statute, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short term investments. It is the State's practice to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy is intended to provide flexibility for expenditures to occur when they are needed without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The week-ending balances of available cash for Fiscal Year 2023 averaged \$11.8 billion.

In addition, the Treasurer has the authority to establish, and has in the past established, lines of credit and other short-term financing mechanisms to secure the availability of cash.

On a daily basis, the Treasurer calculates expected cash receipts and disbursements, necessary bank balances, and amounts available for investment. The Treasurer is required to submit a monthly report to certain legislative members and the OFA that includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash pool.

Short-Term Investment Fund. STIF is a combined investment pool of high quality, short-term money market instruments, which is an investment vehicle for the temporary surplus cash of all funds for which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer and the investment restrictions of CGS Section 3-27d. These investment guidelines prohibit investment in derivative securities other than floating rate securities that vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. STIF is rated "AAAm" by S&P Global Ratings.

Other Funds. Other State monies are held in certain other funds. Up to \$300 million of the State's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to CGS Section 3-24k. In addition, investments may be made in individual securities pursuant to CGS Section 3-31a. Allowable investments under CGS Section 3-31a include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under CGS Section 3-31a that specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to \$10.0 billion, subject to increases with the approval of the Treasurer. Pursuant to CGS Section 3-28a and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the temporary transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Investment of Pension and Trust Funds. The below listed composite asset classes, also known as Combined Investment Funds ("CIFs"), are separate pooled investment funds that were created by the Treasurer pursuant to CGS Section 3-31b. The CIFs are open-end portfolios that represent individual asset classes or sub-asset classes in the plan or trust. The pension retirement and trust funds acquire units, in varying proportions depending on the asset allocations set forth in the applicable investment policy statement.

By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. Pursuant to an Investment Policy Statement adopted in September 2022, the investment of such pension, retirement and trust funds will shift to the asset classes in the below table over the next two years. The long term policy targets for the State Employees' Retirement Fund and Teachers' Retirement Fund, the bulk of the State's investment funds, are noted below; other pension, retirement and trust funds have different targets.

Composite / Asset Class ¹	Long-Term Policy Target ²	Benchmark
Global Equity³	37%	MSCI All Country World IMI Net Index
Global Fixed Income		
Core Fixed Income	13%	Blend: Bloomberg Barclays U.S. Aggregate Bond and Bloomberg Barclays U.S. Treasuries Index
Non-Core Fixed Income (Public Credit)	2%	Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index
Alternative Investments		
Private Equity ⁴	15%	Russell 3000 + 250 basis points ²
Private Credit	10%	S&P / LSTA Leveraged Loan Index + 150 basis points ²
Real Estate	10%	Open End Diversified Core Equity (NFI-ODCE Index) ²
Infrastructure and Natural Resources	7%	CPI + 400 basis points ²
Absolute Return (Risk Mitigating)	5%	Blend: Dynamic weighted strategy (HFRX)
Liquidity / (Cash Equivalents)	1%	U.S. 3-Month T-Bill Index

¹ Emerging Markets Debt Fund is not included above since it is a legacy asset class of as of September 2022.

² Deviations from approved asset allocation targets may occur from time to time as a result of market movements or other unanticipated events. Performance comparisons are typically evaluated one quarter in arrears.

³ Global Equity comprised of Domestic Equity Fund, Developed Markets International Stock Fund and Emerging Markets International Stock Fund.

⁴ Private Equity refers to the Private Investment Fund.

See also **PENSION AND RETIREMENT SYSTEMS** herein.

Investment Advisory Council. Trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as *ex-officio* members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. Under certain limited circumstances, all private equity or real estate investments require approval of the Investment Advisory Council. The Governor may direct the Treasurer to change any investments when, in the judgment of the Council, such action is in the best interest of the State.

STATE GENERAL FUND

The State finances most of its operations through its General Fund. Certain State functions, such as the State's transportation budget, are financed through other State funds. See **OTHER FUNDS, DEBT AND LIABILITIES** herein. For budgetary purposes, the State's General Fund has been accounted for in accordance with accounting standards prescribed by statutes ("statutory-basis"). The State has not been required by law to prepare generally accepted accounting principles financial statements, although it has prepared such statements annually since 1988. Legislation passed in 2011 facilitated a transition from the prior modified cash basis of accounting to a basis of accounting that incorporates certain policy objectives of GAAP. For an explanation of the differences between the statutory basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for certain funds including the General Fund of the State for Fiscal Year 2023 will be included as **Appendix II-C** when available. Statutory basis audited financial statements for the General Fund for Fiscal Years 2019 through 2023 are included in **Appendix II-D**. The adopted budget and audited financial statutory basis results for Fiscal Year 2023, the adopted budgets for Fiscal Years 2024 and 2025 and the estimated budget (as of December 31, 2023) for Fiscal Year 2024 are included as **Appendix II-E**. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the statutory basis of accounting. Financial information presented herein for Fiscal Year 2024 and later is unaudited and subject to change.

General Fund Revenues

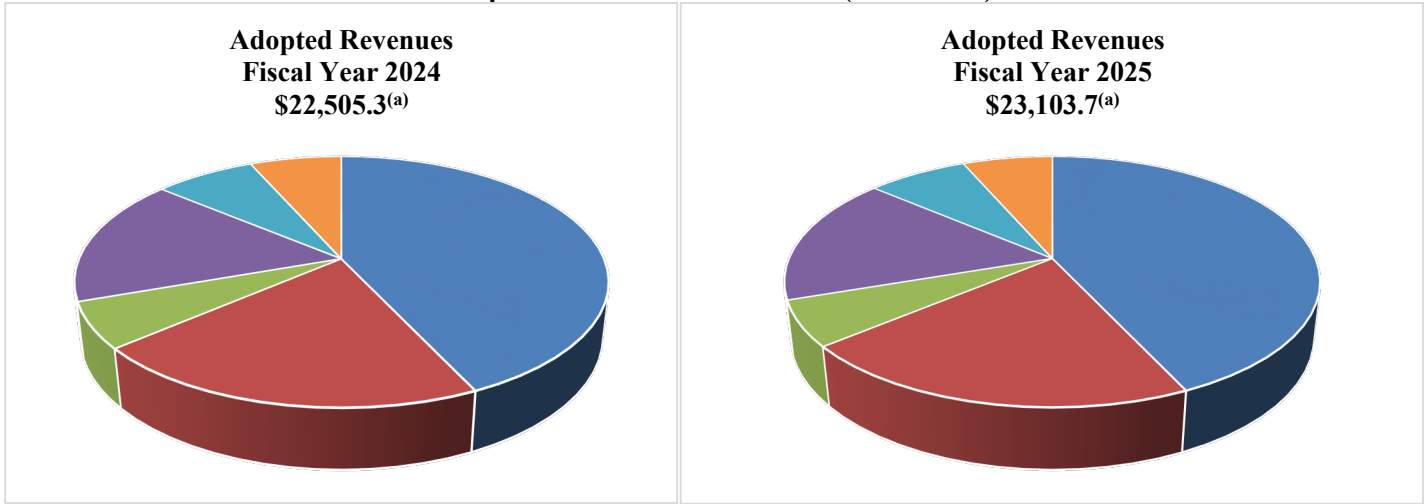
Procedure For Forecasting Revenues. Revenues are forecast by the legislature in adopting a budget and by the executive branch in proposing a budget and tracking performance through the year and for other planning purposes. Revenue forecasting incorporates a blend of econometric modeling and economic advice obtained from an array of expert sources. Some of these major sources include: "Blue Chip Economic Indicators," which is a compilation of the consensus forecast for major national economic indicators from the top 50 economic and financial institutions and IHS Global Inc., a nationally recognized econometric forecasting firm.

Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a consensus interpretation of all available data. Annual revenue estimates from the beginning of each year attempt to account for possible variations in economic activity during the year. Periodic economic data, such as seasonal adjustments to estimated personal income growth, or a monthly drop in employment, are analyzed on an on-going basis. Adjustments are made when the aggregate values of such changes deviate beyond tolerance levels derived from aggregate and historical estimates. The State believes that the process followed in developing Connecticut's revenue forecast is consistent with approaches taken in many other states.

Fiscal Year 2024 and 2025 Adopted Revenues. General Fund revenues are forecasted by the legislature at the adoption of the budgets for Fiscal Years 2024 and 2025 ("Adopted Revenues") and are reflected in Appendix II-E.

General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 69.6 percent and 69.8 percent of its General Fund revenues from these taxes during Fiscal Year 2024 and Fiscal Year 2025, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2024 and 2025, is set forth below:

Adopted General Fund Revenues (In Millions)



Fiscal Year 2024

	Personal Income Tax	\$ 11,023.3	43.0%
	Sales and Use Tax	5,299.5	20.7%
	Corporate Business Tax	1,514.5	5.9%
	Other Taxes ^(b)	4,223.4	16.5%
	Unrestricted Federal Grants	1,867.8	7.3%
	Other Non-Tax Revenues ^(c)	1,697.0	6.6%

Fiscal Year 2025

	Personal Income Tax	\$ 11,233.4	43.1%
	Sales and Use Tax	5,428.2	20.8%
	Corporate Business Tax	1,526.5	5.9%
	Other Taxes ^(b)	4,314.1	16.5%
	Unrestricted Federal Grants	1,886.5	7.2%
	Other Non-Tax Revenues ^(c)	1,688.0	6.5%

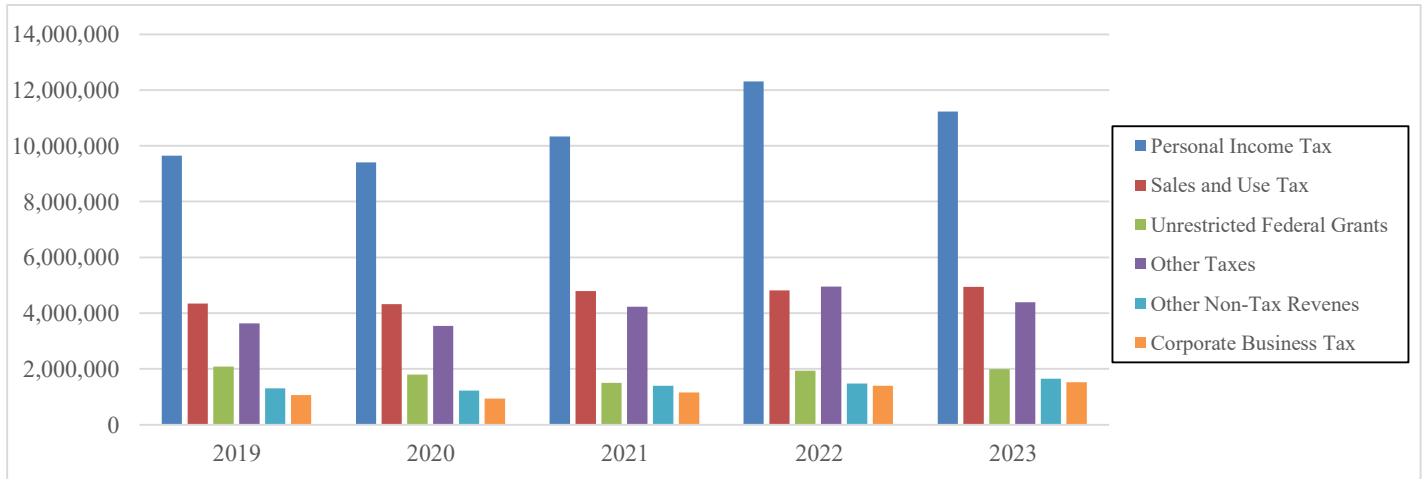
- (a) The pie charts reflect the total of the listed tax and revenue amounts of \$25,625.5 million for Fiscal Year 2024 and \$26,076.7 million for Fiscal Year 2025, while the amounts in the title of the pie charts reflect reductions resulting from tax refunds, earned income tax, R&D Credit Exchange, refunds of payments, transfers to other funds, volatility cap adjustments and revenue cap deductions of \$3,120.2 million for Fiscal Year 2024 and \$2,973.0 million for Fiscal Year 2025. See **Appendix II-E** for anticipated adjustments to adopted tax revenues.
- (b) Other taxes are comprised of inheritance and estate taxes; pass-through entity tax; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on health care providers and other miscellaneous taxes. See **Appendix II-E**.
- (c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix II-E**.

SOURCE: Public Act No. 23-204

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2019 through 2023 are set forth in **Appendix II-D**. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

General Fund Revenues^(a)
Fiscal Year Ending June 30
(In Thousands)



	2019	2020	2021	2022	2023
Taxes:					
Personal Income Tax	\$9,640,164 ^(b)	\$9,397,778 ^(b)	\$10,340,437 ^(b)	\$12,131,800 ^(b)	\$11,223,390 ^(b)
Sales Tax	4,338,061	4,317,730	4,792,675	4,818,083	4,944,772
Corporate Business Tax	1,060,877	934,499	1,153,079	1,401,153	1,516,588
Other Taxes ^(c)	<u>3,631,038</u>	<u>3,542,851</u>	<u>4,229,834</u>	<u>4,947,333</u>	<u>4,391,202</u>
Subtotal	\$ 18,670,140	\$ 18,192,858	\$ 20,516,024	\$ 23,298,369	\$ 22,075,952
R & D Credit Exchange	(5,370)	(8,628)	(7,093)	(5,756)	(6,061)
Refunds of Taxes	<u>(1,465,368)</u>	<u>(1,491,413)</u>	<u>(1,857,512)</u>	<u>(1,811,202)</u>	<u>(1,990,104)</u>
Total Net Taxes	\$ 17,199,401	\$ 16,692,816	\$ 18,651,419	\$ 21,481,411	\$ 20,079,787
Other Revenue:					
Federal Grants (Unrestricted)	\$ 2,083,774	\$ 1,796,754	\$ 1,496,315	\$ 1,934,869	\$ 1,997,837
Other Non-Tax Revenues ^(d)	1,307,982	1,227,906	1,397,789	1,474,531	1,645,647
Transfers to Other Funds ^(e)	(1,051,495)	(659,936)	(1,128,604)	(3,026,155)	(1,012,878)
Transfers from Other Funds	<u>110,200</u>	<u>136,000</u>	<u>114,500</u>	<u>126,200</u>	<u>112,500</u>
Total Other Revenues	<u>\$ 2,450,461</u>	<u>\$ 2,500,724</u>	<u>\$ 1,880,000</u>	<u>\$ 509,445</u>	<u>\$ 2,743,106</u>
Total Revenues	\$ 19,649,862	\$ 19,193,540	\$ 20,531,419	\$ 21,990,857	\$ 22,822,894

(a) The bar graph reflects the gross listed tax and revenue amounts and does not reflect the listed adjustments for tax credits and refunds and transfers to or from other funds. See **Appendix II-D** for adjustments to revenues.

(b) Personal Income Tax total in Fiscal Years 2019 through 2023 are comprised of \$6,665.8 million, \$6,815.2 million, \$7,243.8 million, \$7,886.2 and 8,317.2 million, respectively, in the withholding portion of Personal Income Tax and \$2,974.4 million, \$2,582.6 million, \$3,096.6 million, \$4,245.6 and 2,906.2 million, respectively, in the estimated and finals portion of Personal Income Tax.

(c) Other taxes are comprised of pass-through entity tax, inheritance and estate taxes; taxes on gross receipts of public service corporations, net direct premiums of insurance companies, cigarettes and alcoholic beverages, real estate transfers, admissions and dues, health care providers; and other miscellaneous taxes.

(d) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues, designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund less refunds of payments.

(e) Includes transfers from the resources of the General Fund, transfers to the Budget Reserve Fund for the volatility adjustment and transfers to the Pequot/Mohegan Fund.

NOTE: Totals may not add due to rounding.

SOURCE: 2019, 2020, 2021, 2022 and 2023 Annual Reports of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a Personal Income Tax on the income of residents of the State (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. The current tax is imposed on a graduated scale, with a maximum rate of 6.99% on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from \$15,000 to \$24,000. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at higher income levels. Under the current structure, the top rate increases to 6.99% with a rate of 3% applicable to taxable income up to certain amounts. The first \$20,000 of taxable income for a joint filer and the first \$10,000 of taxable income for a single filer are taxed at the 3% rate, rising thereafter to 6.99%. Lower rates are phased out for all filers who exceed certain income thresholds. There is an income tax credit available to certain filers for property taxes paid of \$300 per filer for tax years beginning on or after January 1, 2022. Taxpayers also are subject to a Connecticut minimum tax, based on their liability, if any, for payment of the federal alternative minimum tax. Neither the personal exemption nor the tax credits described above are available to trusts or estates. Beginning in income year 2024 the 3% rate mentioned above is lowered to 2%.

Sales and Use Taxes. A Sales Tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the State of persons engaged in business in the State, including (a) retail sales of tangible personal property, (b) the rendering of certain services, (c) the leasing or rental of tangible personal property, (d) the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer, (e) the furnishing, preparation or serving of food, meals, or drinks, and (f) hotel, lodging house rooms or bed and breakfast establishment for a period not exceeding thirty consecutive calendar days. A Use Tax is imposed, with certain exceptions, on the consideration paid for certain services or purchases or rentals of tangible personal property used within the State pursuant to a transaction not subject to the Sales Tax. The tax rate for each of the Sales and Use Taxes is 6.35% except as otherwise provided. A separate rate of 15% is charged on the occupancy of hotel rooms or lodging house rooms and 11% for bed and breakfast establishments. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Taxes. A Corporation Business Tax is imposed on any corporation, joint stock company or association, any dissolved corporation that continues to conduct business, any electric distribution company or fiduciary of any of the foregoing that carries on or has the right to carry on business within the State, owns or leases property, maintains an office within the State, or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, which does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. Corporations are required to compute their tax liability under three methods, determine which calculation produces the greatest tax, and pay that amount to the State.

- The first method of computing the Corporation Business Tax is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended. The Income-Base Tax is at a rate of 7.5%.
- The second method of computing the Corporation Business Tax is a tax on capital (the "Capital Base Tax"). This tax is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or in part to the corporation's capital stock and balance sheet surplus, profit and deficit.
- The third method of computing the Corporation Business Tax is a minimum tax in the amount of \$250.

The State limits corporation credits from reducing tax liability by more than 50.01% for most credits. The State imposed a corporation business tax surcharge of 20% for income years 2012 through 2017 for businesses with over \$100 million in federal adjusted gross income. Under current law, the surcharge decreased to 10% for income years 2018 through 2025 and is phased out completely for income year 2026.

Other Taxes. Other tax revenues are derived from pass-through entities; inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on health care providers, and other miscellaneous taxes.

Pass-Through Entity Tax. The State imposes a Pass-Through Entity Tax on the income derived from or connected with Connecticut sources for: (a) partnerships, including limited liability companies that are treated as partnerships for federal income tax purposes, but excluding publicly-traded partnerships, and (b) S corporations, including limited liability companies that are treated as S corporations for federal income tax purposes. Formerly such income was subject to either the state's Personal Income Tax or the Corporation Business Tax. The current tax rate for the Pass-Through Entity Tax is 6.99%. Members of a pass-through entity are entitled to a credit on the State's Personal Income Tax or Corporation Business Tax based upon their respective shares of the pass-through entity's tax liability. For taxable years that begin on or after January 1, 2018, but prior to January 1, 2019, the tax credit is 93.01% of the member's share of the Pass-Through Entity Tax. For taxable years that begin on or after January 1, 2019, the tax credit is 87.5% of the member's share of the Pass-Through Entity Tax.

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest components of federal grants were related to assistance provided to low income individuals under Medicaid and Temporary Assistance for Needy Families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds. With respect to Medicaid expenditures, only the State's share of Medicaid expenditures are appropriated in the Department of Social Services ("DSS") Medicaid account. Current federal regulations reduced the reimbursement rate for the Medicaid expansion population to 90% beginning in calendar year 2020. Federal reimbursement for this population was 100% for calendar years 2014 through 2015 and was phased down starting in 2017 to 95% and dropped to 94% for calendar year 2018 and 93% in calendar year 2019. The Medicaid appropriation in the DSS is "net funded" while other Medicaid expenditures – including funding for the Hospital Supplemental Payments account in DSS – are gross funded, with federal funds deposited directly to the State.

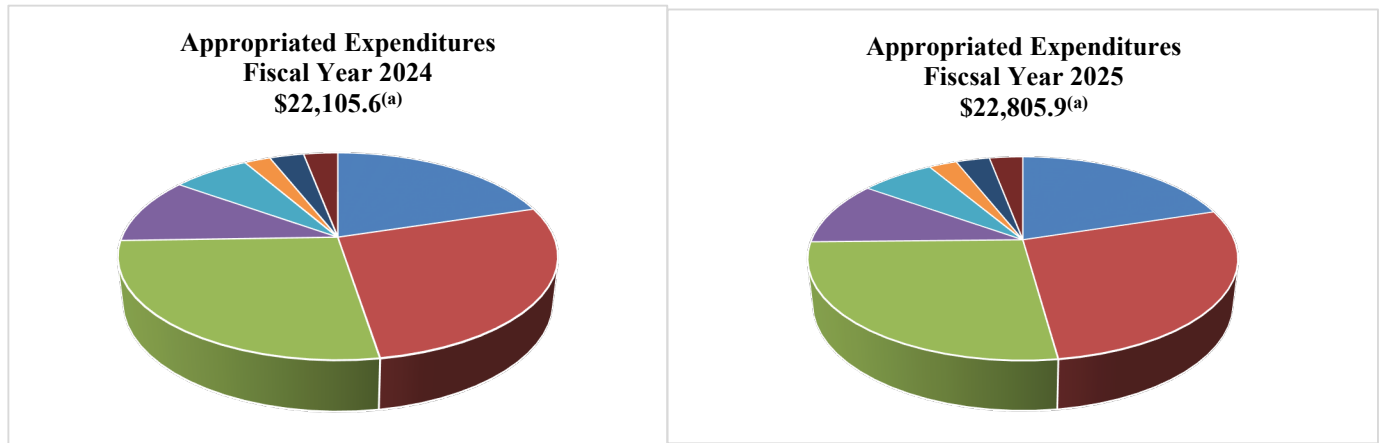
Other Non-Tax Revenues. Other non-tax revenues are derived from special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenue sources; and designated Tobacco Settlement Revenues.

General Fund Expenditures

Fiscal Year 2024 and 2025 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See **OTHER FUNDS, DEBT AND LIABILITIES** - Special Transportation Fund and Debt herein.

The adopted budgets for Fiscal Year 2024 and 2025 are included as **Appendix II-E**. A summary of appropriated General Fund expenditures for Fiscal Years 2024 and 2025 is set forth below.

Appropriated General Fund Expenditures (In Millions)



Fiscal Year 2024

Human Services	\$ 4,502.1	20.2%
Education, Libraries and Museums	6,041.7	27.2%
Non-Functional	6,007.2	27.0%
Health and Hospitals	2,310.6	10.4%
Corrections	1,503.5	6.8%
General Government	522.5	2.3%
Judicial	674.7	3.0%
Other Expenditures ^(b)	677.0	3.0%

Fiscal Year 2025

Human Services	\$ 4,633.2	20.2%
Education, Libraries and Museums	6,358.5	27.7%
Non-Functional	6,173.9	26.9%
Health and Hospitals	2,342.0	10.2%
Corrections	1,516.7	6.6%
General Government	581.3	2.5%
Judicial	694.7	3.0%
Other Expenditures ^(b)	688.3	3.0%

(a) The pie charts reflect the total appropriated expenditures of \$22,239.3 million for Fiscal Year 2024 and \$22,988.6 million for Fiscal Year 2025, while the references in the title of the pie charts reflect adjustments for unallocated lapses of \$133.7 million for Fiscal Year 2024 and \$182.7 million for Fiscal Year 2025. See **Appendix II-E** for anticipated adjustments to appropriated expenditures.

(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

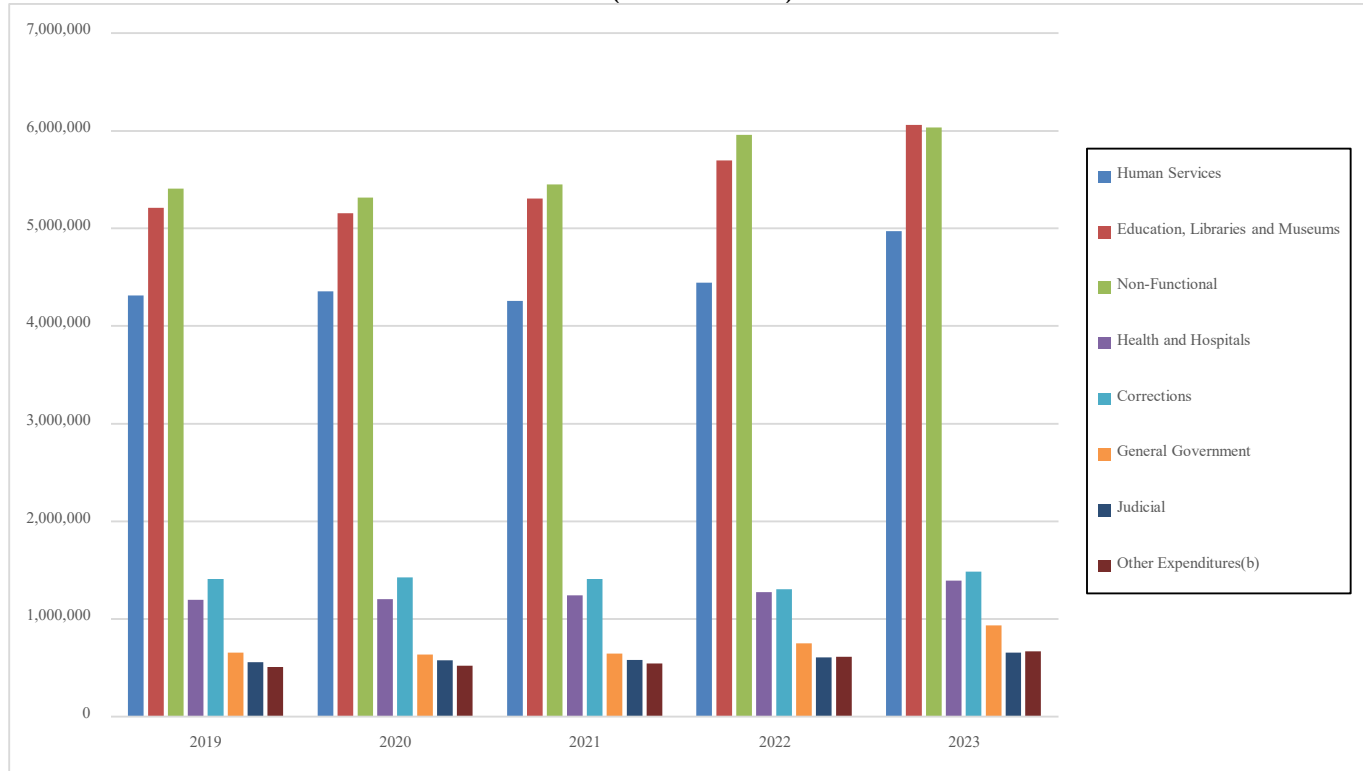
NOTE: Totals may not add due to rounding.

SOURCE: Public Act No. 23-204.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2019 through 2023 are set forth in **Appendix II-D** to this Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

General Fund Expenditures By Function^(a)
Fiscal Year Ending June 30
(In Thousands)



	2019	2020	2021	2022	2023
Human Services	\$ 4,311,722	\$ 4,356,788	\$ 4,257,971	\$ 4,444,984	\$ 4,969,383
Education, Libraries and Museums	5,208,399	5,154,647	5,303,846	5,697,620	6,060,110
Non-Functional	5,405,866	5,314,485	5,447,513	5,958,694	6,034,660
Health and Hospitals	1,194,173	1,202,890	1,243,572	1,276,373	1,395,142
Corrections	1,410,967	1,429,124	1,412,659	1,305,228	1,485,572
General Government	653,270	634,622	646,356	749,700	934,447
Judicial	557,067	574,735	580,979	606,544	653,109
Other Expenditures ^(b)	<u>507,186</u>	<u>521,343</u>	<u>543,308</u>	<u>612,359</u>	<u>666,478</u>
Totals	\$ 19,248,650	\$ 19,188,634	\$ 19,436,204	\$ 20,651,502	\$ 22,198,901

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. Amounts shown do not exclude expenditures or appropriations carried over from the prior fiscal year and do not include expenditures of appropriations carried into the next fiscal year. See **Appendix II-D**.

(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

NOTE: Totals may not add due to rounding.

SOURCE: 2019, 2020, 2021, 2022 and 2023 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments.

Education, Libraries and Museums. The majority of State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining consists of expenditures for higher education (including the University of Connecticut, Connecticut State Colleges and Universities and Office of Higher Education), the Office of Early Childhood Education, the Teachers' Retirement Board and the State Library.

Non-Functional. Non-Functional State expenditures consist of debt service payments, State employee fringe benefit accounts and other miscellaneous appropriations.

Health and Hospitals. State expenditures for Health and Hospitals are allocated primarily for programs and services provided by the State Departments of Public Health, Developmental Services, and Mental Health and Addiction Services.

Corrections. Appropriations to the State Department of Correction and the Department of Children and Families comprise the largest portion of State expenditures for Corrections.

General Government. State expenditures for General Government may be classified into three categories: executive, financial administration and legal, the largest of which is expenditures for financial administration. Such expenditures are primarily for salaries and other miscellaneous expenses of various State departments.

Judicial. Judicial expenditures are comprised of salaries, expenses and payments for special programs of the Judicial Department and the Public Defender Services Commission.

Regulation and Protection. State expenditures for Regulation and Protection consist primarily of appropriations for the Department of Public Safety for salaries, equipment, training and other services and expenses. Other agencies and programs for which appropriations are made include the Police Officer Standards and Training Council, the Board of Firearms Permit Examiners, the Military Department, the Commission on Fire Prevention and Control, the Department of Consumer Protection, the Department of Labor, the Commission on Human Rights and Opportunities, and the Office of the Child Advocate.

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of housing, historical sites, commerce and industry; and environment.

Legislative. Legislative expenditures are comprised primarily of salaries, equipment and other expenses necessary for Legislative Management and the Auditors of Public Accounts.

Expenditures by Type

General Fund appropriations and the corresponding State expenditures can be categorized into two groups, non-fixed costs and fixed costs. Non-fixed costs can be described as the costs of State administration and include expenditures used directly to operate the facilities and programs of State agencies. This includes such items as salaries and wages for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses, variable costs and discretionary items.

Fixed costs consist largely of payments for State employee and teacher benefits including pension contributions, retiree health benefits, entitlement programs such as Medicaid, and payments of debt service. For Fiscal Year 2021, Fiscal Year 2022 and Fiscal Year 2023, fixed costs amount to approximately 51.2%, 51.1% and 50.5%,

respectively, of total General Fund expenditures. A summary of non-fixed and fixed costs for the General Fund is shown below.

TABLE 1^(a)
Fixed Costs – General Fund
Summarized by Major Expenditure Category
(In Millions)

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>
Total Non-Fixed Costs	\$ 9,492.1	\$ 10,097.0	\$ 10,748.0
Fixed Costs:			
Debt Service	2,275.8	2,383.6	2,560.5
Teachers' Pensions	1,249.8	1,443.7	1,578.0
State Employees' Retirement System	1,315.6	1,460.6	1,567.8
Other State Pensions	49.2	53.3	59.1
State and Teachers' OPEB	779.0	758.4	759.2
Medicaid	2,444.1	2,548.6	2,926.4
All Other Entitlement Accounts ^(b)	<u>1,830.6</u>	<u>1,906.4</u>	<u>2,000.0</u>
Total Fixed Costs	\$ 9,944.1	\$ 10,554.6	\$ 11,451.0
 Fixed Cost Percent of Total Expenditures	 51.2%	 51.1%	 51.6%

(a) Table 1 includes actual audited expenditures for Fiscal Years 2021-2023.

(b) Includes entitlement programs under the Department of Mental Health and Addiction Services, Department of Development Services, Department of Social Services, Department of Children and Families and adjudicated claims under the Office of the State Comptroller.

NOTE: Totals may not add due to rounding.

SOURCE: OPM

Forecasted Operation

Consensus Revenue Estimates

Pursuant to CGS Section 2-36c, on January 16, 2024, OPM and OFA issued their consensus revision to their November 13, 2023 consensus revenue estimate for the current biennium and the next three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate (in Millions)

<u>Fiscal Year:</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenue Estimate November 13, 2023	\$22,529.7	\$23,089.1	\$23,482.5	\$24,032.4	\$24,670.7
Revenue Estimate January 16, 2024	22,499.9	23,162.9	23,533.8	24,089.6	24,734.9
Increase (Decrease) in Revenue Estimate	(29.8)	73.8	51.3	57.2	64.2

The State expects to issue revisions to the consensus revenue estimate on April 30, 2024. There is no assurance that such estimates will not differ from the prior estimates. The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported.

Fiscal Accountability Report

Fiscal accountability reports were released by OPM and OFA on November 20, 2023. The reports show the level of expenditure change from current year expenditures allowable by consensus revenue estimates in the

General Fund, the changes to current year expenditures necessitated by fixed cost drivers which include, generally, pension and other retiree costs, debt service, Medicaid and certain other costs for the Department of Social Services and the Department of Children and Families, and the aggregate changes to current year expenditures required to accommodate such fixed cost drivers without exceeding current revenue estimates.

Both reports estimated revenue in the General Fund exceeding expenditures for Fiscal Year 2024 resulting in a projected surplus of \$153.9 million (\$245.8 million less than the originally budgeted figure) by OPM and \$138.7 million (\$261 million less than the originally budgeted figure) by OFA.

OFA projected a General Fund surplus of \$67.6 million, \$206.4 million, \$310.5 million and \$717.7 million in each of Fiscal Years 2025 to 2028, respectively. OFA advised that the estimates incorporate the November 2023 consensus revenue estimates as well as the fixed cost methodology required by CGS Section 2-36b and further that the annual growth in revenue from Fiscal Year 2026 through Fiscal Year 2028 is sufficient so that no adjustments to non-fixed cost expenditures are necessary to accommodate the annual growth in fixed costs.

The OPM report projected year-over-year revenue growth vs. fixed cost growth beyond Fiscal Year 2025 as follows:

Year-Over-Year Revenue Growth vs. Fixed Cost Growth				
(In Millions)				
	Fiscal Year 2025 vs. <u>Fiscal Year 2024</u>	Fiscal Year 2026 vs. <u>Fiscal Year 2025</u>	Fiscal Year 2027 vs. <u>Fiscal Year 2026</u>	Fiscal Year 2028 vs. <u>Fiscal Year 2027</u>
Revenue Growth	\$ 559.4	\$ 393.4	\$ 549.9	\$ 638.3
Less: Total Fixed Cost Growth	<u>196.9</u>	<u>306.0</u>	<u>413.9</u>	<u>250.3</u>
Difference	\$ 362.5	\$ 87.4	\$ 136.0	\$ 388.0

According to OPM, while revenue growth is anticipated to exceed growth in fixed costs over the entire Fiscal Year 2025 through Fiscal Year 2028 period, OPM notes that expenditure growth in areas of the budget that are not considered “fixed” will continue to drive the need to prioritize resources in the short-term.

The OFA report estimated that General Fund fixed costs are projected to grow in the out-years by approximately \$254.6 million in Fiscal Year 2026, \$445.9 million in Fiscal Year 2027 and \$231.1 million in Fiscal Year 2028, projecting an average annual growth rate of 2.5% in Fiscal Year 2026 through Fiscal Year 2028 across all General Fund fixed cost expenditure categories. OFA further noted that revenue growth is expected to outpace fixed cost growth in each year from Fiscal Year 2026 through Fiscal Year 2028.

The OPM report projected the State’s spending cap would allow growth in capped expenditures of approximately 3.96% in Fiscal Year 2025 over Fiscal Year 2024, 4.23% in Fiscal Year 2026 over Fiscal Year 2025, 4.13% in Fiscal Year 2027 over Fiscal Year 2026 and 3.82% in Fiscal Year 2028 over Fiscal Year 2027.

The OPM report further discussed the long-term liabilities facing the State that total approximately \$81.6 billion, down \$6.7 billion from the level reported in the November 2022 Fiscal Accountability Report and \$13.8 billion from the level reported in the November 2021 Fiscal Accountability Report. The table below details the components of these long-term liabilities:

Long-Term Obligations (In Billions)

Bonded Indebtedness – As of 6/30/2023	\$ 26.4
State Employee Pensions – Unfunded as of 6/30/2022	20.9
Teachers’ Pension – Unfunded as of 6/30/2023	16.4
State Employee Post-retirement Health and Life – Unfunded as of 6/30/2022	15.5
Teachers’ Post-Retirement Health and Life – Unfunded as of 6/30/2022	1.6
Cumulative GAAP Deficit – As of 6/30/2022	<u>0.8</u>
Total	\$ 81.6

The reports also estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five year period of \$1.1 billion to \$1.6 billion in each year and UConn 2000/Next Generation bond issuances between \$0.00 to \$0.24 billion in each year with the expenditure on debt service estimated between \$2.5 billion and \$2.8 billion in each year. In addition, OPM projected the State’s aggregate debt subject to the debt limit to range from 80.16% to 82.22% of the debt limit from Fiscal Year 2024 to Fiscal Year 2028.

The projections of OPM and OFA are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates, adjustments, or actions of the State will not reflect changes in the operations of the General Fund or in the estimated or final results of such fiscal years. In addition, the State has a balanced budget requirement, a revenue cap and a spending cap as discussed in the **Financial Procedures** section under the heading **The Budgetary Process – Balanced Budget Requirement**. As such, budgets adopted for future fiscal years will need to comply with those requirements. As a result, the figures included in the report do not represent a projection of the actual financial results that might be expected, but instead serve as a planning tool.

Adopted Budget for Fiscal Years 2022 and 2023

On June 9, 2021, the General Assembly passed a biennial budget bill which the Governor signed into law (the “2021 Budget Act”). The 2021 Budget Act projected revenues of \$21,021.3 million and made net General Fund appropriations of \$20,746.4 million for Fiscal Year 2022. Taking into account the deduction for the cap on revenues, the General Fund was projected to have a surplus of \$64.7 million in Fiscal Year 2022. The 2021 Budget Act was further amended and projected General Fund revenues of \$22,388.2 million and made net General Fund appropriations of \$ 22,089.2 million in Fiscal Year 2023. Taking into account the deduction for the cap on revenues, the General Fund was projected to have surplus of \$19.1 million in Fiscal Year 2023.

Fiscal Year 2023 Operations

Pursuant to the Comptroller’s audited statutory based financial report provided on December 29, 2023, as of June 30, 2023, General Fund revenues were \$22,822.9 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were \$22,267.6 million and the General Fund surplus for Fiscal Year 2023 was \$555.3 million. See **FINANCIAL PROCEDURES – Financial Controls – Unappropriated Surplus – Budget Reserve Fund**.

Adopted Budget for Fiscal Years 2024 and 2025

The General Assembly passed a biennial budget bill which the Governor signed into law on June 12, 2023 (the “2023 Budget Act”). Per OFA’s fiscal note, the 2023 Budget Act projects revenue of \$22,505.3 million in Fiscal Year 2024 and \$23,103.7 million in Fiscal Year 2025. The budget makes net General Fund appropriations of \$22,105.6 million in Fiscal Year 2024, which represents 0.1% growth over Fiscal Year 2023 appropriations and \$22,805.9 million in Fiscal Year 2025, which represents 3.2% growth over Fiscal Year 2024 appropriations. The projected surplus was \$118.4 million in Fiscal Year 2024 and \$9.0 million in Fiscal Year 2025. This

projected surplus does not take into account the revenue cap deduction, which limits Fiscal Year 2024 and Fiscal Year 2025 appropriations to 98.75% of projected revenues. Taking into account the revenue cap deduction results in an additional \$281.3 million in surplus funds in Fiscal Year 2024 and an additional \$288.8 million of surplus funds in Fiscal Year 2025.

The 2023 Budget Act also contained revisions to the Fiscal Year 2023 budget, that resulted in the Fiscal Year 2023 surplus being reduced by \$866.6 million.

The 2023 Budget Act includes a net \$285.7 million in revenue reductions in Fiscal Year 2024 and a net \$320.2 million in revenue reductions in Fiscal Year 2025. The significant revenue changes include:

- Reducing the State Personal Income Tax by lowering the 5.0% rate to 4.5% and the 3.0% rate to 2.0% beginning for income year 2024 with the income tax cut limited to tax filers having an adjusted gross income of less than \$150,000 for single filers and \$300,000 for joint filers; resulting in a net reduction of revenue of approximately \$150.1 million in Fiscal Year 2024 and \$333.4 million in Fiscal Year 2025;
- Increasing the State Earned Income Tax Credit from 30.5% to 40%; resulting in a net reduction of revenue of approximately \$44.6 million in each of Fiscal Years 2024 and 2025;
- Adding a phase-out for allowable pension and annuity and IRA distribution deductions against the Personal Income Tax which alleviates a hard cut-off for retirement income deductions; resulting in a net reduction of revenue of approximately \$21.1 million in Fiscal Year 2024 and \$45.3 million in Fiscal Year 2025;
- Providing the option to file a Pass-Through Entity Tax return instead of the mandatory filing requirement; resulting in a net reduction of revenue of approximately \$0.5 million in Fiscal Year 2024 and \$1.2 million in Fiscal Year 2025; and
- Extending the 10% Corporation Tax surcharge for 3 additional income years from 2023 to 2025, inclusive; resulting in a net increase in revenue of approximately \$80.0 million in Fiscal Year 2024 and \$50.0 million in Fiscal Year 2025.

The notable expenditure changes as compared to current services include:

- Providing an increase of more than \$500 million over the biennium in one-time operating support to help the University of Connecticut and Connecticut State Colleges and Universities transition back to a sustainable level of State support;
- Providing an additional \$206.6 million over the biennium to strengthen private providers;
- Providing \$150.0 million in Fiscal Year 2025 for education finance reform;
- Providing \$66.1 million for assigned counsel in criminal cases;
- Providing \$48.0 million in Fiscal Year 2024 and \$96.0 million in Fiscal Year 2025 to continue the Education Cost Sharing formula phase-in; and
- Providing a \$45.0 million combined increase in tiered payments in lieu of taxes and car tax.

CGS Section 2-33a sets out the State's expenditure cap. The adopted budget is \$10.4 million below the expenditure cap for Fiscal Year 2024 and \$11.6 million below the expenditure cap for Fiscal Year 2025.

CGS Section 4-30a sets out the State's volatility cap. The volatility cap diverts excess revenue above a specified threshold from the Pass-Through Entity Tax and excess revenue from the Estimates and Finals portion of the Personal Income Tax from the General Fund to the Budget Reserve Fund or to the pay down of long-term liabilities in accordance with the formula set out in such statute. The 2023 Budget Act projects a volatility cap transfer of \$683.2 million in Fiscal Year 2024 and \$659.6 million in Fiscal Year 2025.

The General Assembly passed separate legislation, which was signed into law by the Governor, with respect to new bonding authorizations including:

- *General Obligation* – a net increase in general obligation bond authorizations totaling \$2,217.6 million in Fiscal Year 2024 and \$2,170.5 million in Fiscal Year 2025, not including existing authorizations of \$369.1 million in Fiscal Year 2024 and \$279.5 million in Fiscal Year 2025 including:
 - *Department of Housing* -- \$45.0 million in each year of the biennium;
 - *Connecticut State Colleges and Universities* -- \$167.5 million in Fiscal Year 2024 and \$145.8 million in Fiscal Year 2025; and
 - *University of Connecticut* -- \$88.0 million in general obligation bond authorizations for the University of Connecticut in Fiscal Year 2024 and \$63.0 million in Fiscal Year 2025, not including existing authorizations of \$84.7 million in Fiscal Year 2024 and \$44.0 million in Fiscal Year 2025;
- *Clean Water Fund* -- \$0.0 million in additional clean water revenue bond authorizations in Fiscal Year 2024 and \$25.0 million in Fiscal Year 2025;
- *Special Transportation Obligation* -- \$1,557.7 million in new special transportation obligation bond authorizations in Fiscal Year 2024 and \$1,530.8 million in Fiscal Year 2025; and
- *Baby Bonds* -- Offsetting the general obligation authorizations is the repeal of the \$600 million authorization of bonds passed in sections 103-111 of Public Act No. 21-111 to fund a trust on behalf of each baby born who is covered by the State’s Medicaid program (“Baby Bonds”). The trust was instead funded by reprogramming \$380.9 million in reserves from the Teachers’ Retirement Fund Bonds Special Capital Reserve Fund.

The legislation also included revisions to Fiscal Year 2023 to include a net increase of \$35.0 million in new general obligation bond authorizations:

- *Connecticut Port Authority* -- \$30.0 million for the State Pier Project; and
- *Department of Public Health* -- \$5.0 million for the Health Disparities and Prevention Grant Program.

Fiscal Year 2024 Operations

Pursuant to CGS Section 4-66, by the twentieth day of each month, OPM provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller’s monthly report to the Governor. By statute, the State’s fiscal position is reported on or before the first day of each month by the Comptroller. The following summarizes OPM’s and the Comptroller’s estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2024 Fiscal Year as of the referenced ending period in accordance with specific budgetary basis accounting standards set forth by statute, which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements:

OPM and Comptroller Estimates Fiscal Year 2024 (in Millions)

Period Ending^(a)	OPM Report			Comptroller Report		
	Revenues	Expenditures^(b)	Surplus/ (deficit)	Revenues^(c)	Expenditures^{(b)(c)}	Surplus/ (Deficit)
October 31, 2023	\$22,529.7	\$22,375.8	\$153.9	\$22,529.7	\$22,375.9	\$153.8
November 30, 2023	22,529.7	22,351.7	178.0	22,529.7	22,351.9	177.8
December 31, 2023	22,499.9	22,333.2	166.7	22,499.9	22,333.3	166.6

(a) Estimates reflect projections as of the period ending date for full Fiscal Year 2024.

(b) Expenditures include net appropriations, continued and estimated lapses and miscellaneous adjustments.

In OPM’s January 19, 2024 letter, as of December 31, 2023, prior to taking into account the limit on transfers into the Budget Reserve Fund, the OPM Secretary forecasted the balance in the Budget Reserve Fund as of the end of Fiscal Year 2024 would be approximately \$3.96 billion, or 17.9% of the current net General Fund

appropriations, after taking into account the projected operating surplus of \$166.7 million and projected volatility cap transfer of \$478.5 million. The Secretary noted that since this balance would exceed the statutory 15% floor for the Budget Reserve Fund by approximately \$540.2 million during Fiscal Year 2025, the excess funds would be split evenly between additional transfers to the Budget Reserve Fund and transfers to the State Employees' Retirement Fund and/or the Teachers' Retirement Fund during the close-out period for Fiscal Year 2024, prior to reaching the 18% Budget Reserve Fund cap per Public Act No. 23-1.

The next report of OPM is expected on or about February 20, 2024 and the next monthly report of the Comptroller is expected on or about March 1, 2024. The projections discussed above are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2024 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2024 operations of the General Fund.

Federal Infrastructure Improvement and Jobs Act ("IIJA").

On November 15, 2021, President Biden signed into law the IIJA which is expected to provide the State with over \$6 billion of federal investment over five years. Approximately \$5.4 billion of the \$6 billion will be for transportation infrastructure and systems upgrades/projects, which is an increase of \$1.6 billion over the last infrastructure bill that was enacted in 2015. The State is expected to receive funds for the following project areas: (1) replacement and repairs to the State's bridges and roads, (2) improving public transportation, (3) expanding electric vehicle (EV) charging networks, (4) expanding broadband coverage, (5) improving water infrastructure, and (6) improving airport infrastructure development. The Governor's proposed budget includes funding to maximize the amount of federal reimbursement the State is eligible to receive under IIJA.

Governor's Midterm Budget Revisions for Fiscal Year 2025

Per CGS Section 4-71, the Governor is required to submit a status report in each even year to the General Assembly on the biennial budget enacted in the previous year. The status report shall include any recommendations for adjustments and revisions to the enacted budget. On February 7, 2024, the Governor presented to the General Assembly a status report including detailed projections of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2025. General Fund revenues totaling at \$23,233.5 million and expenditures totaling \$22,942.5 million are proposed, resulting in a surplus of \$291.0 million prior to the application of the revenue cap. The Governor's proposed budget for Fiscal Year 2025 would be \$1.1 million below the expenditure cap.

The Governor's proposed midterm budget adjustment includes \$70.6 million in General Fund revenue increases from the January 16, 2024 consensus revenue estimate for Fiscal Year 2025. The significant revenue changes include:

- Increasing the transfer of revenue from Fiscal Year 2024 to Fiscal Year 2025 from \$95 million to \$140 million, an increase of \$45 million, reducing the projected Fiscal Year 2024 surplus by a corresponding amount;
- A one-year suspension of the \$12 million transfer of funds to the Tobacco and Health Trust Fund in Fiscal Year 2025;
- A revised estimate which reduced by \$16.3 million the required transfer to the Municipal Revenue Sharing Fund;
- A transfer of unobligated funds of \$0.8 million from the Biomedical Research Trust Fund and the Connecticut Itinerant Vendors Guaranty Fund to the General Fund in Fiscal Year 2025; and
- Elimination of certain fees totaling \$3.5 million.

The Governor’s proposed midterm budget adjustment includes \$136.6 million in expenditure increases in Fiscal Year 2025. Significant expenditure changes include:

- Revised estimates of spending in Medicaid increasing by \$106.8 million;
- Revised estimates of pension contribution requirements based on latest valuations increasing by \$81.2 million;
- Revised estimates of debt service requirements decreasing by \$70.3 million;
- A reduction in the amount of increased education funding that was in the adopted Fiscal Year 2025 budget decreasing by \$47.9 million; and
- Additional resources for early childhood services increasing by \$20 million.

The above proposed actions would reduce the projected Fiscal Year 2025 surplus to \$291.0 million, which would be expected to be deposited into the Budget Reserve Fund at the conclusion of the fiscal year or otherwise used as provided by statute if the Budget Reserve Fund is funded at its cap.

In addition to the proposed midterm budget revisions, the Governor also presented a three year budget report for Fiscal Years 2026, 2027 and 2028. The report indicated out-year projected revenue, expenditures and balances in the General Fund as follows:

Three Year Budget Report General Fund (in Millions)			
<u>Fiscal Year</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenues	\$23,546.6	\$24,102.4	\$24,747.7
Expenditures	\$23,612.8	\$24,149.4	\$24,642.0
Surplus / (Deficit)	\$ (66.2)	\$ (47.0)	\$ 105.6

The Governor also proposed an increase of \$131.1 million in general obligation bond authorizations for Fiscal Year 2025.

Deliberations on the Governor’s budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of May 8, 2024.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a statutory basis. Summaries of actual revenues and expenditures on the statutory basis for Fiscal Years 2019 through 2023 are set forth in **Appendix II-D**.

TABLE 2
General Fund
Summary of Operating Results — Statutory Basis
(In Millions)

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total General Fund Revenues ^(a)	\$ 19,649.9	\$ 19,193.5	\$ 20,531.4	\$ 21,990.9	\$ 22,822.9
Net Appropriations/Expenditures ^(b)	<u>19,279.3</u>	<u>19,154.8</u>	<u>20,055.6</u>	<u>20,729.6</u>	<u>22,267.6</u>
Operating Surplus/(Deficit)	\$ 370.6	\$ 38.7^(c)	\$ 475.9^(c)	\$ 1,261.3^(c)	\$ 555.3^(c)

(a) Does not include Restricted Accounts and Federal and Other Grants. See **Appendix II-D-6**.

(b) Does not include expenditures for Restricted Accounts and Federal and Other Grants. Includes Amounts Reserved for Prior Year Appropriations Less Appropriations Carried Forward and Other Adjustments. See **Appendix II-D**.

(c) In accordance with State statute, because the Budget Reserve Fund had reached the statutory limit of 15%, (i) for Fiscal Years 2020 through 2022 the Treasurer decided it was in the best interest of the State to transfer the surplus as an additional contribution to the State Employees' Retirement Fund and (ii) for Fiscal Year 2023, per statute, it was determined to be in the best interest of the State to transfer the surplus as an additional contribution to the Teachers' Retirement System.

NOTE: Totals may not add due to rounding.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual operations surplus (deficit) under the statutory basis to the GAAP basis of accounting for Fiscal Years 2019 through 2022. The Fiscal Year 2023 reconciliation will be completed when available. Audited GAAP based financial statements for Fiscal Year 2023 will be included in **Appendix II-C** when available.

TABLE 3
General Fund
Summary of Operating Results — Statutory Basis vs. GAAP Basis
(In Millions)

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutory Basis Operating Surplus/ (Deficit)	\$ 370.6	\$ 38.7	\$ 475.9	\$ 1,261.3	
Volatility Deposit Budget Reserve Fund	933.6	530.3	1,241.5	3,047.5	
Change in Statutory Surplus Reserve	160.0	(15.6)	(144.4)	208.2	
Amortization Payment on GAAP Bonds	--	75.7	--		
<u>Adjustments:</u>					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(423.4)	(80.5)	262.8	(106.8)	
Other Receivables	75.0	(61.5)	775.6	402.9	
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(151.8)	(306.4)	(2,196.4)	(2,937.6)	
Salaries and Fringe Benefits Payable	(26.6)	14.5	17.7	77.5	
Increase (decrease) in Continuing Appropriations	30.2	(25.4)	619.3	75.8	
Transfer of Prior Year Surplus and BRF 15% Excess	<u>--</u>	<u>--</u>	<u>(61.6)</u>	<u>(1,618.3)</u>	
GAAP Based Operating Surplus/(Deficit)	\$ 967.6	\$ 169.8	\$ 990.4	\$ 410.5	

SOURCE: Comptroller's Office

The table below sets forth on the statutory basis the actual cumulative unreserved fund balance (deficit) for the General Fund for the last five fiscal years.

TABLE 4
General Fund Unreserved Fund Balance —Statutory Basis
(In Millions)

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Surplus/(Deficit)	\$ 370.6	\$ 38.7	\$ 475.9	\$ 1,261.3	\$ 555.3
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	370.6	0.0	0.0	0.0	0.0
Transfers from Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0
Transfers to SERF/TRS ^(a)	<u>0.0</u>	<u>38.7</u>	<u>475.9</u>	<u>1,261.3</u>	<u>555.3</u>
Total Transfers/Reserves	\$ (370.6)	\$ (38.7)	\$ (475.9)	\$ (1,261.3)	\$ (555.3)
Unappropriated Surplus/(Deficit)	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>

(a) In accordance with State statute, because the Budget Reserve Fund has reached the statutory limit of 15%, (i) for Fiscal Years 2019 to 2022 the Treasurer decided it was in the best interest of the State to transfer the surplus as an additional contribution to the State Employees' Retirement Fund and (ii) for Fiscal Year 2023 per statute, it was determined to be in the best interest of the State to transfer the surplus as an additional contribution to the Teachers' Retirement System.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the statutory basis to the GAAP basis of accounting for Fiscal Years 2019 through 2022. The Fiscal Year 2023 reconciliation will be completed when available.

TABLE 5
General Fund Unreserved Fund Balance — Statutory Basis vs. GAAP Basis
(In Millions)

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Fund Balance (Deficit) Related to					
Statutory GAAP Budgeting	\$ 116.1	\$ 191.8	\$ 191.8	\$ 191.8	
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(515.8)	(563.0)	(579.2)	(605.9)	
Eliminate Corporation Accrual	(14.9)	(97.9)	(37.0)	(23.6)	
Additional Taxes Receivable	<u>10.2</u>	<u>2.7</u>	<u>5.0</u>	<u>12.5</u>	
Net Increase (Decrease) Taxes	(520.5)	(658.2)	(611.2)	(617.0)	
Net Accounts Receivable	510.3	724.4	744.4	595.7	
Federal and Other Grants Receivable ^(a)	113.9	33.3	296.2	189.5	
Due From Other Funds	<u>47.7</u>	<u>44.6</u>	<u>56.2</u>	<u>63.8</u>	
Total Additional Assets	\$ 151.4	\$ 144.1	\$ 485.6	\$ 232.0	
Additional Liabilities					
Salaries and Fringe Payable	109.1	123.5	141.1	218.7	
Accounts Payable—Dept. of Social Services	(0.7)	--	--	--	
Accounts Payable—Trade & Other	(754.2)	(930.8)	(718.5)	(782.1)	
Payable to Federal Government	(326.9)	(505.2)	(679.9)	(495.0)	
Due to Other Funds	<u>(66.2)</u>	<u>(95.6)</u>	<u>(80.8)</u>	<u>(117.6)</u>	
Total Additional Liabilities	<u>\$(1,038.9)</u>	<u>\$(1,408.1)</u>	<u>\$(1,338.1)</u>	<u>\$(1,176.0)</u>	
Unreserved Fund Balance (Deficit)					
GAAP Basis	<u>\$ (771.4)</u>	<u>\$(1,072.2)</u>	<u>\$ (660.7)</u>	<u>\$ (752.2)</u>	

(a) Primarily reimbursement for additional liabilities accrued to federal grant accounts or programs with federal participation, e.g., Medicaid.

SOURCE: Comptroller's Office

The table below sets forth on a GAAP basis the components of the fund balance for the General Fund for Fiscal Years 2019 through 2022. The Fiscal Year 2023 fund balance components will be completed when available.

TABLE 6
General Fund Fund Balances-GAAP Basis
(In Millions)

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Reserved:					
Budget Reserve	\$ 2,505.5	\$ 3,012.9	\$ 3,112.0	\$ 3,313.4	
Future Budget Years	160.0	144.4	-	208.2	
Loans & Advances to Other Funds	47.2	51.4	56.3	72.9	
Inventories	15.2	17.	20.8	21.7	
Continuing Appropriations	<u>164.5</u>	<u>139.1</u>	<u>758.4</u>	<u>834.3</u>	
Total	\$ 2,892.4	\$ 3,365.0	\$ 3,947.5	\$ 4,450.5	
Unreserved:	<u>(771.4)</u>	<u>(1,072.2)</u>	<u>(660.7)</u>	<u>(752.2)</u>	
Total Fund Balance	<u>\$ 2,121.0</u>	<u>\$ 2,292.8</u>	<u>\$ 3,286.8</u>	<u>\$ 3,698.3</u>	

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt, except that it may borrow only for public purposes. There are no reported court decisions relating to State bonded debt other than two cases validating the legislative determination of the public purpose for improving employment opportunities and related activities. The State Constitution has never required a public referendum on the question of incurring debt. Therefore, the CGS govern the authorization and issuance of State debt, including the purpose, the amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, the security therefor, and other related matters.

Statutory Provisions

Pursuant to various public and special acts, the State has authorized a variety of types of debt. These types fall generally into the following categories: direct general obligation debt, which is payable from the State's General Fund; special tax obligation debt, which is payable from specified taxes and other funds that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund, including credit revenue bonds secured by a pledge of withholding tax receipts. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. Whenever any general statute or public or special act authorizes special tax obligation bonds or general obligations bonds of the State to be used for any purpose, such general statute or public or special act shall be deemed to have authorized such bonds to be issued as either special tax obligation bonds or general obligation bonds; provided in no event shall the total of the principal amount of special tax obligation bonds and general obligation bonds issued pursuant to the authority of any general statute or public or special act exceed the amount authorized thereunder. For purposes of presentation of authorized amounts included in the various tables and discussion herein, they are being included in the category in which they were originally authorized. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

Statutory Authorization and Security Provisions. The State issues general obligation bonds pursuant to specific bond acts and CGS Section 3-20 (the "General Obligation Bond Procedure Act" or the "Act"). The Act provides that such bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on such bonds as the same become due. The Act further provides that, as a part of the contract of the State with the owners of such bonds, there is made an appropriation of all amounts necessary for the punctual payment of principal and interest on such bonds, and the Treasurer shall pay such principal and interest as the same become due. In addition, the State may issue bonds secured by a statutory pledge of the State's withholding tax receipts ("credit revenue bonds"). See *Credit Revenue Bond Program*.

There are no State constitutional provisions precluding the exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income, in order to pay debt service on bonded debt now or hereafter incurred. The constitutional limit on increases in General Fund expenditures for any fiscal year does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There are also no constitutional or statutory provisions requiring or precluding the enactment of liens on or pledges of the State's General Fund revenues or taxes, or the establishment of priorities for payment of debt service on the State's general obligation bonds. There are no express statutory provisions establishing any priorities in favor of general obligation bondholders over other valid claims against the State.

Statutory Debt Limit. CGS Section 3-21 provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly

but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. Credit revenue bonds issued pursuant to CGS Section 3-20j shall be considered as payable from General Fund tax receipts of the State for purposes of the debt limit. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted:

- the principal amount of revenue anticipation notes having a maturity of one year or less,
- refunded indebtedness,
- bond anticipation notes,
- borrowings payable solely from the revenues of a particular project,
- the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer,
- the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness,
- all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year,
- all authorized debt to fund the tax increment bond program of Connecticut Innovations, Inc.,
- authorized indebtedness issued pursuant to CGS Section 3-62h in connection with abandoned property,
- any indebtedness represented by agreements entered into pursuant to certain provisions of the CGS, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness,
- any accumulated deficit as determined on the basis of GAAP,
- any indebtedness authorized pursuant to any section of the general statutes or any public or special act that is by its terms not in effect until a future date, provided such indebtedness shall be included from the date such authorization is in effect, and
- all indebtedness authorized and issued pursuant to a declaration by the Governor of an emergency or the existence of extraordinary circumstances and for which at least three-fifths of the members of each house of the General Assembly has voted to authorize such indebtedness.

For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute (see **Table 7**, footnote (a)). In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap under CGS Section 3-21. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program***. The provisions of CGS Section 3-21 do not prevent the issuance of any indebtedness issued for the purpose of meeting cash flow needs, covering emergency needs in times of natural disaster or funding budget deficits of the State.

The Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and at other statutorily prescribed times and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit. The General Assembly is not required to act upon such recommendations.

In addition, the Treasurer may not issue general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate \$2.4 billion in any fiscal year, excluding bonds issued for the Connecticut State Colleges and Universities 2020 Program as defined in CGS Section 10a-91c(3) (“CSCU 2020”) and UConn 2000 as defined in CGS Section 10a-109c (25), refunding bonds and revenue anticipation bonds. The \$2.4 billion limit is subject to prescribed inflationary adjustments commencing July 1, 2024.

Further, the Governor may not approve allotment requisitions that would exceed the foregoing issuance limit.

The total tax receipts for Fiscal Year 2024, as last estimated by the General Assembly’s joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 1, 2024, are described in the following table.

TABLE 7
Statutory Debt Limit
As of February 1, 2024

Total General Fund Tax Receipts	\$19,982,100,000	
Multiplier	1.6	
Debt Limit		\$31,971,360,000
Outstanding Debt ^(a)	13,582,560,000	
Guaranteed Debt ^(b)	2,078,615,705	
Authorized Debt ^(c)	8,258,177,116	
Total Subject to Debt Limit		23,919,352,821
Aggregate Net Debt		23,919,352,821
Debt Incurring Margin ^(d)		8,052,007,179

- (a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, CRDA Bonds, CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds and lease financings other than the Juvenile Training School and the Energy Leases.
- (b) **Table 7** reflects only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority, UConn 2000 Bonds, Municipal Contract Assistance secured by the State’s debt service commitment and Small Business Energy Advantage Loans. See also **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt**.
- (c) Includes UConn 2000 Bonds secured by the State’s debt service commitment that are authorized but unissued under the statutory cap for Fiscal Year 2024.
- (d) State debt as a percentage of the statutory debt limit is 74.8%. State debt as a percentage of the statutory debt limit for prior dates were as follows: 2/1/2020 – 76.7%; 2/1/2021 – 80.9%; 2/1/2022 – 80.0%; 2/1/2023 – 72.3%.

SOURCE: State Treasurer’s Office

State Bond Commission. The General Obligation Bond Procedure Act establishes the State Bond Commission (the “Commission”) and empowers it to authorize the issuance of general obligation bonds and credit revenue bonds for purposes and in amounts and subject to other limits established by the legislature in a bond act. The Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of OPM, the Commissioner of Administrative Services, and the Co-Chairpersons and Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of OPM serves as secretary to the Commission.

- Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission

generally meets monthly. The Commission may not authorize bond issuances or credit revenue bond issuances of greater than \$2.4 billion in the aggregate in any fiscal year, subject to certain exclusions and inflationary adjustments.

Bond Covenant. Pursuant to CGS Section 3-20(bb), each fiscal year during which general obligation bonds or credit revenue bonds of the State issued on and after July 1, 2023, and prior to July 1, 2025 are outstanding, the State is required to comply with the following provisions, and include a covenant in such bonds (which is applicable through June 30, 2033 or, unless a resolution of the General Assembly is adopted on or after January 1, 2028 and prior to July 1, 2028 to not continue it beyond June 30, 2028) that no public act or special act of the general assembly taking effect during the time the covenant is in place, shall alter the obligation of the State to comply with the following provisions:

- CGS Section 4-30a (funding of the Budget Reserve Fund and permissible expenditures therefrom)
- CGS Section 2-33a (spending cap)
- CGS Section 2-33c (revenue cap of 98.75% of estimated revenues on General Fund and Special Transportation fund aggregate appropriations)
- CGS Section 3-20(d) and (g) (limitation of \$2.4 billion on the authorization of bonds by the Commission in any fiscal year and general Commission provisions)
- CGS Section 3-21 (the debt limit, including the limitation on the issuance by the State of general obligation bonds pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j to \$2.4 billion in each fiscal year subject to certain exclusions and inflation adjustments)

Alterations of the foregoing requirements are permissible (i) if and when adequate provision is made by law for the protection of the holders of the bonds, or (ii) (1) if and when the Governor declares an emergency or the existence of extraordinary circumstances, (2) at least three-fifths of the members of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined, and (3) any such alteration is for the fiscal year in progress only.

Types of Direct General Obligation Debt

General Obligation Bonds. Pursuant to various public or special bond acts, the General Assembly empowers the Commission to authorize bonds for a variety of projects or purposes. Each bond act is usually specific as to its projects or purposes and the amount of bonds to be issued therefor, although each bond act may contain several projects or purposes. Each bond act also generally sets forth a maximum maturity of the bonds.

The types of projects and purposes for which the State has authorized general obligation debt include the following: acquisition, construction, renovation and improvement of buildings and facilities for State departments and agencies, educational institutions, prisons, college and university facilities, library facilities and courthouses, acquisition of development rights to preserve open space and farmland, and the provision of grants and loans to promote economic development within the State. Some bonds authorized for university and college facilities are self-liquidating, and certain fees and charges collected by the college or university are set aside and used to service the debt on these bonds. Bonds are also authorized to fund a wide variety of grant programs. Such grants are made to local governments for local school construction projects or to finance a variety of local government, economic development, highway, bridge and other capital improvement projects. Certain bonds are authorized to finance grants and loans to local housing authorities and developers of affordable housing. Other general obligation debt finances grants and loans to municipalities for design and construction of water pollution control facilities, in addition to loans that are financed under the State's Clean Water revenue bond program.

Credit Revenue Bond Program. The State may issue credit revenue bonds secured by a statutory gross pledge of the State's withholding tax receipts to fund its capital projects. These receipts will be paid into segregated pledged accounts from which the trustee for the credit revenue bonds will withdraw amounts to be set aside for

debt service on the credit revenue bonds. Withholding tax revenues withdrawn to be set aside for debt service on the credit revenue bonds will not be available to pay debt service on general obligation bonds. Amounts in the segregated pledged accounts in excess of the amounts withdrawn for debt service will be swept daily into other accounts of the State, free of the credit revenue bond lien and available for all purposes of the General Fund, including payment of debt service on the State's general obligation bonds. The credit revenue bonds will have no claim on any other revenues of the State and will not be subject to acceleration. The credit revenue bonds may be issued for any purpose for which general obligation bonds are authorized, including refunding bonds, and, if issued, would be in lieu of general obligation bonds. Credit revenue bonds will be authorized in the same manner as general obligation bonds, and accounted for within the State's General Fund. The credit revenue bonds will be treated as general obligation bonds for purposes of the State bond cap, and therefore do not represent an avenue for additional bond issuance. Issuance of credit revenue bonds is subject to an additional bonds test requiring a debt service coverage ratio of three times. As of February 1, 2024, no credit revenue bonds have been issued and the State has no current plans to issue such bonds.

Teachers' Retirement Fund Pension Obligation Bonds. In April 2008 the State issued \$2,287 million of bonds to fund up to \$2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. As of February 1, 2024, \$2,197.6 million (reflecting the accreted value) of such bonds were outstanding. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. The University of Connecticut ("University") is a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as "UConn 2000", the infrastructure improvement program now is estimated to cost \$4,644.3 million to be financed over a thirty-two year period, beginning in Fiscal Year 1996. The UConn 2000 program contemplates total issuance of \$4,295.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt and are reflected in Tables 8 through 14. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. As of February 1, 2024, \$4,738.7 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which \$1,726.1 million remain outstanding, with a remaining authorization of \$251.9 million, of which \$184.9 million is allocated. It is anticipated that additional authorizations will become effective in future fiscal years.

Special obligation bonds of the University are secured by particular revenues of the University and are not subject to the cap on the University's general obligation debt service commitment bonds and are not counted against the State's debt limit.

The General Assembly has and may continue to authorize capital improvements for the University in addition to the UConn 2000 Program. General obligation bonds authorized for such purposes are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. However, the construction of a new \$203 million ambulatory care center at the University of Connecticut Health Center authorized in 2011, but financed through a lease financing through the University of Connecticut Health Center Finance Corporation is not reflected in **Table 12**.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities (none of which are outstanding) and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. The State is evaluating opportunities for the lease financing of energy improvements under existing statutory authorizations. The State has entered into other

leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is an operating lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. Connecticut Innovations, Inc. (“CI”) is authorized to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by CI for debt service on the bonds. Debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the Commission. Such tax increment bonds are not reflected in Table 7, but are reflected in Tables 8 through 12.

Supportive Housing Financing. The Connecticut Housing Finance Authority (“CHFA”) in conjunction with other state agencies developed a collaborative plan to create affordable housing and support services for specified eligible persons. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance may not exceed \$105 million in the aggregate. As of February 1, 2024, \$29.72 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. CHFA is authorized to issue up to \$50 million of bonds to fund an Emergency Mortgage Assistance Program and the Treasurer and OPM are required to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 1, 2024, the entire \$50 million had been issued, of which \$23.91 million is outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Economic Recovery Notes. The Treasurer is authorized from time to time to issue notes to fund budget deficits of the State. Currently, no such authorization is in place and no notes are outstanding.

Municipal Contract Assistance. The Municipal Accountability Advisory Board (“MARB”) supervises distressed municipalities in the State. The State, acting through the Treasurer and the Secretary of OPM, is authorized to enter into contract assistance agreements with municipalities operating as “Tier III” or “Tier IV” municipalities under the MARB. Such contract assistance may provide for payment by the State of all or a portion of annual debt service on refunding bonds issued to refund outstanding indebtedness of such a municipality, plus costs of issuance. The State is also authorized to provide alternate forms of credit support, provided the alternate support is not in excess of the amount of contract assistance otherwise available. The contract assistance would be deemed appropriated, and would constitute the full faith and credit obligation of the State. Currently, the City of West Haven is a “Tier IV” municipality and the Town of Sprague is a “Tier III” municipality. In March 2018, the State and the City of Hartford entered into an agreement that obligates the State to make payments equal to principal and interest, when due, on all of Hartford’s then outstanding general obligation bonds, with the State retaining the right to restructure the outstanding debt in the future. As of February 1, 2024, Hartford’s outstanding debt subject to this agreement is approximately \$349.8 million. This contract assistance program is in addition to, but not in duplication of, assistance available to municipalities and described under **OTHER FUNDS – Assistance to Municipalities.**

Certain Short-Term Borrowings. The CGS authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and no such credit facilities are in effect.

Other Forms of Debt. In addition to the bonds, notes and lease financings described above, the Treasurer has the authority to issue refunding bonds, bond anticipation notes, and capital appreciation bonds. The Act provides that the Treasurer may issue temporary notes and any renewals thereof in anticipation of the proceeds from the sale of bonds whenever the Commission has adopted a resolution authorizing bonds. The Treasurer is also authorized by the Act to issue refunding bonds whenever the Treasurer finds that a refunding is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding.

Certain of the State's general obligation bonds were issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest that has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's outstanding debt. Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

Derivatives. The Treasurer, with the authorization of the Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cash flow basis as the Treasurer may determine, including swap agreements and other arrangements to manage interest rate risk. When any such arrangement is entered into, the counter-party to the arrangement must have a rating on its unsecured long-term obligations that is the same as or higher than the underlying rating of the State on the applicable bonds. The Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract. The State has entered into swap agreements in connection with various bond issues, but currently has no swap agreements in place in connection with its general obligation bonds.

Debt Statement. The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) for the payment of the principal and interest on which the State has pledged its full faith and credit or which is otherwise payable from the State's General Fund.

TABLE 8
Direct General Obligation Indebtedness^(a)
Principal Amount Outstanding As of February 1, 2024
(In Thousands)

General Obligation Bonds	\$13,401,299
Pension Obligation Bonds	2,197,585
UConn 2000 Bonds	1,726,050
Other ^(b)	<u>247,976</u>
Long-Term General Obligation Debt Total	\$17,572,910
Short-Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	<u>17,572,910</u>
 Net Direct General Obligation Debt	 \$17,572,910

- (a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.
- (b) "Other" includes miscellaneous general obligation debt, lease financings, tax increment financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. However, it does not include CRDA Bonds or CHEFA Child Care Facilities Bonds or Municipal Contract Assistance secured by the State's debt service commitment. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments**.

Debt Ratios. The following table sets forth certain ratios relating to the State's gross and net direct general obligation indebtedness:

TABLE 9
Outstanding Long-Term General Obligation Debt and Debt Ratios

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Direct Debt ^(a)	\$18,705,288	\$18,773,733	\$18,799,680	\$18,596,012	\$17,840,779
Ratio of Debt to Personal Income ^(b)	69.9%	67.4%	64.3%	61.8%	59.3%
Ratio of Debt to Estimated Full Value of Equalized Grand List ^(c)	33.4%	32.7%	32.1%	28.7%	24.7%
Per Capita Debt ^(d)	\$5,186	\$5,237	\$5,216	\$5,151	\$4,931

(a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding as of June 30 of each fiscal year as set out in **Table 11** which includes bonds that are considered self-liquidating.

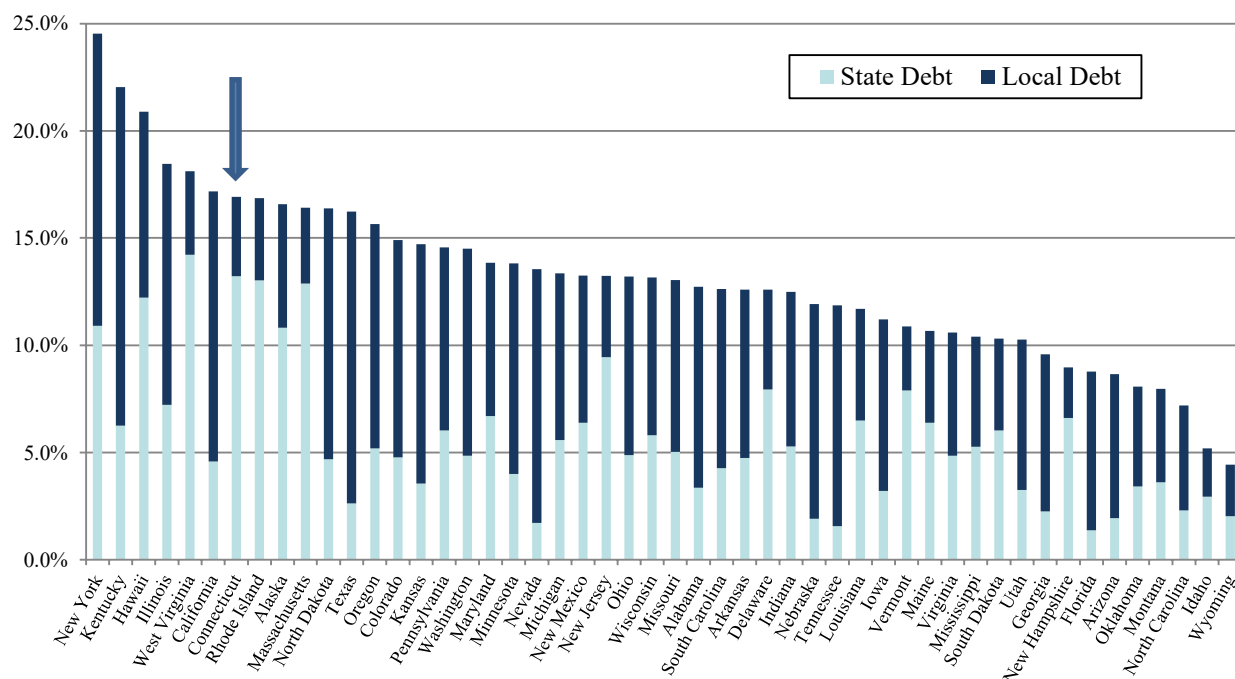
(b) See **Appendix II-B, Table B-2**. Personal Income: 2019 - \$267.6 billion; 2020 - \$278.4 billion; 2021 - \$292.4 billion and 2022 - \$300.8 billion. The 2023 ratio uses 2022 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2017 - \$560.0 billion; 2018 - \$573.5 billion, 2019 - \$586.0 billion, 2020 - \$647.0 billion and 2021 - \$723.1 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2019 ratio uses 2017 data; 2020 ratio uses 2018 data; 2021 ratio uses 2019 data; 2022 ratio uses 2020 data and 2023 ratio uses 2021 data.

(d) See **Appendix II-B, Table B-1**. State population in thousands: 2019 - 3,607; 2020 - 3,585; 2021 - 3,604; 2022 - 3,610; and 2023 - 3,618.

Aggregate State and Local Debt. The following table sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 43rd among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and third lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a^{(a)(b)}
Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2023 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2021 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, as of the third quarter of 2023.

(b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Information Statement.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 1, 2024. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include refunding bonds, thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10
Summary of Principal, Mandatory Sinking Fund Payments,
and Interest on Long-Term Direct General Obligation Debt(a)
As of February 1, 2024

<u>Fiscal Year</u>	<u>Principal Payments^(b)</u>	<u>Interest Payments^{(b)(c)}</u>	<u>Total Debt Service</u>
2024	\$ 808,404,066	\$ 384,546,772	\$ 1,192,950,839
2025	1,645,297,437	832,522,095	2,477,819,532
2026	1,621,220,000	675,082,189	2,296,302,189
2027	1,576,515,000	601,481,364	2,177,996,364
2028	1,522,490,000	527,974,160	2,050,464,160
2029	1,468,830,000	456,502,219	1,925,332,219
2030	1,422,500,000	386,815,640	1,809,315,640
2031	1,371,895,000	321,483,630	1,693,378,630
2032	1,280,385,000	257,275,438	1,537,660,438
2033	837,665,000	194,896,297	1,032,561,297
2034	740,285,000	159,448,066	899,733,066
2035	670,275,000	127,774,928	798,049,928
2036	574,270,000	99,039,651	673,309,651
2037	473,690,000	75,858,974	549,548,974
2038	370,630,000	56,954,863	427,584,863
2039	304,330,000	41,664,013	345,994,013
2040	258,090,000	29,184,563	287,274,563
2041	203,090,000	18,492,663	221,582,663
2042	140,080,000	10,604,763	150,684,763
2043	81,225,000	4,554,375	85,779,375
2044	43,725,000	1,630,625	45,355,625
Totals	\$17,414,891,503	\$5,263,787,287	\$22,678,678,789

- (a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments (\$17,414,891,503), plus accreted interest (\$158,018,836) total the amount of such long-term debt (\$17,572,910,339) as shown in Table 8. See footnotes (b) and (c) for further explanation.
- (b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds. Capital appreciation bonds mature in Fiscal Years 2024 through 2025.
- (c) Some of the State's direct debt pays interest at variable rates. For purposes of this Table 10, the interest on such debt is calculated based on the following assumed average rates:

<u>Year Issued</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Maturities</u>	<u>Assumed Average Interest Rate</u>
2013	\$244,570,000	\$ 37,255,000	2024-2025	4.75%
2015	200,000,000	29,580,000	2024	4.75
2016	300,000,000	241,465,000	2034	4.75
2017	300,000,000	246,845,000	2024-2037	4.75
Totals	\$1,044,570,000	\$ 555,145,000		

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt. The following table sets forth the total long-term direct general obligation debt outstanding at the end of each of the last ten fiscal years. The long-term debt outstanding includes bonds that are considered self-liquidating. See **Table 8**.

TABLE 11
Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

<u>Fiscal Year</u>	<u>Gross Debt</u>
2014	\$15,819,826
2015	16,879,336
2016	17,704,949
2017	18,534,494
2018	18,723,853
2019	18,705,288
2020	18,773,733
2021	18,799,680
2022	18,596,012
2023	17,840,779

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 1, 2024, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The table also shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2023.

Table 12
Authorized but Unissued Direct General Obligation Debt
As of February 1, 2024
(In Thousands)

	State Direct Debt^(a)	Pension Obligation Bonds	UCONN 2000^(b)	Tax Increment^(c)	Total
Amount Authorized by Legislature	\$49,714,015	\$2,276,578	\$3,921,092	\$74,750	\$55,986,435
Amount Allocated by Commission	<u>45,554,655</u>	<u>2,276,578</u>	<u>3,921,092</u>	<u>74,750</u>	<u>51,827,076</u>
Available for Commission Allocation	4,159,360	0	0	0	4,159,360
Amount Authorized by Legislature	49,714,015	2,276,578	3,921,092	74,750	55,986,435
Amount Issued	<u>41,654,278</u>	<u>2,276,578</u>	<u>3,736,192</u>	<u>68,040</u>	<u>47,735,088</u>
Authorized by Legislature but Unissued	8,059,737	0	184,900	6,710	8,251,347
Amount Allocated by Commission	45,554,655	2,276,578	3,921,092	74,750	51,827,076
Amount Issued	<u>41,654,278</u>	<u>2,276,578</u>	<u>3,736,192</u>	<u>68,040</u>	<u>47,735,088</u>
Allocated by Commission but Unissued	3,900,378	0	184,900	6,710	4,091,988

(a) Includes CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds and GAAP Deficit Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds and lease financings.

(b) Includes new money bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(c) The amount of tax increment bonds authorized is based on the amount authorized by the Commission, since there is no statutory amount of authorization.

SOURCE: State Treasurer's Office; OPM

The General Assembly authorizes bonds in various public and special acts each year or each biennium. In addition to authorizing bonds for new projects and purposes, the General Assembly reviews prior authorizations and may repeal certain projects and bond authorizations or otherwise reduce prior bond authorizations. The following table and graph list the amount of new authorizations of general obligation debt that take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations that have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13
Statutory General Obligation Bond Authorizations and Reductions^(a)
(In Millions of Dollars)

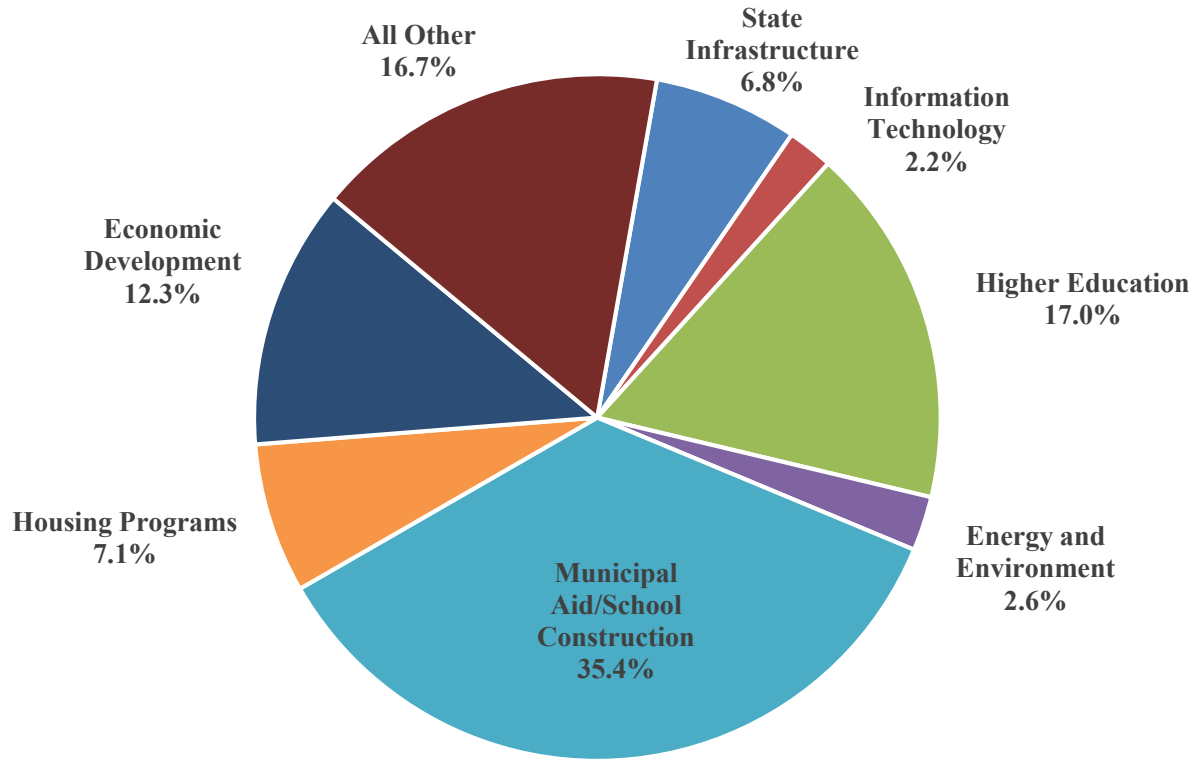
Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
New										
Authorizations	2,391.5	2,661.3	1,875.6	1,800.0	1,895.4	1,903.5	2,174.5	2,541.8	2,659.8	2,450.1
Reductions	<u>(272.5)</u>	<u>(985.7)</u>	<u>(263.3)</u>	<u>(406.3)</u>	<u>(3.4)</u>	<u>0.0</u>	<u>(156.2)</u>	<u>(410.5)</u>	<u>(73.0)</u>	<u>0.0</u>
Net New										
Authorizations	2,119.0	1,675.6	1,612.3	1,393.7	1,892.0	1,903.5	2,018.3	2,131.3	2,586.8	2,450.1

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 Bonds available under the cap for Fiscal Years 2016 through 2025, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2026. See **Table 14**.

Source: OPM

TABLE 14

General Obligation Bond Allocations for Fiscal Years 2019 – 2023



SOURCE: OPM

OTHER FUNDS, DEBT AND LIABILITIES

The State conducts certain of its operations through State funds other than the State General Fund and may issue debt secured by the special taxes or revenues pledged to certain of such funds. In addition, the State is contingently liable, or has limited liability, from the resources of the State's General Fund, for payment of debt service on certain obligations of quasi-public State agencies and municipalities of the State. The State also has committed to pay debt service on loans to finance certain child care facilities and has committed to certain municipalities to make future grant payments for school construction projects, payable over a period of years, and has certain other contingent liabilities for future payments.

Special Transportation Fund and Debt

The Transportation Infrastructure Program was created in 1984 and included the authorization of Special Tax Obligation ("STO") bonds to finance the program. The Transportation Infrastructure Program is a continuous program for the planning, construction and improvement of transportation infrastructure, and is administered by the Department of Transportation.

The cost of the Transportation Infrastructure Program for Fiscal Years 2019-2028, which will be met from federal, State and local funds, is currently estimated at \$24.0 billion. The State's share of such cost, estimated at \$13.6 billion, is to be funded from the proceeds of STO bonds and from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below. The portion of State program costs not financed by STO bonds is estimated at \$0.2 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds.

It is estimated that an additional \$4.3 billion of STO bonds will be issued to fund the estimated \$13.6 billion State's share of the cost of the infrastructure program for Fiscal Years 2019-2028. There is currently \$7.1 billion of authorized but unissued STO bonds. While current appropriations are adequate to provide for expenditures through the projection period, additional appropriations, including the authorization of additional STO bonds, will be required before the end of the projection period in order to continue the multi-year planning required for expenditures beyond the end of the projection period.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund and other pledged receipts, funds or moneys. The aggregate of certain transportation related taxes and other transportation related revenue sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements on STO bonds.

The table below shows the amount of STO bonds authorized by bond acts in effect, the amount the Commission has allocated, the amount of bonds issued, the balance remaining of authorized but unissued, the balance remaining of allocated but unissued, and the amount outstanding. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance the ongoing Transportation Infrastructure Program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO bond indentures controlling the issuance of such bonds are met.

TABLE 15
Special Tax Obligation Bonds
As of February 1, 2024
(In Millions of Dollars)

	<u>New Money</u>
Amount Authorized by Legislature ^(a)	23,260.8
Amount Allocated by the Commission	<u>21,976.7</u>
Available for Commission Allocation	1,284.1
Amount Authorized by Legislature ^(a)	23,260.8
Amount Issued ^(b)	<u>16,200.2</u>
Authorized by Legislature but Unissued	7,060.6
Amount Allocated by the Commission	21,976.7
Amount Issued ^(b)	<u>16,200.2</u>
Allocated by the Commission but Unissued	5,776.5
Amount Outstanding	7,920.8

(a) Refunding Bonds do not require legislative approval.

(b) Excludes the issuance of refunding bonds.

SOURCE: State Treasurer's Office

In 2015, legislation created a new statutory transportation “lock box” that established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund and to be expended solely for transportation purposes, including the payment of debt service. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015 are to continue to be credited to such fund to the extent the State collects or receives such moneys. Further, at a referendum held November 6, 2018, the electors approved an amendment to the Constitution of the State “to ensure (1) that all moneys contained in the Special Transportation Fund shall be used solely for transportation purposes, including debts of the state incurred for transportation purposes, and (2) that sources of funds deposited in the Special Transportation Fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the state.” Note that a new source of funds is not subject to the “lockbox” until it has begun to be credited, deposited or transferred to the Special Transportation Fund (the “First Receipt Date”). Until the First Receipt Date, a new law can be enacted to use the new source of funds for another purpose.

Other Special Revenue Funds and Debt

Bradley International Airport. Bradley International Airport (the “Airport”), located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority (“CAA”), a quasi-public authority of the State. The General Assembly authorized the issuance of revenue bonds for improvements at the Airport payable from all or a portion of the revenues generated at the Airport. No such bonds are outstanding. See *Quasi-Public Agencies - Connecticut Airport Authority (“CAA”)*.

Additional special obligation bonds to finance self-sustaining special facilities at the Airport payable solely from the revenues derived from such special facilities were authorized in 1993. No such bonds are currently outstanding.

State Revolving Fund (“SRF”). The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to \$4,486.1 million, of which \$2,466.6 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loan obligations of the municipalities and public water systems are secured by either the full faith

and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system. As of February 1, 2024, \$704.7 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the Unemployment Compensation Fund may receive advances from the federal government; in addition, the State may issue revenue bonds payable from such sources in an aggregate amount outstanding at any time not in excess of \$1.0 billion, plus amounts for certain reserves and costs of issuance. At the end of August 2020, the Unemployment Compensation Fund began borrowing funds from the United States Department of Labor in order to pay Unemployment Insurance ("UI") benefits to unemployed workers. Generally, federal loans carry interest immediately, but the federal government waived interest on UI trust fund loans until September 6, 2021. After the interest free borrowing expired, the first special assessment payment of \$1.085 million was due on September 30, 2021 and was authorized to be paid by the Governor using funds from the Coronavirus Aid, Relief, and Economic Stabilization Act ("CARES Act"). The Governor has authorized \$30 million in funds available through the American Rescue Plan Act of 2021 ("ARP Act") to cover interest payments due, beginning August 2022 through end of 2026. Principal payments are made by employers through increased Federal Unemployment Tax Act tax payments and through the Connecticut Department of Labor UI Trust Fund when such fund begins to have a surplus. Currently, the Unemployment Compensation Fund continues to borrow and as of February 5, 2024, the outstanding UI loan balance was \$121.3 million.

Second Injury Fund. The Second Injury Fund is a State-run workers' compensation insurance fund that pays lost wages and medical benefits to qualified injured workers. The Second Injury Fund is now closed to future second injury claims. However, there remain authorized the issuance of an amount not to exceed \$750 million in revenue bonds and notes outstanding at any one time to provide funds for paying past claims. No bonds or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

Special Capital Reserve Funds. The primary vehicle through which the State has undertaken contingent or limited liability is the Special Capital Reserve Fund ("SCRF"). A SCRF, if established, provides additional security for certain bonds issued by a quasi-public agency, municipality or other authority. Subject to certain legislative exceptions, monies held in and credited to a SCRF are intended to be used solely for the payment of the principal of bonds secured by such SCRF, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The SCRF is frequently funded with bond proceeds by the issuer to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a SCRF to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the SCRF. If the SCRF should fall below the required minimum capital reserve amount, an official of the issuer that established the SCRF is to certify to the Secretary of OPM or the Treasurer or both the amount necessary to restore such SCRF to the required minimum capital reserve amount. On or before December 1, annually, there is deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the SCRF. On an annual basis, the State's liability under any SCRF mechanism is limited to its obligation to

restore each SCRF to its minimum capital reserve amount. The State has never been required to replenish a SCRF to the required minimum capital reserve amount.

By statute, the Capital Region Development Authority; the Connecticut Airport Authority; the Connecticut Green Bank; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; Connecticut Municipal Redevelopment Authority; the Connecticut Port Authority; and the MIRA Dissolution Authority may borrow money or issue bonds or notes that are guaranteed or otherwise supported by the State or for which they can seek State supported SCRF with the approval of the Treasurer or the Deputy Treasurer, and for certain of these quasi-public issuers, the Secretary of OPM. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

Similarly, no municipality may issue any obligation for which there is a State supported SCRF without the approval of the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Quasi-Public Agencies

The State has established a number of quasi-public agencies that are not departments, institutions or agencies of the State. They are, however, bodies politic and corporate that constitute public instrumentalities and political subdivisions of the State. These organizations provide a wide range of services that might otherwise be provided directly by the State.

Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and, with the exception of the Connecticut Airport Authority, Connecticut Municipal Redevelopment Authority and the Connecticut Port Authority, each has issued bonds secured by a SCRF, or other contractual arrangement, for which the State has limited contingent liability.

Capital Region Development Authority ("CRDA"). CRDA was granted authority to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA retains authority to use SCRFs in connection with additional revenue bonds, but there are currently no plans to do so. The CRDA's charge includes projects to stimulate development and redevelopment in the City of Hartford and the surrounding towns.

Connecticut Airport Authority ("CAA"). CAA has ownership of and responsibility for the management and operations of Bradley International Airport and the State's other general aviation airports. The CAA is authorized to issue revenue bonds, including bonds backed by a SCRF.

Connecticut Green Bank ("Green Bank"). The Green Bank, was designated for the purposes of administering the Clean Energy Fund and the Environmental Infrastructure Fund. The Green Bank is a clean energy and environmental infrastructure finance authority, designed to leverage public and private funds to drive investment and increase clean energy and environmental infrastructure deployment in Connecticut. The Green Bank is authorized to issue bonds to facilitate its activities, which bonds may be secured by a SCRF.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. CHEFA loans the proceeds of its bond issues to client institutions, which make debt service payments on such loans that match CHEFA's payment obligations under its bonds.

CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more SCRFs solely to finance projects for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University System, or for clinical services projects for the University of Connecticut Health Center.

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Treasurer is committed to pay the debt service on these loans, subject to annual appropriation. See **Other Debt Service and Contractual Commitments – CHEFA Child Care Program.**

Connecticut Higher Education Supplemental Loan Authority (“CHESLA”). CHESLA, a subsidiary of CHEFA, provides financial assistance in the form of education loans to students in or from the State. CHESLA is also authorized to provide loans to refinance eligible education loans of qualified borrowers. CHESLA is authorized to issue bonds the proceeds of which are used to fund or refinance education loans to applicants meeting certain eligibility requirements. The repayment of such loans is used to make debt service payments on CHESLA bonds. CHESLA bonds are further secured by a SCRF.

Connecticut Housing Finance Authority (“CHFA”). CHFA was established to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements. CHFA also is authorized to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed \$2.25 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution. Bonds issued under CHFA’s General Bond Resolution are secured by a SCRF.

CHFA has also established a Special Needs Housing Mortgage Finance Program (formerly known as the Group Home Mortgage Finance Program) and has issued and expects to issue additional State-Supported Special Obligation Bonds which bonds are and will be secured by a SCRF. CHFA also issues bonds for supportive housing and emergency mortgage assistance for which the debt service is paid by the State pursuant to contracts for State assistance. See **STATE DEBT – Types of Direct General Obligation Debt – Supportive Housing Financing and Emergency Mortgage Assistance Program.**

Connecticut Innovations, Incorporated (“CI”). Under its General Obligation Bond Program, CI may issue bonds secured by a SCRF to finance eligible economic development and information technology projects. As of February 1, 2024, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by SCRFs under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

Connecticut Municipal Redevelopment Authority (“CMRA”). The CMRA was established for the purpose of, among others, stimulating economic and transit-oriented development, encouraging residential housing development, stimulating new investments, and assisting municipalities in development and redevelopment efforts. The CMRA is authorized to issue bonds, notes and other obligations in such amounts as in the opinion of the board are necessary to provide sufficient funds for carrying out its purposes which shall be general obligations of the CMRA. However, in the event any bond, note or other obligation of the CMRA cannot be paid by the CMRA, the State shall assume the liability of and make payment on such debt.

Connecticut Port Authority (“CPA”). The CPA is charged with marketing and coordinating the development of the State’s ports and maritime economy. CPA bonds may be secured by a SCRF.

MIRA Dissolution Authority (“MIRA”). MIRA was created by the State effective July 1, 2023 as successor to the Materials Innovation and Recycling Authority (the “Dissolved Authority”). MIRA has assumed all of the Dissolved Authority’s underlying statutory duties, authorities and capabilities which include the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State’s Solid Waste Management Plan. MIRA will continue such ongoing waste transfer operations until acceptable alternatives become available. MIRA is also charged with additional activities related to the dissolution of the Dissolved Authority. These dissolution responsibilities include identifying the immediate environmental needs and knowledge necessary for redevelopment of the Dissolved Authority’s closed waste to energy facility in Hartford, Connecticut, engaging the City of Hartford and other stakeholders with respect to the future of that site, continuing to operate its transfer stations until acceptable alternatives, operated by entities other than the Dissolved Authority, become available and winding down its operations and activities in an orderly and responsible manner including the marketing and sale of the Dissolved Authority’s surplus real and personal property. For the purpose of financing any solid waste facility, bonds may be issued and such bonds may be secured by a SCRF, but this authority has been repealed effective July 1, 2025 and MIRA has no plans to issue such debt. Following termination of MIRA, all of MIRA’s rights and properties shall pass to and be vested in the State.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 1, 2024, the University has outstanding \$271.5 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities and Others

Municipalities. The State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated to secure certain SCRF-backed bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past deficits of such municipalities; however no such bonds are currently outstanding. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a SCRF. There are no such obligations currently outstanding. See, also discussion under **STATE DEBT – State Direct General Obligation Debt – Municipal Contract Assistance.**

Southeastern Connecticut Water Authority. The Southeastern Connecticut Water Authority was established for the purpose of developing a reliable water supply for southeastern Connecticut. The Commission is authorized to approve a State guarantee of obligations of the Southeastern Connecticut Water Authority. Amounts borrowed by the Southeastern Connecticut Water Authority are to be repaid by July 1, 2045.

Outstanding Special Capital Reserve Fund Debt.

The amount of authorized and outstanding debt that is secured by special capital reserve funds as described above is outlined in the following table.

TABLE 16
Special Capital Reserve Fund Debt
As of February 1, 2024
(In Millions)

<u>Indebtedness Secured by SCRF</u>	<u>Authorized Debt</u>	<u>Outstanding Debt</u>	<u>Minimum SCRF Requirement</u>
Capital Region Development Authority	\$ (a)	\$ 58.8 ^(b)	\$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank.....	500.0	42.9	4.9
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	257.9	29.5
UConn Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority	300.0	146.0	17.9
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program ^(c)	(a)	4,662.2	357.2
Special Needs Housing Mortgage Finance Program	(a)	59.0	5.0
Connecticut Innovations	450.0	0.0	0.0
Connecticut Port Authority	50.0	0.0	0.0
MIRA Dissolution Authority	725.0 ^(d)	0.0	0.0
Southeastern Connecticut Water Authority	15.0	0.4 ^(b)	N.A.
University of Connecticut	(a)	0.0 ^(e)	N.A.

(a) No statutory limit.

(b) Debt is secured by a non-SCRF State guarantee.

(c) As of December 31, 2023.

(d) Pursuant to Public Act No. 23-170, this authorization is repealed effective July 1, 2025.

(e) Debt is secured by a non-SCRF State guarantee, but excludes general obligation bonds of the University that are secured by the State's debt service commitment.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. The obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 1, 2024, CHEFA had approximately \$33.90 million in Child Care Facilities Bonds outstanding under this program, with annual debt service of approximately \$4.26 million, of which the State Office of Early Childhood is committed to reimburse approximately \$0.59 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The Commission approved up to \$122.5 million of revenue bonds and other borrowings for the Hartford convention center project. The predecessor authority to CRDA issued \$110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds. As of February 1, 2024, \$58.8 million of CRDA revenue bonds was outstanding. The State's aggregate obligation under the contract assistance agreement is limited to \$9.0 million per year, and the CRDA's debt obligations are structured not to exceed this amount. An additional \$12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Through February 1, 2024, the State has paid \$64.8 million of debt service with respect to such bonds which has not been reimbursed. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The operations of the convention center were adversely affected by the COVID-related shutdowns. Together with reduced parking from area businesses, revenues were down significantly while many costs remained fixed. The economic impact of the COVID crisis, as well as a delay in completion of all elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue while recovery from the COVID crisis is taking place, due to the normal lag in convention bookings and the return of office workers attending corporate events, and at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State provides partial funding for public school building new construction and renovation projects to public school districts under a reimbursement grant program. For certain school projects approved by the General Assembly, districts are ranked according to their adjusted equalized net grand list per capita and, based on such rankings, a reimbursement percentage is assigned that determines the amount of grant money a town or regional school district may be eligible to receive. The State reimburses districts its share on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments in varying amounts based on completed applications received. The State expects to authorize new school construction grant commitments of approximately \$509 million (the total project cost of approximately \$624 million) that take effect in Fiscal Year 2024. It is anticipated that new authorizations will average approximately \$250 million in Fiscal Year 2025. As of June 30, 2023, the Commissioner of

Administrative Services estimates that current grant obligations for school construction projects are approximately \$3.6 billion.

The legislature has authorized the issuance of State bonds for the school construction grant program based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the “Corporation”) was created as a public instrumentality of the State to operate the State’s lottery pursuant to the Connecticut Lottery Corporation Act (the “CLC Act”). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2023 the current and long-term liabilities of the Corporation total \$250.7 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems and provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, as of June 30, 2023 the unfunded actuarial accrued liability ("UAAL") of the major pension systems aggregate approximately \$36.5 billion and the net social security and other post-employment benefits liability of the other major post-employment benefits systems aggregate approximately \$15.5 billion, based on the most recent actuarial valuations.

Pension Systems - Overview

The State sponsors several public employee retirement systems discussed in more detail in this section. The two largest of these are the State Employees' Retirement System ("SERS") and the Teachers' Retirement System ("TRS"). These plans have been in operation for a number of years and have significant assets held for the purposes of each plan. Like other similar plans, each plan began with "pay-as-you-go" funding, whereby benefits to beneficiaries were paid from the General Fund when due. In 1971, the plans were converted to actuarially funded plans and irrevocable trusts were established to accumulate assets that are invested on a long-term basis to fund future liabilities on an actuarial basis. In an actuarially funded pension plan, plan contributions, plus plan assets and the return on plan assets, are designed to meet the future benefits payments over the life of the plan.

The transition of the plans from a "pay-as-you-go" basis to a fully funded actuarial basis requires setting aside significant assets. As it would be impractical to set aside the accumulated liability in a short period, it was contemplated that the plans would achieve full funding over a period of time. The actuarially determined employer contribution ("ADEC") (formerly referred to as the actuarially recommended contribution or "ARC") is the recommended annual payment by the State to the applicable pension plan in order to achieve full funding of the plan over the applicable period, assuming that the actuarial assumptions are met.

When both of the State's major pension plans were converted to an actuarial funding method, the original time period determined to achieve full funding was set at 40 years, a period that was subsequently extended, most recently in 2019. Under the funding models in effect as of June 30, 2023, the remaining periods as of that date to reach full funding were approximately 22.7 years for the State Employees' Retirement Fund and approximately 24.9 years for the Teachers' Retirement Fund, as long as the State fully funded the annual funding requirement determined by the actuary and the actuarial assumptions were realized.

In valuing the assets of each system for actuarial purposes, the actuaries calculate an actuarial valuation which "smooths" the asset values. These methods are discussed for SERS and TRS below.

It is important that the funding plan be revisited periodically. Accordingly, by statute, actuarial valuations are performed with respect to the systems at least once every two years. Because these valuations are estimating future resources and future liabilities, it is necessary to make important assumptions in arriving at these future assets and liabilities. Using these assumptions, the actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an UAAL. This UAAL represents the remaining amortization of the original unfunded status, changes in the UAAL arising from actual experience compared to these assumptions (including actual investment performance compared to assumed performance), changes in the actuarial assumptions, and any failure to fully fund ADECs in prior years. The actuarial valuation then arrives at a recalculated ADEC for future years, which represents the sum of benefits to be accrued in these years, plus the amortization of the recalculated UAAL over the remaining amortization period.

In addition to these recalculations, the State has taken several additional steps in the last few years to address the funding issues with the plans. In the case of SERS, it has negotiated reduced benefits, as described below, made more conservative assumptions which have had the effect of increasing the UAAL, and eliminated the provisions that permitted the State to not fund its full ADEC payment. In the case of TRS, it has issued pension obligation bonds to augment the funding of the system, which bonds included a covenant requiring the State to fund the ADEC while the bonds (or any refunding of the bonds) are outstanding, subject to certain exceptions. These additional steps are described in more detail below for each plan.

In addition to statutory commitments (which can be, and have been, changed by legislation), and unlike many similar plans, the State now has contractual commitments requiring annual funding of the ADEC. In the case of SERS, the State is required to annually fund the ADEC pursuant to its bargaining agreement with SEBAC. In the case of TRS, the State is required to fund the annual amount as a condition of a bond covenant so long as the State's pension obligation bonds issued in April 2008 to fund a \$2.0 billion deposit to the Teachers' Retirement Fund ("TRF Bonds"), or any refunding of the TRF bonds, are outstanding, as more fully discussed under ***Pension Obligation Bonds*** below.

Actuarial Valuations

The actuarial value of the liabilities of the plan are not current liabilities but represent a present value measure of the stream of benefits that the plan is expected to pay over the foreseeable future. These benefits in turn depend on future events, such as the size of the workforce, the rate workers leave the workforce, the rate of retirement, the rate of mortality of retirees, the rate of salary increase and the rate benefits accrued at retirement increase by future cost of living increases, among other factors. The State engages actuaries to assist it in selecting assumptions about these factors, and based on these assumptions, the actuary estimates the current stream of future benefits. In order to come to an estimate of the accrued liabilities of the plan, this stream of estimated future benefits is discounted to a present value based on an assumed discount rate. The State uses a discount rate that is the same as its investment return assumption. The significant assumptions used in making these calculations are described below for each plan.

One measure of the level of plan funding is the "funded ratio", which is calculated by dividing the actuarial value of the assets of the plan by the actuarial accrued liability of the plan. The actuarial valuation will state the funded ratio for each plan, and is shown herein. Also shown is the funded ratio calculated based on the market value of the assets of the plan.

The actuarial valuation also will state an ADEC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The ADEC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the UAAL. The normal cost is partially funded from active member contributions, if required under the particular plan, with the remainder funded by State contributions. The UAAL amortization component is made over the length of time chosen as the amortization period, and designed to eliminate the UAAL and bring the plan to the state of being fully funded. Following the full amortization of the UAAL, to maintain this full funding only the normal cost amount would need to be contributed, plus any contribution necessary due to the effect of actual experience compared to the actuarial assumptions.

One of the most significant factors in determining the annual UAAL amortization amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. The State Employees' Retirement Fund now uses a layered amortization method in which existing bases are amortized over closed-end periods and future actuarial gains and losses are phased in over closed 25 year periods, resulting in a weighted average amortization period of 22.7 years as of June 30, 2023, as further described below. The Teachers' Retirement Fund now amortizes the UAAL as of June 30, 2018 over a closed period of 30 years, with future actuarial gains and losses amortized over separate closed periods of 25 years, beginning the year each separate base is established, resulting in a remaining weighted amortization period of

24.9 years as of June 30, 2023. A second important factor is determining the amount to be amortized in each year of the remaining amortization period. Previously, both of the State plans used a “level percent of payroll” formula for this purpose, where in each year the same percent of assumed payroll for that year is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. This makes the assumption of the rate at which payroll increases each year an important assumption. SERS phased in a “level dollar” amortization over a five year period, where the cost is amortized in equal dollar amounts to be paid over the specified number of years. This method generally results in decreasing inflation-adjusted payments over time. TRS used a “level percent of payroll” amortization method, and is now also transitioning over a five year phase-in period beginning in Fiscal Year 2020 to a level dollar amortization method.

Both SERS and TRS now use an “Entry Age Normal” actuarial cost method to calculate the annual amortization payments needed to amortize the UAAL. The entry age normal method calculates the annual normal cost for a member as a uniform and constant rate of employer contribution that, if applied to the compensation of the average new member during the entire period of the member’s anticipated covered service, would be required in addition to contributions of the member to meet the cost of all benefits payable on behalf of the member. The actuaries have indicated that the entry age normal method is the most widely used cost method of large public sector plans and has demonstrated the highest degree of contribution stability to alternative methods. It also is the only method allowed under the Governmental Accounting Standards Board (“GASB”) reporting standards which came into effect in 2014.

Pension Reporting Pursuant to GASB Statement Nos. 67 and 68

Beginning with Fiscal Year 2014, the State began reporting pensions in accordance with GASB Statement No. 67 (“GASB 67”), and GASB Statement No. 68 (“GASB 68”), which prescribe certain methods for comparability and other purposes. These methods are not necessarily the same as those used in calculating the ADEC of the State, which are determined by statute and/or contract.

GASB 67 requires a determination of the Total Pension Liability (“TPL”) for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability (“NPL”) is then set equal to the TPL minus the plan’s Fiduciary Net Position (“FNP”) which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (“SEIR”). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR to be used is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of Aa/AA or higher.

GASB 68 requires, among other things, that Pension Expense (“PE”) be calculated and a proportionate share of NPL and PE be recognized in the employer’s financial reporting. PE includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the TPL, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years. PE should not be considered a proxy for funding or contribution levels.

OPEB Reporting Pursuant to GASB Statement Nos. 74 and 75

In June 2015, GASB released new accounting standards for public sector plans providing post-employment benefits other than pensions (“OPEB”) and sponsoring employees, including GASB Statement No. 74 (“GASB 74”), effective for Fiscal Year 2017, and GASB Statement No. 75 (“GASB 75”), effective for Fiscal Year 2018. GASB 74 and GASB 75 supersede GASB Statement No. 43 and GASB Statement No. 45, respectively. Generally, the changes made by GASB 74 and GASB 75 to OPEB plan reporting substantially parallel the changes made by GASB 67 and GASB 68 to pension plan reporting.

GASB 74 requires a determination of the Total OPEB Liability (“TOL”) for a plan using the Entry Age Normal actuarial funding method. The Net OPEB Liability (“NOL”) is then set equal to the TOL minus the plan’s FNP which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a SEIR, which is determined in the same manner as provided by GASB 67 for pension plans.

GASB 75 requires, among other things, that OPEB Expense (“OE”) be calculated and a proportionate share of NOL and OE be recognized in the employer’s financial reporting. OE is calculated in a manner similar to the manner provided by GASB 68 for the calculation of TOL for pension plans. OE should not be considered a proxy for funding or contribution levels.

State Employees’ Retirement Fund (“SERF”)

SERS is one of the systems maintained by the State with approximately (i) 47,269 active members, consisting of 23,331 vested members and 23,938 non-vested members, (ii) 3,417 deferred vested members, and (iii) 57,327 retired members and beneficiaries as of June 30, 2023.

Payments into the SERF are made from employee contributions, General and Special Transportation Fund appropriations and grant reimbursements from Federal and other funds. State contributions to the fund are made monthly on the basis of transfers submitted by the Office of the State Comptroller.

By statute full actuarial valuations are required to be performed as of June 30th of each even-numbered year. The State intends to perform annual actuarial valuations and has done so commencing with the valuation as of June 30, 2019. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the SERF. The valuation uses an asset valuation method that smooths the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fifth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to “smooth” year to year changes in market values. The unfunded actuarial liability is the actuarial accrued liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the active population count for hazardous and nonhazardous duty members, total payroll growth, age and salary distributions for new entrants, and actual plan experience with respect to terminations, retirement, mortality, and cost of living increases, among other things.

November 2023 SERF Actuarial Valuation

The State Employees Retirement Commission (“SER Commission”) received an actuarial valuation with respect to SERF as of June 30, 2023 from Cavanaugh Macdonald Consulting, LLC dated November 30, 2023 (the “November 2023 SERF Valuation”), and subsequently approved such valuation. The November 2023 SERF Valuation reported the following results as of June 30, 2023 with respect to the SERF:

Actuarial Valuation as of June 30, 2023	
Market Value of Assets	\$ 21,165.6 million ^(a)
Actuarial Value of Assets	21,846.7 million ^(a)
Actuarial Accrued Liability	41,981.1 million
UAAL	20,134.4 million
Funded Ratio (based on the actuarial value of assets)	52.0%
Funded Ratio (based on the market value of assets)	50.4%

(a) Amounts include the transfer of \$1,046,548,093 made subsequent to June 30, 2023.

The November 2023 SERF Valuation was based on the following assumptions and methodologies, among others:

- 6.90% investment return assumption (including price inflation at 2.50%)
- Entry Age Normal actuarial cost method
- Level dollar amortization method
- Projected salary increases of 3.0% to 11.5% (including wage inflation at 3.0%)
- Cost of living adjustment (“COLA”) of 1.95% to 3.25%
- A COLA moratorium for employees retiring on or after July 1, 2022 for the first 30 months of retirement, and that the partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is greater than 5.5% will result in the first COLA being assumed to be 0.15% higher
- Social security wage base increase of 3.5%
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets

In addition, under the agreement with SEBAC as to revisions to the UAAL amortization schedule, the UAAL layered amortization is as follows:

Portion of UAAL	Year Established	Remaining Amortization Period
Statutory Base	1984	23 years ^(a)
Transitional Base	2016	23 years
2018 Base	2018	20 years
2019 Base	2019	21 years
2020 Base	2020	22 years
2021 Base	2021	23 years
2022 Base	2022	24 years
2023 Base	2023	25 years

(a) Changed from 13 years to 28 years in Fiscal Year 2019.

The November 2023 SERF Valuation determined the ADEC requirement for Fiscal Year 2024 and an estimated ADEC requirement for Fiscal Year 2025, and the annual contribution rate as a percentage of payroll as follows:

Annual Employer Contributions for:	Fiscal Year 2024		Fiscal Year 2025 (Estimated)	
	Amount (in millions)	Percent of Payroll	Amount (in millions)	Percent of Payroll
Employer Normal Cost	\$ 223.2	5.89%	\$ 232.6	5.58%
Amortization of Net UAAL	\$1,817.2	47.99%	\$1,781.2	42.73%
Total Employer Contribution Requirement	\$2,040.4	53.88%	\$2,013.8	48.31%

The 2023 Budget Act for Fiscal Years 2024 and 2025 contains appropriations, sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2024.

SERS Plan Results – Five Prior Years

Set forth in the following table are State contributions to the SERF, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023.

TABLE 17
State Employees' Retirement Fund
(In Millions)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund					
Contributions	\$ 1,165.6	\$ 1,195.7	\$ 1,377.2	\$ 1,481.7 ^(d)	\$ 1,567.8 ^(d)
Transportation Fund					
Contributions	126.3	147.1	156.2	172.4	185.1
Federal and Other					
Reimbursements	286.2	273.5	320.5	360.2	462.4
Employee Contributions	<u>489.1^(a)</u>	<u>192.7</u>	<u>194.8</u>	<u>202.2</u>	<u>223.1</u>
Total Contributions ^(b)	\$ 2,067.2	\$ 1,809.0	\$ 2,048.7	\$ 2,216.5	\$ 2,438.4
Benefits Paid ^(c)	\$ 2,025.1	\$ 2,119.0	\$ 2,212.6	\$ 2,362.0	\$ 2,590.9
Investment Income/Net Gains (Losses) ^(d)	\$ 705.9	\$ 1,502.0	\$ 150.3	\$ 459.4	\$ 835.2
Actuarially Determined Employer Contribution Percentage of Actuarially Determined Employer Contribution Made ^(e)	100.2%	100.0%	102.6%	101.1%	103.4%
Actuarial Accrued Liabilities	\$ 36,087.9	\$ 36,971.1	\$ 38,344.4	\$ 40,657.0	\$ 41,981.1
Actuarial Value of Assets ^(f)	\$ 13,795.4	\$ 14,242.9	\$ 15,946.9	\$ 19,726.0	\$ 21,846.7
Unfunded Accrued Liabilities	\$ 22,292.5	\$ 22,728.2	\$ 22,397.6	\$ 20,931.0	\$ 20,134.4
Market Value of Assets ^(f)	\$ 13,275.7 ^(g)	\$ 13,311.1 ^(h)	\$ 17,063.0	\$ 18,532.1	\$ 21,165.6
Funded Ratio (Assets Actuarial Value)	38.2%	38.5%	41.6%	48.5%	52.0%
Funded Ratio (Assets Market Value)	36.8%	36.0%	44.5%	45.6%	50.4%
Ratio of Actuarial Value of Assets to Market Value of Assets	103.9%	107.0%	93.5%	106.4%	103.2%

- (a) Includes \$273.0 million in contributions resulting from former members of the State's Alternate Retirement Plan that elected to pay the actuarial cost associated with joining the State Employees' Retirement System. This was a limited one-time transfer opportunity that expired in January 2019.
- (b) Does not include the transfers referred to in footnote (f).
- (c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.
- (d) Adjusted to comply with GASB 72. Reflects investment income and net realized gain (loss) on shares redeemed.
- (e) Does not reflect the transfers referred to in footnote (f) which would bring the percentages to 103.8%, 140.9%, 258.2% and 151.4% for 2020, 2021, 2022 and 2023, respectively.
- (f) Includes transfers of \$61.6 million, \$697.0 million, \$3,132.1 million and \$1,028.8 million made subsequent to June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023, respectively. June 30, 2021, June 30, 2022, and June 30, 2023 transfers are discounted back to June 30 of such respective year.
- (g) As reported in Actuarial Valuation. This amount includes \$13.2 million of receivables.
- (h) As reported in Actuarial Valuation. This amount includes \$19.8 million of receivables.

The November 2023 SERF Valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees as determined by the valuation for Fiscal Year 2023 as set forth below:

TABLE 18
Normal Cost by Tier

<u>Group</u>	<u>Number of Active Members^(a)</u>	<u>Average Age (years)^(a)</u>	<u>Average Service (years)^(a)</u>	<u>Normal Cost</u>	<u>Normal Rate (percent of payroll)</u>
Tier I-Plan B	59	68.8	42.1	\$ 333,707	4.41%
Tier I-Plan C	3	68.3	43.3	12,375	4.19
Tier II-Hazardous	120	55.2	26.6	2,204,723	15.72
Tier II-Hybrid	223	61.2	28.5	990,872	2.97
Tier II-Others	4,576	57.6	30.6	23,296,487	4.63
Tier IIA-Hazardous	3,273	47.6	17.0	55,918,633	14.88
Tier IIA-Hybrid	712	55.1	19.0	1,495,028	1.65
Tier IIA-Others	11,275	51.8	18.3	49,668,550	4.49
Tier III-Hazardous	2,170	41.2	9.8	27,705,078	13.36
Tier III Hybrid	534	47.2	8.9	897,626	1.72
Tier III-Others	6,607	46.2	9.4	22,015,865	3.95
Tier IV-Hazardous	3,068	35.3	2.8	23,333,434	9.87
Tier IV Hybrid	1,217	40.3	2.3	803,324	0.90
Tier IV-Others	<u>13,432</u>	<u>39.4</u>	<u>2.4</u>	<u>23,921,209</u>	<u>2.67</u>
Total	47,269	46.0	11.8	\$ 232,596,911	5.58%

(a) As of June 30, 2023.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2054

The consulting actuary for the SERF prepared a baseline open group model of future funded ratios and annual contribution requirements for the SERF through Fiscal Year 2054. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2023 SERF Valuation and includes a static active population throughout the projection period. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the SERF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 19
Modeling Of State Employees' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(In Millions)^(a)

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year modeling.

Fiscal Year Ending June 30	Valuation Date June 30	Unfunded Accrued Liability	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution
2025	2023	\$20,134.4	52.0%	\$232.6	\$1,781.2	\$2,013.8
2026	2024	19,785.9	53.5	231.7	1,784.9	2,016.6
2027	2025	19,440.9	55.0	232.5	1,791.2	2,023.7
2028	2026	19,053.1	56.4	231.9	1,796.5	2,028.4
2029	2027	18,615.3	57.9	231.3	1,800.3	2,031.5
2030	2028	18,129.9	59.5	228.9	1,802.8	2,031.7
2031	2029	17,593.5	61.0	227.2	1,804.1	2,031.3
2032	2030	17,007.7	62.6	226.3	1,804.5	2,030.9
2033	2031	16,371.9	64.3	226.4	1,804.1	2,030.6
2034	2032	15,685.2	66.0	227.3	1,803.1	2,030.4
2035	2033	14,945.3	67.8	229.2	1,801.5	2,030.7
2036	2034	14,151.3	69.7	231.3	1,799.4	2,030.8
2037	2035	13,300.9	71.6	232.6	1,797.1	2,029.7
2038	2036	12,388.6	73.6	234.7	1,794.3	2,029.0
2039	2037	11,412.8	75.8	237.8	1,791.2	2,029.1
2040	2038	10,370.2	78.0	242.0	1,787.9	2,030.0
2041	2039	9,257.8	80.4	246.6	1,784.5	2,031.1
2042	2040	8,070.0	83.0	251.9	1,780.9	2,032.8
2043	2041	6,802.5	85.7	257.8	1,777.2	2,035.1
2044	2042	5,449.9	88.6	264.8	1,773.4	2,038.1
2045	2043	4,007.5	91.6	272.4	1,719.5	1,992.0
2046	2044	2,471.1	94.8	279.5	1,624.0	1,903.5
2047	2045	884.7	98.2	286.3	1,568.6	1,854.9
2048	2046	0.0	100.0	292.4	0.0	292.4
2049	2047	0.0	100.0	298.7	0.0	298.7
2050	2048	0.0	100.0	305.8	0.0	305.8
2051	2049	0.0	100.0	313.4	0.0	313.4
2052	2050	0.0	100.0	322.0	0.0	322.0
2053	2051	0.0	100.0	331.0	0.0	331.0
2054	2052	0.0	100.0	340.1	0.0	340.1

- (a) In fiscal year ending June 30, 2048 and thereafter the annual employer contribution requirement consists only of the payment of the normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements.

Generally, based on the start date of employment and the particular State agency/office, State employees participate in one of following plans: (i) Tier I, (ii) Tier II, (iii) Tier II Hybrid, (iv) Tier IIA, (v) Tier IIA-Hybrid, (vi) Tier III, (vii) the Tier III Hybrid, (viii) Tier IV and (ix) the Tier IV Hybrid. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits. The SERS also provides disability and pre-retirement death benefits.

Set forth in the following table are the percentages of the total State workforce in each Tier of the SERS plan as of June 30, 2023, and approximate average annual benefit payable to a retired member in Fiscal Year 2023 in each Tier.

	Percentage of Total Workforce as of <u>June 30, 2023</u>	Average Annual Benefit Payable to Retired Member in <u>Fiscal Year 2023</u>
Tier I	0.1%	\$56,356
Tier II	9.9	36,405
Tier II Hybrid	0.5	43,927
Tier IIA	30.8	24,364
Tier IIA Hybrid	1.5	22,375
Tier III	18.6	18,439
Tier III Hybrid	1.1	41,913
Tier IV	34.9	6,211
Tier IV Hybrid	<u>2.6</u>	N/A ^(a)
	100.0% ^(b)	

(a) As of June 30, 2023, there were no retired Tier IV Hybrid members.

(b) May not total due to rounding.

Member contribution requirements, and the eligibility for and calculation of normal retirement benefits varies by tier and plan, as set forth in the following table:

TABLE 20

State Employees' Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")^(a)
Tier I - Hazardous	6% of earnings up to the Social Security Taxable Wage Base plus 7% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20 years
Tier I - Plan A or C	7% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service. At age 70, greater of 2.5% of FAE times years of service (maximum 20 years) or 2.0% of FAE times years of service with a minimum benefit with 25 years of \$833.34 per month 25 years of service of \$833.34 per month
Tier I - Plan B	4% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to Social Security maximum age; for retirements after Social Security maximum age, 1% of FAE up to \$4,800, plus 2% of FAE in excess of \$4,800 times years of service, with a minimum benefit with 25 years of service of \$833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to \$4,800 plus 2.5% of FAE in excess of \$4,800 times years of service (maximum 20 years) or 1.0% of FAE up to \$4,800 plus 2% of FAE in excess of \$4,800 times year of service. Minimum benefit with 25 years is \$833.34 per month
Tier II – Hazardous	6% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of \$360 per month
All Other Tier II	2% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 1.833% of FAE in excess of the year's Breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings (“FAE”)^(a)
Tier IIA – Hazardous	7% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of \$360 per month
All Other Tier IIA	4% of earnings	<p>Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997</p> <p>Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service</p>	1.40% of FAE plus (a) 1.833% of FAE in excess of the year’s breakpoint (not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month
Tier III - Hazardous	7% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
Tier III - Hybrid Plan	<p>7% of earnings for members first hired on or after July 1, 2011</p> <p>7% of earnings for members with original date of hire on or after July 1, 1997</p> <p>5% of earnings for members with original date of hire prior to July 1, 1997</p>	<p>Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service</p> <p>For those members with original date of hire prior, on or after July 1, 1997 but prior to July 1, 2011 eligible for the following:</p> <p>Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997</p> <p>Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service</p>	1.40% of FAE plus (a) 1.833% of FAE in excess of the year’s breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month ^(b)

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings (“FAE”)^(a)
All Other Tier III	4% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 1.833% of FAE in excess of the year’s breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month
Tier IV-Hazardous	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) ^(c)	25 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
Tier IV-Hybrid Plan	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) ^(c)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month
All other Tier IV	5% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) ^(c)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month

- (a) For all members of all Tiers other than Tier III and Hybrid, “FAE” is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year’s earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year’s earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.
- (b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.
- (c) In years where asset losses require further increases in contributions, Tier IV employees’ contributions may increase by half the necessary increase in rates (up to 2.0%). All Tier IV employees must contribute 1% to the Defined Contributions of the Hybrid Plan and may elect additional contribution of up to 3% of salary to the Defined Contribution portion.

The SERS provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 21 State Employees' Retirement Benefit Cost-Of-Living Allowances^(a)				
Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
Prior to July 1, 1980	Increase in National Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W")	3.0%	5.0%	6.0%
On and after July 1, 1980 but prior to July 1, 1997	N/A	3.0%	3.0%	6.0%
On and after July 1, 1997 but prior to July 1, 1999, an irrevocable choice between one of the two following plans required:	(1) 60% of the increase in "CPI-W" up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
	(2) N/A	3.0%	3.0%	N/A
On or after July 1, 1999, but prior to October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
On or after October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.0%	7.5%	N/A
On or after July 1, 2022	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	None	7.5%	N/A

(a) An employee from Tier IIA must have at least ten years of actual State service or directly make the transition into retirement in order to be eligible for annual adjustments.

GASB 67 and GASB 68 Disclosure as of June 30, 2023.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2023 and dated February 14, 2024 containing information to assist the SER Commission in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the November 2023 SERF Valuation. This report reported the following results as of June 30, 2023 with respect to the SERF in accordance with GASB 67:

2024 GASB 67 Report as of June 30, 2023	
Total Pension Liability	\$41,981.1 million
Fiduciary Net Position	\$21,236.5 million
Net Pension Liability	\$20,744.5 million
Ratio of Fiduciary Net Position to Total Pension Liability	50.59%

The GASB 67 report used a discount rate of 6.90%, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$16,573.5 million or increase the NPL to \$25,748.1 million, respectively.

The SER Commission expects to receive from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2023 containing the pension expense and information to assist the SER Commission in meeting the requirements of GASB 68 in March 2024. The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2022 and dated January 13, 2023 that indicated a Pension Expense of \$264.1 million for the fiscal year ending June 30, 2022. Note that this report was based on the data, assumptions and results of a valuation completed in December 2022 and does not reflect updated data, assumptions and results of the November 2023 SERF Valuation..

The audited financial statements for Fiscal Year 2023 will be included as **Appendix II-C** hereto when completed, and it is expected that certain notes and the Pension Plans Required Supplementary Information of the Basic Financial Statements will reflect the supplemental information reported in a January 13, 2023 GASB 67 report and a January 13, 2023 GASB 68 report. As those reports were prepared as of June 30, 2022 based on data, assumptions and results of the actuarial experience study for the period July 1, 2015 through June 30, 2020, they do not reflect data, assumptions and results of the GASB 67 disclosures described above.

Teachers' Retirement Fund ("TRF")

The TRF, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2023, there were 103,987 active and former employees and beneficiaries, consisting of (i) 53,436 active members, (ii) 2,275 inactive vested members, (iii) 8,433 inactive non-vested members, (iv) 39,580 retired members and beneficiaries, and (v) 263 members on disability allowance.

Contributions to the fund are made by employees and by General Fund appropriations from the State. State contributions to the fund are made quarterly on the basis of certifications submitted by the Teachers' Retirement Board and are funded with annual appropriations from the General Fund. State contributions to the fund for Fiscal Year 2008 included \$2.0 billion of the proceeds of the State's Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed under ***Pension Obligation Bonds*** below.

Actuarial valuations are now performed as of June 30th of each year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the TRF. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One-fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets

in order to “smooth” year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit, the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

November 2023 TRF Actuarial Valuation

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2023 dated November 3, 2023 (“November 2023 TRF Valuation”). The November 2023 TRF Valuation reported the following results as of June 30, 2023 with respect to the TRF:

Actuarial Valuation as of June 30, 2023	
Market Value of Assets	\$23,763.1 million
Actuarial Value of Assets	24,455.0 million
Actuarial Accrued Liability	40,877.0 million
UAAL	16,422.1 million
Funded Ratio (based on the actuarial value of assets)	59.8%
Funded Ratio (based on the market value of assets)	58.1%

The November 2023 TRF Valuation set forth the ADEC requirement for Fiscal Year 2024 and determined the ADEC requirement for Fiscal Year 2025, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2023 of \$4,904.4 million, as follows:

Annual Employer Contributions for:	
Fiscal Year 2024	\$1,554.5 million
Fiscal Year 2025	\$1,601.4 million
Annual Employer Contribution as a Percent of Payroll as of June 30, 2023	31.7%

The November 2023 TRF Valuation was based upon the following assumptions and methodologies, among others, which incorporate the changes recommended in the latest experience study for the five-year period ending June 30, 2019:

- 6.90% earnings assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- The UAAL as of June 30, 2018 is amortized as a level percent of pay and will grade to a level dollar method beginning with the June 30, 2024 valuation. Future changes to the UAAL will be amortized utilizing layered 25-year closed amortization bases established at the end of each plan year.
- Projected salary increases of 3.00% to 6.50% (including inflation at 2.50%)
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992, 2.0% for members retired on and after September 1, 1992 and hired prior to July 1, 2007 and 1.75% for members retired on and after September 1, 1992 and hired on or after July 1, 2007

- Payroll Growth Rate of 3.00% during the level percent of pay amortization method. The rate does not anticipate increases in the number of members. The rate will transition to 0% in the following steps: 2.40% for the Fiscal Year 2022 payment, 1.80% for the Fiscal Year 2023 payment, 1.20% for the Fiscal Year 2024 payments, 0.60% for the Fiscal Year 2025 payment and 0% for fiscal years thereafter .
- Remaining amortization period for the (i) June 30, 2018 Transitional Base is 25 years, (ii) June 30, 2020 Incremental Base is 22 years, (iii) June 30, 2022 Incremental Base is 24 years and (iv) June 30, 2023 Incremental Base is 25 years; with an equivalent single amortization period of 24.9 years
- The actuarial value of assets recognizes 25% of the difference between the market value of assets and the expected actuarial value of assets

The 2023 Budget Act for Fiscal Years 2024 and 2025 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2024.

The November 2023 TRF Valuation recognized the \$801.2 million additional deposit from the State as a receivable contribution which reflected the discounted value of the \$272.8 million volatility transfer deposited approximately three months after the end of Fiscal Year 2023 and \$551.0 million which was expected to be deposited approximately six months after the end of Fiscal Year 2023 from the Fiscal Year 2023 surplus. The November 2023 TRF Valuation noted that the \$551.0 million additional contribution was pending the completion of the State's audited financial statements and any material difference in that amount may require a revision to the actuarial valuation. After the completion of the State's audited financial statements, the State deposited \$555.3 million from the Fiscal Year 2023 surplus to the TRF which was slightly higher than the \$551.0 million additional contribution used in the November 2023 TRF Valuation.

Pension Obligation Bonds

In April 2008 the State issued \$2,276.6 million Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series A – Current Interest Bonds) and (Teachers' Retirement Fund 2008 Series B – Capital Appreciation Bonds) ("TRF Bonds") to fund a \$2.0 billion deposit to the TRF plus amounts required for costs of issuance and up to two years of capitalized interest. Section 8 of Public Act No. 07-186, which authorized the TRF Bonds, provides that in each fiscal year that any TRF Bonds (or any refunding of TRF Bonds) are outstanding, there shall be deemed appropriated from the General Fund an amount equal to the annual required contribution to the TRF, and such amount shall be deposited in the fund in such fiscal year. The amounts of the annual required contributions for each biennial budget shall be based on the actuarial valuation required to be completed by the December 1 prior to the beginning of the next biennial budget. Under Section 8 the State has pledged to and agreed with the holders of any TRF Bonds that, so long as the actuarial evaluation of the TRF is completed and the certification of the annual contribution amounts is made as required by such Section, no public or special act of the General Assembly shall diminish such required contribution until such bonds, together with interest thereon, are fully met and discharged unless adequate provision is made by law for the protection of the holders of the bonds. Such contributions may be reduced in any biennium, however, if (i) the Governor declares an emergency or the existence of extraordinary circumstances (which may include changes in actuarial methods or accounting standards) in which the provisions of CGS Section 4-85 is invoked, (ii) at least three-fifths of the members of each Chamber of the General Assembly vote to diminish such required contributions during the biennium for which the emergency or extraordinary circumstances are determined, and (iii) the funded ratio of the fund is at least equal to the funded ratio immediately after the sale of the bonds in accordance with the actuarial method used at the time. If such conditions are met, the funding of the annual required actuarial contribution may be diminished, but in no event shall such diminution result in a reduction of the funded ratio of the fund by more than 5% from the funded ratio that would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

In 2019, legislation provided for the establishment of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund ("TRF Bonds SCRF"), a special capital reserve fund for the benefit of the holders of the TRF Bonds. The TRF Bonds SCRF was established to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to reamortize unfunded liabilities of the TRF and provide for the full funding of the actuarial determined employer contribution to the Fund in a manner consistent with its pledge to the holders of the TRF Bonds. The Attorney General of the State has advised that the proposal satisfies the requirements of the applicable covenants contained in the TRF Bonds.

The TRF Bonds SCRF is pledged to and used solely for the payment of the principal of and interest on, or the redemption or purchase of, the TRF Bonds. In the event the State has not otherwise timely made available moneys to pay principal or interest due on the TRF Bonds, the Treasurer shall direct the trustee of the TRF Bonds SCRF to transfer from the fund to the paying agent for the bonds the amount necessary to timely pay such principal or interest then due.

The TRF Bonds SCRF is funded at an amount not less than the maximum amount of principal and interest becoming due on the currently outstanding TRF Bonds, and any bonds refunding the TRF Bonds then outstanding, by reason of maturity or a required sinking fund installment in any succeeding fiscal year ("Required Minimum Capital Reserve"). The TRF Bonds SCRF was initially funded by a deposit of \$380.9 million of General Fund resources. If the amount on deposit in the TRF Bonds SCRF is less than the Required Minimum Capital Reserve, funds of the Connecticut Lottery Corporation that exceed the current needs of the Corporation for the payment of prizes, the payment of current operating expenses and funding of approved reserves of the Corporation are to be deposited in the TRF Bonds SCRF, rather than the General Fund, until the amount on deposit in the TRF Bonds SCRF equals the Required Minimum Capital Reserve.

In August 2023, the State substituted a municipal debt service reserve insurance policy in a commitment amount equal to the Required Minimum Capital Reserve for the cash held in the TRF Bonds SCRF. The trustee of the TRF Bonds is permitted to draw on such insurance policy in the event the State has not otherwise timely made available moneys to pay principal or interest due on the TRF Bonds.

TRF Plan Results – Five Prior Years

Set forth in the following table are State contributions to the TRF, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2020, June 30, 2022 and June 30, 2023.

TABLE 22
Teachers' Retirement Fund^(a)
(In Millions)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund					
Contributions	\$ 1,292.3	\$ 1,209.6	\$ 1,249.8	\$ 1,443.7	\$ 1,578.0
Employee					
Contributions ^(b)	<u>309.7</u>	<u>318.2</u>	<u>324.1</u>	<u>337.3</u>	339.3
Total Contributions ^(c)	<u>\$ 1,602.0</u>	<u>\$ 1,527.8</u>	<u>\$ 1,573.9</u>	<u>\$ 1,781.0</u>	<u>\$ 1,917.3</u>
Benefits Paid ^(d)	\$ 2,004.7	\$ 2,065.2	\$ 2,114.6	\$ 2,168.6	\$ 2,305.0
Investment Income/Net Gains (Losses) ^(e)	\$ 997.8	\$ 410.0	\$ 4,528.5	\$ (1,970.3)	\$ 1,830.1
Actuarially Determined					
Employer Contribution	\$ 1,292.3	\$ 1,208.8	\$ 1,249.8	\$ 1,443.7	\$ 1,578.0
Percentage of Actuarially Determined Employer Contribution Made ^(f)	100.0%	100.1%	100.0%	100.0%	100.0%
Actuarial Accrued					
Liabilities	N/A	\$ 37,128.0	N/A	\$ 39,860.3	\$ 40,877.0
Actuarial Values of					
Assets ^(g)	N/A	\$ 19,055.1	N/A	\$ 22,729.2	\$ 24,455.0
Unfunded Accrued					
Liabilities	N/A	\$ 18,072.9	N/A	\$ 17,131.1	\$ 16,422.1
Market Value of Assets ^(h)	\$ 18,493.5	\$ 18,286.4	\$ 23,102.1	\$ 21,574.4	\$ 23,763.1
Funded Ratio					
(Assets - Actuarial Value)	N/A	51.32%	N/A	57.02%	59.83%
Funded Ratio					
(Assets - Market Value)	N/A	49.25%	N/A	54.13%	58.13%
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	104.20%	N/A	105.35%	102.92%

(a) As actuarial valuations are performed every two years, not all of the data is available for each year.

(b) Includes municipal contributions under early retirement incentive programs (\$0.9 million during Fiscal Year 2018, \$0.8 million during Fiscal Year 2019, \$0.0 million during Fiscal Years 2020 through 2022). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Fiscal Years 2021, 2022 and 2023 **do not include** transfers made subsequent to such years of \$903.6 million, \$903.6 million and \$828.1 million, respectively.

(d) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership (\$61.9 million during Fiscal Year 2019, \$85.0 million during Fiscal Year 2020, \$56.5 million during Fiscal Year 2021, \$58.4 million during Fiscal Year 2022 and \$55.0 million during Fiscal Year 2023).

(e) Adjusted to comply with GASB 72. Reflects investment income, net realized gain (loss) on shares redeemed and net unrealized gain (loss) on fund shares.

(f) Fiscal Years 2021, 2022 and 2023 **do not include** the transfers referred to in footnote (c) which would bring the percentages to 172.30%, 162.66% and 152.548, respectively.

(g) Fiscal Years 2022 and 2023 **include** transfers made subsequent to such years of \$903.6 million and \$828.1 million, respectively, discounted at 6.9% to the valuation date.

(h) Figure derived from actuarial valuation. Fiscal Years 2021, 2022 and 2023 **include** transfers made subsequent to such years of \$903.6 million, \$903.6 million and \$828.1 million, respectively, discounted at 6.9% to the valuation date.

Note: Totals may not add due to rounding.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2057

In December 2023, the consulting actuary for the TRF prepared a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2057. The modeling presented in Table 22a is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2023 TRF Valuation. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the TRF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 22a

**Modeling Of Teachers' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(Dollars In Millions)^(a)**

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year modeling.

Fiscal Year Ending June 30	Valuation Date June 30	Unfunded Accrued Liability	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution
2023	2021	\$16,422.1	59.8%	\$266.0	\$1,312.0	\$1,578.0
2024	2022	16,263.0	61.1	273.7	1,280.8	1,554.5
2025	2023	16,860.5	60.6	285.4	1,316.0	1,601.4
2026	2024	16,557.7	62.2	291.5	1,392.1	1,683.6
2027	2025	16,236.2	63.8	298.1	1,464.1	1,762.2
2028	2026	15,899.1	65.3	304.8	1,457.3	1,762.2
2029	2027	15,538.8	66.9	311.7	1,457.3	1,769.0
2030	2028	15,153.7	68.4	319.2	1,457.3	1,776.5
2031	2029	14,742.0	70.0	326.8	1,457.3	1,784.1
2032	2030	14,301.8	71.5	334.4	1,457.3	1,791.7
2033	2031	13,831.3	73.0	342.0	1,457.3	1,799.3
2034	2032	13,328.4	74.6	350.2	1,457.3	1,807.5
2035	2033	12,790.7	76.1	358.6	1,457.3	1,815.9
2036	2034	12,215.9	77.7	367.7	1,457.3	1,825.0
2037	2035	11,601.5	79.3	376.3	1,457.3	1,833.6
2038	2036	10,944.7	80.9	385.8	1,457.3	1,843.1
2039	2037	10,242.5	82.5	395.7	1,457.3	1,853.0
2040	2038	9,491.9	84.1	406.6	1,457.3	1,863.9
2041	2039	8,689.6	85.7	417.2	1,457.3	1,874.5
2042	2040	7,831.8	87.4	429.0	1,457.3	1,886.3
2043	2041	6,914.9	89.1	440.4	1,457.3	1,897.7
2044	2042	5,934.7	90.8	452.9	1,457.3	1,910.2
2045	2043	4,886.8	92.6	465.2	1,457.3	1,922.5
2046	2044	3,766.7	94.4	479.0	1,457.3	1,936.3
2047	2045	2,666.6	96.1	492.9	1,360.0	1,852.9
2048	2046	1,490.6	97.9	507.3	1,360.0	1,867.3
2049	2047	111.6	99.8	522.4	1,481.9	2,004.3
2050	2048	55.1	99.9	538.0	64.2	602.2
2051	2049	(6.3)	100.0	554.0	65.2	619.2
2052	2050	0.0	100.0	570.7	(6.7)	564.0
2053	2051	0.0	100.0	587.1	0.0	587.1
2054	2052	0.0	100.0	604.3	0.0	604.3
2055	2053	0.0	100.0	622.0	0.0	622.0
2056	2054	0.0	100.0	640.2	0.0	640.2
2057	2055	0.0	100.0	659.0	0.0	659.0

(a) In Fiscal Year 2051 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Each member of the TRS is required to contribute 7% of annual salary for the pension benefit effective on and after January 1, 2018 (an increase of 1% from its prior level). The State's contribution requirement is determined in accordance with CGS Section 10-183z, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of \$1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2023 was approximately \$58,033.

The plan includes cost-of-living allowances as set forth below:

TABLE 23
Teachers' Retirement Benefit Cost-Of-Living Allowances

Retirement Date	Adjustments Consistent With Adjustments To:	Minimum Increase	Maximum Increase	Limitation On Maximum Increase Based On Previous Year's Plan Assets Return
Prior to September 1, 1992	National Consumer Price Index for Urban Wage Earners and Clerical Workers	3.0% per annum	5.0% per annum	N/A
On or after September 1, 1992, and became System member before July 1, 2007	Social Security benefits	0.0% per annum	6.0% per annum	If asset return less than 6.9% per annum, the maximum increase is 1.5%
On or after July 1, 2007, and became System member after July 1, 2007	Social Security benefits	0.0% per annum	5.0% per annum	If asset return less than 9.9% per annum, the maximum increase is 3.0%; if less than 6.9% per annum, maximum increase is 1.0%.

A board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the TRS for such member and for payment by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

GASB 67 and GASB 68 Disclosure as of June 30, 2023

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of the period ending June 30, 2023 and dated February 14, 2024 containing supplemental information to assist the Board in meeting the requirements of GASB Statement No. 67. Much of the material provided in the report is based on the data, assumptions and results of a November 2023 TRF Valuation as of June 30, 2023. This report reported the following results as of June 30, 2023 with respect to the TRF in accordance with GASB 67:

GASB 67 Report as of June 30, 2023	
Total Pension Liability	\$40,877.0 million
Fiduciary Net Position	\$23,869.7 million
Net Pension Liability	\$17,007.3 million
Ratio of Fiduciary Net Position to Total Pension Liability	58.39%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the November 2023 TRF Valuation, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$12,680.9 million or increase the NPL to \$22,219.0 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2023 and dated February 14, 2024 containing supplemental information to assist the Teachers' Retirement Board in meeting the requirements of GASB 68. This report indicates a collective Pension Expense of \$1,628.3 million as of June 30, 2023.

The audited financial statements for Fiscal Year 2023 will be included as **Appendix II-C** hereto when completed, and it is expected that certain notes and the Pension Plans Required Supplementary Information of the Basic Financial Statements will reflect the supplemental information reported in a January 25, 2023 GASB 67 report and a February 28, 2023 GASB 68 report. As those reports were prepared as of June 30, 2022 based on data, assumptions and results of a November 2023 TRF actuarial valuation, they do not reflect data, assumptions and results of the GASB 67 and GASB 68 disclosures described above.

The financial statements for Fiscal Year 2023 will be included as **Appendix II-C** hereto, and it is expected that the notes and the Pension Plans Required Supplementary Information of the Basic Financial Statements will reflect the supplemental information reported in a January 13, 2023 GASB 67 report and a January 13, 2023 GASB 68 report. As those reports were prepared as of June 30, 2022 based on data, assumptions and results of the actuarial experience study for the period July 1, 2015 through June 30, 2020, they do not reflect data, assumptions and results of the GASB 67 and GASB 68 disclosures described above.

SERF/TRF Sensitivity and Stress Test Analyses

Pursuant to CGS Section 4-68ee, the Secretary of OPM is required to develop and annually report to the Appropriations Committee of the General Assembly sensitivity and stress test analyses for SERS and TRF. The report is to include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios. The Secretary received from GovInvest a report titled Connecticut Pension Stress Test – State Employees Retirement System (SERS) and Teacher Retirement Systems (TRS) (the “2023 Stress Test Report”). The analysis utilizes the valuations for SERS and TRS as of June 30, 2022 and does not include the results of the November 2023 SERF Valuation or November 2023 TRF Valuation. The 2023 Stress Test Report concentrates on four specific scenarios: (i) investment returns above and below the assumed rate of return, (ii) a 20 percent asset shock, (iii) asset shock with contribution risk and (iv) high retiree COLAs. The results combine SERS and TRS to provide a complete, statewide assessment. The key findings from the analysis include:

- Baseline contribution requirements are projected to grow from current levels of \$3.6 billion to \$4.0 billion by Fiscal Year 2027 and then remain stable for the next 20 years until the unfunded liability is paid off in Fiscal Year 2047.
- The Fiscal Year 2023 additional deposits of \$1.8 billion decreases the State's annual contributions approximately \$170 million each year. Over 24 years this results in savings of nearly \$3.8 billion.
- Funding levels will continue to improve over time even when investments underperform if ADEC are adjusted according to the funding policy. Maintaining baseline contribution patterns in an asset shock scenario, which includes a significant asset loss in Fiscal Year 2024, instead of following the ADEC would lead to slower funding recovery for both SERs and TRS and persistently low operating cash flow ratio for SERS.
- In the near term, the asset shock scenario causes contribution requirements to grow faster than projected revenues over the next five years, potentially leading to budget crowd out. Increases at TRS drive this growth, increasing 10 percent per year on average from Fiscal Years 2024-2028 under these scenarios.

It should be noted that the 2023 Stress Test Report did not reflect updated consensus revenues and updated Fiscal Year 2023 projections (which may result in additional supplemental contributions), actuarial smoothing of investment returns, newer actuarial valuations or recalculation of future ADECs based on actual performance varying from assumed performance.

Investment of Pension Funds

Eleven investment funds serve as the investment medium for both SERF and TRF, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2023 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24
Pension Fund Investment Allocations
As of June 30, 2023*

	<u>State Employees' Retirement Fund</u>	<u>Teachers' Retirement Fund</u>
Domestic Equity Fund	33.5%	29.2%
Developed Markets International Stock Fund	11.7	12.3
Emerging Markets International Stock Fund	5.8	6.5
Real Estate Fund	7.2	7.9
Infrastructure and Natural Resources	2.3	2.3
Core Fixed Income Fund	14.1	14.6
Emerging Markets Debt Fund	1.3	1.5
Non-Core Fixed Income Fund	5.0	5.6
Liquidity Fund	0.9	0.4
Private Investment Fund	10.5	11.7
Private Credit Fund	3.6	3.6
Risk Mitigation Strategy	4.1	4.4
	100.0%	100.0%

* Pursuant to an Investment Policy Statement adopted in September 2022, pension fund investments will shift to other funds over the next three years. See **FINANCIAL PROCEDURES** herein.

Investment Returns

Annualized Net Returns on Investment Assets in Retirement Funds Periods Ending June 30, 2023

	<u>1 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>	<u>20 Year</u>	<u>25 Year</u>
SERF	9.02%	6.19%	7.04%	6.15%	6.96%	6.11%
TRF	8.35%	6.04%	6.94%	6.15%	6.99%	6.14%

Other Retirement Systems

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2023, there were 202 active members and 318 retired members and beneficiaries of these plans.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund's assets allocable to a member at the direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member's entire account into an eligible retirement plan.

The State is the administrator of the Connecticut Municipal Employees' Retirement System and the Connecticut Probate Judges and Employees' Retirement System. As the administrator of these systems the State owes a fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

Social Security and Other Post-Employment Benefits ("OPEB")

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most State employees are covered under social security, and most teachers are not. As of June 30, 2023, approximately 49,972 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

<u>Category</u>	<u>Covered</u>
Teachers	No
State employees under the SERF	Yes
State employees under other retirement systems hired after 2/21/1958	No
State police hired after 2/21/58 and before 5/8/1984	No
State police hired after 5/8/1984	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/1990	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/1990	Could elect

The State has appropriated \$246.0 million, \$253.8 million and \$214.8 million for Social Security coverage for Fiscal Years 2022, 2023 and 2024, respectively. Of such amounts, \$228.4 million, \$235.5 million and \$196.0 million have been appropriated from the General Fund for Fiscal Years 2022 to 2024, respectively, with the remainder appropriated from the Special Transportation Fund.

OPEB – State Employees

The State provides post-retirement health care and life insurance benefits to eligible employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis for life insurance benefits and on a pay-as-you-go basis through a transfer of an appropriation from the General Fund to a trust fund (the “OPEB Trust”) established for the payment of post-retirement health care benefits, and for the accumulation of assets with which to pay post-retirement health care benefits to future retirees. In Fiscal Year 2023, the State contributed \$731 million to the OPEB Trust. As of June 30, 2023, the fair market value of the net assets within the trust totaled \$2,477.3 million, adjusted to comply with GASB 72, invested in the Combined Investment Funds. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

Beginning on July 1, 2009 new hires and employees with fewer than five years of service were required to contribute 3% of salary for ten years, to be deposited into the trust. In 2011, an agreement with the State Employees’ Bargaining Agent Coalition required all current employees to contribute 3% of compensation to the trust for ten years and a subsequent agreement in 2017 extended the requirement of trust contributions for a period of fifteen (15) years to all State employees hired on or after July 1, 2017. The State’s contribution to the OPEB Trust to match State employee contributions consists of a combination of General Fund and Transportation Fund appropriations, and OPEB fringe benefit recoveries through the application of fringe benefit rates for the SERS and Alternative Retirement Plans.

In an effort to control health care costs, the State has established a Health Care Cost Containment Committee, and has implemented or is investigating various structural changes to the SERS health care benefits plans, including but not limited to value-based contracts with prescribers, e-prescribing tools, establishment of a regional network of surgical centers of excellence for certain complex medical procedures, agreement with the State’s pharmacy benefit manager to reduce the State’s pharmaceutical costs by approximately 10% through the elimination of “spread pricing” and other measures, and to provide prescription drug net price transparency to providers. Various additional programs are being pursued to reduce overall medical spend and to improve care that members are receiving. These initiatives include the episodes of care program, more effective utilization of primary care services, pursuing additional pharmacy reductions, and the introduction of a narrow network health plan option. Through a competitive procurement process, the State has awarded and is in active contract negotiations for its Medicare Advantage Part –D insurance plan for calendar years 2023-2025. The 2023 SERS OPEB GASB 75 Report discussed below takes into account the savings anticipated from the contract.

SERS OPEB Valuation and GASB 74 Report as of June 30, 2023. The State received from The Segal Group (“Segal”) a report prepared as of June 30, 2023 and dated February 14, 2024 (“2024 SERS OPEB GASB 74 Report”) containing supplemental information to assist the State in meeting the requirements GASB 74 with respect to the State’s liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS.

The 2024 SERS OPEB GASB 74 Report indicated the following as of June 30, 2023:

SERS OPEB GASB 74 Report as of June 30, 2023	
Total OPEB Liability	\$16,898.0 million
Fiduciary Net Position	\$ 2,667.4 million
Net OPEB Liability (“NOL”)	\$14,230.6 million
Ratio of Fiduciary Net Position to Total OPEB Liability	15.79%
ADEC (Fiscal Year 2023)	\$ 1,097.7 million

In Fiscal Year 2023, the State’s contribution was 77.5% of the ADEC. There has been no actuarial determinations of the ADEC or Annual OPEB Expense applicable to the Plan for Fiscal Year 2024.

The demographic assumptions used in the 2024 SERS OPEB GASB 74 Report are the same as those used in the November 2023 SERF Valuation or experience studies available. The Total OPEB Liability was measured by an actuarial valuation as of June 30, 2021 using the following actuarial assumption, applied to all period included in the measurement, unless otherwise specified, among others:

- An entry age normal actuarial cost method
- An expected long-term rate of return on Plan assets of 6.90%
- Salary increases of 3.00% to 11.5%, vary by service and retirement system, including inflation
- A discount rate applied to projected benefit payments of 4.46% as of June 30, 2023 and 3.90% as of June 30, 2022
- A payroll growth rate of 3.00%
- Medical and prescription drug cost trend rates of 6.0% graded to 4.5% over six years
- Dental trend rate of 3.0%
- Part B trend rate of 4.5%

The tables below present the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund’s NOL as of June 30, 2023 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and rate that is 1% lower or higher than the current discount rate, as set out in the 2024 SERS OPEB GASB 74 Report:

Net SERS OPEB Liability Sensitivity to Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current (Medical and Prescription Drug: 6.0% graded to 4.5% over 6 years; Dental: 3.0%; Part B: 4.5%)	1% Increase
Net OPEB Liability	\$11,866.2	\$14,230.6	\$17,218.7

Net SERS OPEB Liability Sensitivity to Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (3.46%)	Current (4.46%)	1% Increase (5.46%)
Net OPEB Liability	\$16,625.9	\$14,230.6	\$12,281.8

For Fiscal Years 2019 through 2023, the State paid \$682.0 million, \$743.1 million, \$749.5 million, \$735.5 million and \$737.7 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2019 through 2023, the State paid \$634.2 million, \$682.0 million, \$674.9 million, \$672.9 million and \$716.5 million respectively, for General Fund eligible employees' health care costs. For Fiscal Year 2024, the projected General Fund expenditure for retirees' health care costs is \$697.1 million. For Fiscal Years 2019 through 2023, General Fund expenditures on life insurance benefits were \$7.7 million, \$8.7 million, \$8.7 million, \$9.9 million and \$10.5 million, respectively. For Fiscal Year 2024, the projected General Fund expenditure on life insurance benefits is \$9.4 million.

SERS OPEB GASB 75 Report as of June 30, 2023. The State received from The Segal Group a report prepared as of June 30, 2023 and dated July 28, 2023 ("2023 SERS OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS. The report used the same actuarial assumptions described in the 2023 SERS OPEB GASB 74 Report and determined the Annual OPEB Expense to be \$208.7 million as of June 30, 2022.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 25
State Employee Retirees Health Care and Life Insurance Benefits

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Retirees Eligible to Receive Benefits.....	54,887	55,280	54,437	56,633	61,069
Retirees Receiving Health Care Benefits	51,198	52,021	52,990	53,481	57,696
Retirees Receiving Life Insurance Benefits	29,010	29,040	28,341	29,151	30,040
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (in millions)..	\$ 689.7 ^(a)	\$ 751.8 ^(b)	\$ 758.2 ^(c)	\$ 745.4 ^(d)	\$ 743.8 ^(d)

- (a) The \$689.7 million appropriated for Fiscal Year 2019 includes a combined appropriation of \$7.7 million for active employees and retiree life insurance benefits. Of the \$689.7 million appropriation, \$682.0 million was expended on retiree health care benefits and \$4.8 million was expended on retiree life insurance benefits.
- (b) The \$751.8 million appropriated for Fiscal Year 2020 includes a combined appropriation of \$8.7 million for active employees and retiree life insurance benefits. Of the \$751.8 million appropriation, \$743.1 million was expended on retiree health care benefits and \$5.2 million was expended on retiree life insurance benefits.
- (c) The \$758.2 million appropriated for Fiscal Year 2021 includes a combined appropriation of \$8.7 million for active employees and retiree life insurance benefits. Of the \$758.2 million appropriation, \$749.5 million was expended on retiree health care benefits and \$5.2 million was expended on retiree life insurance benefits.
- (d) The \$745.4 million appropriated for Fiscal Year 2022 includes a combined appropriation of \$9.9 million for active employees and retiree life insurance benefits. Of the \$745.4 million appropriation, \$735.5 million was expended on retiree health care benefits and \$5.7 million was expended on retiree life insurance benefits.
- (e) The \$743.8 million appropriated for Fiscal Year 2023 includes a combined appropriation of \$10.5 million for active employees and retiree life insurance benefits. Of the \$743.8 million appropriation, \$737.7 million was expended on retiree health care benefits and \$6.1 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the

amounts available in the Teachers' Retirement Health Insurance Fund ("TRHIF"); (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan; and (iii) provide an additional health insurance subsidy of at least \$220 per month (which was increased to such amount from \$110 on July 1, 2022) on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least \$440 per month (which was increased to such amount from \$220 on July 1, 2022) to participate in the local board of education plan available to active teachers. **TABLE 26** provides the State contributions to the TRHIF for the past five fiscal years. The 2023 Budget Act includes \$13.0 million for Fiscal Year 2024 to subsidize the TRHIF.

The Board implemented a Medicare Advantage with a prescription drug plan with United/Optum RX as the base plan effective January 1, 2022, otherwise referred to as a Medicare Advantage Prescription Drug Plan (MAPD). The United/OptumRX plan replaced the existing plan offered through Anthem Blue Cross Medicare Advantage PPO. The Board also replaced the existing Medicare Supplement with the same United/Optum RX as the Medicare Advantage effective January 1, 2022. Members opting to remain in the Medicare Supplement plan continue to pay the full excess cost of the plan.

The TRHIF is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. During the period commencing July 1, 1994 and prior to July 1, 2018 retiree health benefits sponsored through the Teachers' Retirement Board were self-insured.

TRHIP OPEB GASB 74 and Valuation Report. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC, GASB Statement No. 74 Report for the Retiree Health Insurance Plan of the Teachers' Retirement System ("TRHIP") dated February 2024 ("February 2024 TRHIP GASB 74 Report"). The February 2024 TRHIP GASB 74 Report was prepared as of June 30, 2023 based on a prior valuation as of June 30, 2022. The Teachers' Retirement Board previously received from Cavanaugh Macdonald, LLC an actuarial report prepared as of June 30, 2022 and dated February 9, 2023 (the "February 2023 TRHIP Valuation Report") with respect to the plan. The results of the February 2024 TRHIP GASB 74 Report are based on the assumptions and methods used in the February 2023 TRHIP Valuation Report. All GASB 74 assumptions were selected for the measurement of the plan's benefit obligations as of June 30, 2023 and reflected best estimates of anticipated experience. Other than the discount rate required under GASB 74, Cavanaugh Macdonald, LLC believes that those assumptions selected for TRHIP funding and financial accounting purposes as of June 30, 2023 are reasonable for the purposes of preparing the measurements.

The February 2023 TRHIP Valuation Report and the February 2024 TRHIP GASB 74 Report indicated the following:

February 2023 TRHIP Valuation Report as of June 30, 2022	
Actuarial Accrued Liability	\$1,937.5 million
Actuarial Value of Assets	\$ 167.6 million
Unfunded Actuarial Liability	\$1,769.9 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	8.65%
ADEC (Fiscal Year 2024)	\$ 76.7 million
Annual Employer Contribution as a Percentage of Payroll	1.59%
February 2024 TRHIP GASB 74 Report as of June 30, 2023	
Total OPEB Liability	\$1,809.1 million
Fiduciary Net Position	\$ 215.7 million
Net OPEB Liability ("NOL")	\$1,593.4 million
Ratio of Fiduciary Net Position to Total OPEB Liability	11.92%
NOL as a Percentage of Covered Compensation	33.93%

The February 2023 TRHIP Valuation Report was based upon the following assumptions and methodologies among others:

- An individual entry-age actuarial cost method
- Level percent-of-payroll contributions over an open 30-year amortization period
- An expected long-term rate of return on Plan assets of 3.0%
- An inflation rate of 2.50%
- Real wage growth of 0.50%
- Wage inflation rate of 3.00%
- A discount rate of 3.53% for accounting purposes
- Payroll growth rate of 3.00%
- Projected salary increases, including wage inflation, of 3.00% to 6.50%
- Health care cost trend rates include known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031

The February 2024 TRHIP GASB 74 Report was based upon the above assumptions and methodologies other than the discount rate, which used 3.64% rather than 3.53%.

The February 2024 TRHIP GASB 74 Report also reported the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 2023 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and a SEIR that is 1% lower or higher than the current SEIR, as set forth in the following table:

Net TRHIP OPEB Liability Sensitivity to Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Lower Trend Rate	Current Trend Rates	1% Higher Trend Rate
Net OPEB Liability	\$1,354.5	\$1,593.4	\$1,917.9

Net TRHIP OPEB Liability Sensitivity to Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.64%)	Current (3.64%)	1% Increase (4.64%)
Net OPEB Liability	\$1,931.9	\$1,593.4	\$1,326.6

TRHIP OPEB GASB 75 Report. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting LLC a report dated February 2024, prepared as of the June 30, 2023 measurement date for financial reporting as of June 30, 2024, and containing information to assist the Board in meeting the requirements of GASB 75 with respect to the TRHIP. The report indicates a collective OPEB Income of \$187.7 million for the Fiscal Year ending June 30 2023.

Set forth below for each of the past five fiscal years are State contributions to the TRHIP to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teachers' contributions, investment income, the expenditures from the TRHIF, and the reported fund balance of the TRHIF as of June 30.

TABLE 26
Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund Contribution					
Attributable To Post Retirement					
Retiree Medicare Health					
Insurance	\$14,575.3	\$ 26,001.3	\$ 24,405.4	\$ 17,798.9	\$ 12,116.2
General Fund Contribution					
Attributable To Non-Board					
Health Insurance Cost					
Subsidy	<u>4,644.7</u>	<u>5,532.1</u>	<u>5,006.0</u>	<u>5,044.1</u>	<u>9,357.5</u>
One-Time General Fund Transfer					
Pursuant to P.A. 18-81, § 22	<u>16,100.0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total General Fund					
Contributions	\$35,320.0	\$31,533.4	\$ 29,411.4	\$ 22,843.0	\$ 21,473.7
Teacher Contributions (Active					
and Retired)	106,710.2	106,716.0	106,974.2	103,540.3	101,940.4
Investment Income	<u>1,090.5</u>	<u>848.3</u>	<u>90.8</u>	<u>450.4</u>	<u>7,568.8</u>
Total Receipts	\$143,120.7	\$136,737.0	\$136,476.4	\$126,833.8	\$130,983.0
Fund Expenditures	<u>\$(121,031.7)</u>	<u>\$(121,481.2)</u>	<u>\$(92,804.7)</u>	<u>\$(75,931.9)</u>	<u>\$(82,433.0)</u>
Fund Balance as of June 30	\$ 56,979.3	\$ 72,235.2	\$ 115,906.9	\$ 166,808.7	\$ 217,819.5

Additional Information

The audited financial statements for Fiscal Year 2023 will be included as **Appendix II-C** hereto when completed, and it is expected that certain notes and the Pension Plans and Other Postemployment Benefit Plans Required Supplementary Information of the Basic Financial Statements, will provide additional information about the foregoing retirement systems and their funding.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially determined employer contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

CLIMATE CHANGE

Climate change refers to the effect that a warming and changing climate has on the environment, humans and infrastructure. Among the impacts of climate change are rising sea surface temperatures and sea levels and more frequent extreme weather events. In general, the State has been getting warmer and wetter. The effect of climate change extends to potential impacts on ecological habitats, species, agricultural products, air quality and diseases which are not discussed here. Although climate change is already impacting the State, the State is planning for these changes using locally-scaled science and is investing in clean and renewable energy to mitigate the State's Greenhouse Gas ("GHG") emissions. The State has taken a proactive and informed approach to ensure that the State's environment and economy continue to be sustainable. The State has experienced significant but unmeasurable losses from extreme weather events over the years and such events in the future could impose additional costs on residents, businesses and government that can adversely affect local, state and regional economies. These events impose recovery costs, often reimbursed by the federal government through emergency declarations, which can be further offset by investment in resiliency and sustainability. Rising sea levels increase the impact of these events and also require investment in adaptation.

Climate Impacts

Rising Sea Levels. While the State is less susceptible to flooding and rising sea levels than some other coastal states, it has 618 miles of coastline along Long Island Sound and Fishers Island Sound, with direct proximity to, but partially protected from, the Atlantic Ocean. The effects of rising sea levels are expected to be experienced in the next three decades primarily in the low-lying neighborhoods and natural areas that are in floodplains along the coastline and in tidal riverine areas. Rising sea levels are expected to result in increased tidal flooding, conversion of tidal wetlands to open water and increased rates of coastal erosion. Neighborhoods and roads that experienced infrequent flooding today and in the past could be challenged by flooding on a regular basis unless elevated.

The current sea level rise planning scenario adopted by the Department of Energy and Environmental Protection ("DEEP") projects a rise in the mean sea level in Long Island Sound of up to 20 inches above the 1983-2001 national tidal datum by 2050. It is estimated that approximately four inches of this maximum rise occurred by 2016. Analyses by the Connecticut Institute for Resilience & Climate Adaptation ("CIRCA") show that complexity of the coastal geometry and development patterns cause the magnitude of the increase in risk to vary across the State. However, in the portions of coastal eastern Connecticut where the annual risk of coastal flooding has been 10% (or 1 event every 10 years), a rise in sea level of 20 inches would increase that risk to 50% (or 1 event every 2 years).

Much of the State's coastline is rocky with substantial elevation changes, and the loss of land area to permanent flooding is likely to be limited to areas already currently affected by regular to occasional tidal flooding, depending on land elevation. The lowest lying areas that could be affected by increased frequency of tidal flooding, particularly urban areas, may require extensive renovation to harden construction in these areas, elevate properties, and increase resiliency, as well as protect fresh water supplies from saltwater intrusion. Higher water levels may also alter floodplain maps, resulting in higher insurance and building costs for new construction, reconstruction and renovation. Higher water levels may also require future rebuilding of public roads, railroads and other infrastructure in these lower lying areas to account for the rise. These relatively slow-moving effects are continually studied and addressed at the state and local level, with many coastal communities conducting planning to evaluate risks and identify options to increase resilience.

Extreme Heat, Drought and Precipitation. The State is susceptible to heat waves, drought and increased precipitation. According to CIRCA, climate change is expected to increase average temperature by five degrees Fahrenheit by 2050. Average annual precipitation is expected to increase four inches by 2050 and the number of heat wave days from four to 48. The State has also experienced, but is not currently experiencing, abnormally dry or drought conditions. Indices of hot weather, summer drought, and extreme precipitation (rain or snow) are all expected to increase by 2050 with a decrease in summer water availability. Extreme heat events pose a significant threat to public health in the State.

Extreme Storms. Like other New England states, the State is susceptible to storms, including blizzards, nor'easters and hurricanes. Wet weather events can cause river flooding, drainage problems and increased groundwater tables and can overwhelm sewer systems. In particular, as noted in the most recent report of the State's Governor's Council on Climate Change ("GC3"), though it is unclear whether the frequency or intensity of storms in Connecticut will change, they will likely bring higher winds and more precipitation during the event. In addition, land infrastructure along the State's coast has generally been designed on 25, 50 or 100 year storm specifications and existing flood plain and coastal area management designations. These may not fully capture all of the adaptation requirements required by climate change, which could lead to costly damage or destruction of infrastructure.

Wind events and ice storms also present threats due to downed trees and tree limbs blocking roads and bringing down power lines. Most of the State's power grid is above ground and exposed to such hazards. Like other states, in recent years, the State has had extensive damage and power outages due to storms. The Division of Emergency Management and Homeland Security ("DEMHS") works with municipalities and utilities on a regular basis to enhance preparation for, response to, and recovery from severe storms, including a Make Safe Protocol and improved communications among local, state, and private sector partners.

Wildfires. The State is not particularly vulnerable to wildfires except during times of drought, and has not itself experienced wildfire events of the magnitude experienced recently in Canada and California, with the concomitant effects on health, safety, and property damage. However, wide-scale wildfire events elsewhere, most particularly in Canada recently, have demonstrated the continental and perhaps transcontinental reach of such events, impacting the health of Connecticut residents. In 2023, wildfire smoke from the wildfires in Canada traveled into Connecticut multiple times over the summer causing unhealthy levels of air pollution and subsequent warnings from the State to stay indoors, especially for residents with preexisting conditions that could be exacerbated by the unhealthy air.

State Actions to Improve Sustainability and Resiliency

Flood Control. The State has been active in taking steps to improve sustainability and resiliency. Many areas of the State have been protected from its rivers by the installation of levees, concrete walls, pump stations and conduit tunnels. However, the Army Corps of Engineers has rated the system seriously deficient in some areas that have experienced considerable flooding and have the potential to experience more in the future. While current maintenance has kept existing flood control structures meeting the minimum for certification by the Federal Emergency Management Agency ("FEMA"), there is a recognized need for more investment on the operations and maintenance of current flood control structures and new structures.

Climate Resiliency Fund. To further protect areas of the State from the impacts of climate change, DEEP created the Climate Resilience Fund to serve as seed money to help Connecticut communities begin planning for climate change impacts and then propel those who have already completed planning into developing projects that are eligible for federal resilience grant funding competitions, with the goal of bringing federal funding for construction. In June 2023, the State announced the first round of 21 awards for resilience plans and project development, totaling \$8.8 million. More than 90% of the funds went to communities where vulnerable populations reside, who will be disproportionately impacted by climate change. These funds will also advance projects that use green infrastructure and other nature-based solutions that mimic nature's natural ability to soak up rainwater to reduce flooding. Planting trees, particularly in urban areas, can be a green infrastructure solution for both stormwater flooding and extreme heat.

Tree Canopy. Recognizing the significant benefits to communities of investing in trees, the legislature adopted the Governor's proposed statutory goal in PA 23-206 of increasing the tree canopy coverage in environmental justice communities in the state by 5 percent for those communities whose current tree canopy cover is less than 40 percent. In 2024, DEEP will launch a new Office of Planning and Resilience in the Water Bureau of DEEP that will oversee all of these resilience investments described above and improve the agency's coordination and integration of climate resilience across the agency.

Storm Water Infrastructure. Since 1990 the State has undertaken considerable efforts to upgrade and improve its water supplies and combined sewer and separated sewer capacity, with significant financial support from the State's Clean Water Fund. Federal appropriations are made for funding of wastewater treatment projects through the federal Clean Water Act of 1972 and water supply projects through the federal Safe Drinking Water Act. Several of the State's municipalities, including the Hartford area, are operating under consent orders with the State and the federal Environmental Protection Agency requiring such improvements. In addition, federal requirements for municipalities to adhere to municipal storm sewer system requirements will require many municipalities to install or significantly upgrade their storm water infrastructure. As the State sees more frequent heavy rainfall events there is also more regular stormwater flooding in streets and at times those floodwaters back up into private residences and businesses. To address this challenge in one community, in 2023 DEEP announced it will invest \$85 million in state funding from the state's Clean Water Fund and Clean Water Fund-related funding to implement a pilot program that will address sewage overflows in streets and basements in North Hartford, where vulnerable residents have been chronically impacted by the long-term recurrence of sewer overflows.

Natural Hazard Mitigation. DEMHS includes a Hazard Mitigation and Resiliency Unit, led by the State Hazard Mitigation Officer, who administer a number of federal hazard mitigation grant programs, including the FEMA disaster assistance Hazard Mitigation Grant Program and the Building Resilient Infrastructure and Communities Program. DEMHS solicits projects from state and local agencies to be funded by these and other programs. The State Hazard Mitigation Plan was recently revised to include a climate vulnerability assessment of critical facilities. DEMHS also coordinates the filing of local natural hazard mitigation plans with FEMA, as well as required revisions to the State Natural Hazard Mitigation Plan. These plans are prerequisites to federal funding.

Grid Resiliency. With respect to the power grid, the State and local municipalities have worked with the two main electric distribution companies in the State (Eversource and United Illuminating) to develop coordinated recovery plans. Hospitals, nursing homes and municipal water and sewerage systems are required to have auxiliary power. The State and the electric distribution companies have recently engaged in extensive tree removal and trimming efforts to increase the resilience of the grid system and mitigate extended power outages. DEEP administers a microgrid grant program to support local distributed energy generation to ensure critical facilities remain powered during outages and federal funding to support grid resilience. The Connecticut Public Utilities Regulatory Authority ("PURA") has authorized funding for substation flood mitigation and other storm hardening initiatives. Recent legislation holds the State's electric distribution companies accountable for any extended power outages and expands the microgrid program to cover resilience projects that prioritize the protection of vulnerable communities disproportionately impacted by climate change. In keeping with this legislation, in 2023 PURA issued a final decision on performance-based regulations, adopting reliable and resilient electric service, greenhouse gas reduction, and social equity among its regulatory goals. Eversource and United Illuminating are conducting a Climate Change Vulnerability Study that considers the effect of extreme weather due to climate change on their company's operations, planning and infrastructure.

Climate Smart Agriculture and Forestry Grant Program. By Executive Order 21-3 DEEP and the Department of Agriculture were directed to engage stakeholders on resources and programs to ensure the State's forests and agricultural lands continue to be resilient to the impacts of climate change and are maximized to sequester and store carbon in support of the State's emissions reduction goals. In 2023, the Department of Agriculture awarded the first 12 grants totaling nearly \$7 million under the new Climate Smart Agriculture and Forestry Grant Program. The Department of Agriculture also unveiled a rapid response program to support farmers with recovering from flood damage and improve resilience on farms. In October 2023, the Department of Agriculture awarded 21 projects from the Farmland Restoration Flood Response Grant Program (FRFRG). Awards provided matching funds to Connecticut farmers, nonprofits, and municipalities impacted by excessive rainfall and flooding in July 2023 to restore lands into active agricultural production, with a focus on restoring and improving land with prime and important farmland soils.

Connecticut Green Bank. Established by the Connecticut General Assembly in 2011, the Connecticut Green Bank supports the Governor's and Legislature's energy strategy to achieve cleaner, less expensive, and more reliable sources of energy while creating jobs and supporting the local economic development. In 2021, the

Green Bank's model was expanded to include new areas of environmental infrastructure, related to climate adaptation and resiliency, land conservation, parks and recreation, agriculture, water, waste and recycling, and environmental markets, including carbon offsets and ecosystem services.

Resilience Opportunity Areas. CIRCA continues to work with communities across the State through its Resilient Connecticut initiative that uses the institute's vulnerability assessment tools to identify Resilience Opportunity Areas. These areas are expected to experience moderate to high impacts of climate change, have identified regional significance, and meet additional local, regional or State policy goals (such as housing, transportation, ecology, etc.) These areas are slated for consideration for additional technical assistance, planning, or funding.

Climate & Infrastructure Policy. Additionally, the State has created a new position, the Climate & Infrastructure Policy Development Coordinator within OPM to assist in statewide climate planning. This position is overseeing the advancement of a climate vulnerability assessment of State assets and operations as mandated by Executive Order 21-3, which will commence in 2024 following the completion of the State's latest update to the State Natural Hazard Mitigation Plan at the end of 2023.

PFAS. Per- and polyfluoroalkyl substances ("PFAS") are widely used, long lasting chemicals, components of which break down very slowly over time and may be linked to harmful health effects. The State has an interagency task force to evaluate and address PFAS. This task force produced a PFAS Action Plan ("Action Plan") which includes recommendations to (i) minimize environmental exposure to PFAS for State residents, (ii) minimize future releases of PFAS to the environment and (iii) identify, assess and clean up historical releases of PFAS to the environment. In addition, the task force recommended education, outreach and communication on PFAS as well as following potential legislative opportunities to support the recommended actions. Since the release of the Action Plan, just over \$4 million has been allocated to DEEP to: implement a take-back program to collect and properly dispose of PFAS-containing aqueous film forming foam ("AFFF") from State and municipal fire departments; purchase new regional foam trailers for strategic deployment statewide; conduct private well sampling in select communities where PFAS has been detected in groundwater; conduct a comprehensive sampling program at wastewater treatment plants, including surface water and fish tissue to evaluate PFAS impacts from PFAS. The use of AFFF is now prohibited, and these efforts have largely eliminated the largest source of PFAS in the State.

State Response to Reduce Its Contribution to Climate Change

The State has taken a number of actions to reduce its own impact on the environment pursuant to several Executive Orders, legislation and the recommendations of various studies and initiatives. The discussion that follows outlines a few of these actions.

In 2021, Governor Lamont, in his first Executive Order, set a goal for the executive branch of State government to achieve a 45% reduction in GHG emissions below 2001 levels by 2030, a 25% reduction in waste disposal by 2030 from a 2020 statewide baseline, and a 10% reduction in water consumption by 2030 from a 2020 statewide baseline. The order establishes a steering committee of state agencies to develop a strategy to achieve a 70% reduction in GHG emissions from 2016 levels by 2040, and zero emissions by 2050. In Executive Order 21-3 the Governor directed further planning for decarbonizing State buildings and the State fleet. In 2022, the legislature passed the Connecticut Clean Air Act that mandated that 100% of the state fleet of cars and light-duty trucks would be electric by January 1, 2030 and prohibited the State from procuring, purchasing, or leasing diesel-fueled transit buses on and after January 1, 2024. The Connecticut Clean Air Act also expanded the ability to install electric vehicle chargers, expanded the state's rebate program for light-duty passenger vehicles to include e-bikes, mandated the conversion of school buses in the state to zero-emission buses, allowed DEEP to establish a medium- and heavy-duty truck voucher program, and authorized DEEP to adopt regulations implementing California's medium- and heavy-duty motor vehicle standards in Connecticut.

DEEP conducts climate planning across all sectors to meet the State's statutory economy-wide GHG emissions reduction goals of 45% below 2001 levels by January 1, 2030 and 80% below 2001 levels by 2050 and a zero emission electricity supply by January 1, 2040. In 2023, DEEP received a \$3 million grant to update and develop

new climate plans with funding from the EPA Climate Pollution Reduction Grant. This funding will support economy-wide climate planning in the State through 2027.

Recommendations of the GC3 continue to be implemented through executive or legislative action. DOT set a vehicle miles traveled per person reduction target of 5% by 2030 and released a set of strategies to support that target. DEEP explored how to include natural and working lands in the State's inventory of greenhouse gas emissions. DEEP launched the Residential Energy Preparation Services program which will help income-eligible homes remove health hazards and access energy efficiency upgrades to save money on energy costs with initial funding of \$12.3 million from federally funded programs. The State enacted a law that calls for the development of a hydrogen strategic plan by the end of 2024. The legislature granted authority to DEEP and the Connecticut Siting Council to deny permits for facilities that are unable to avoid further impacts on overburdened communities and CIRCA, in partnership with DEEP, finalized a state Environmental Justice Screening Tool, CT EJScreen.

Through the State's Greenhouse Gas Emissions Inventory, first published in 2003 and most recently released in 2023, DEEP provides a report card on 30 years of greenhouse gas emissions in the State, from 1990 to 2020, and tracks progress toward the State's statutory greenhouse gas emission-reduction targets. The latest inventory showed that Connecticut met its statutory target of ten percent emissions reductions below 1990 levels as of January 1, 2020. The transportation, electricity and residential sectors continue to account for nearly three-quarters the State's GHG emissions. Transportation remains the largest source of emissions, accounting for 40% of emissions in 2019, but the residential sector replaced the electric power sector as the second-largest emitter. As of January 1, 2020, residential sector emissions had dropped ten percent since 1990. Except for the COVID-19 pandemic-induced dip in emissions for the years 2020-2021, transportation emissions remain near their 1990 levels, despite significant improvements in automobile fuel economy over the past three decades. Improvements in fuel economy have reduced emissions per vehicle mile traveled, but those reductions have been offset by an increase in the overall number of miles driven. In 2021, electricity consumption emissions continued to drop, falling in that year below the emissions from the State's commercial sector. This is consistent with the findings of the Integrated Resources Plan released in 2021 that showed the State is on the path to achieving the Governor's goal of a 100% carbon free electric supply by 2040. The plan did include zero carbon energy from the Park City Wind contract which was cancelled in 2023, but procurement for wind resources continues. Connecticut, Rhode Island and Massachusetts signed an agreement for multi-state offshore wind procurement, the first of its kind in the United States. Under the agreement the three states will together seek multi-state offshore wind proposals that would expand benefits for the region, capture cost reductions by developing projects at scale and develop into viable projects.

In addition to staying on the path to a zero carbon energy supply, the State's Greenhouse Gas Inventory demonstrated that Connecticut must substantially accelerate emission reductions outside of the electricity consumption sector – especially in the building and transportation sectors – if it is to meet the 2030 and 2050 statutory targets. In 2023 Connecticut signed on to the United States Climate Alliance collective target of 20 million heat pump installations across the coalition by 2030, with the aim of ensuring at least 40 percent of benefits flow to disadvantaged communities. In addition, DOT released its National Electric Vehicle Infrastructure ("NEVI") plan, which was approved by the federal department of transportation in November 2022. The NEVI Plan is a robust roadmap for how the State intends to expand a safe, reliable, accessible, and equitable electric vehicle fast charging network throughout the State.

The State continues to look for opportunities to drive down emissions in all sectors and will be leveraging federal investments in electric vehicle charging stations, school bus electrification, and a resilient electric grid to advance these priorities. The State continues to position itself to use available federal funding to protect its residents and infrastructure from the impacts of climate change.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of \$50 million or more.

State Employees Bargaining Agent Coalition ("SEBAC") v. Rowland is a Federal District Court case in which a class of approximately 50,000 laid off State employees sued the Governor and the Secretary of OPM alleging that they were laid off in violation of their constitutional rights. The parties reached a settlement that provides for cash payments payable over several fiscal years, pension adjustments, and vacation and personal time accruals. The overall value of the settlement, inclusive of attorneys' fees, is estimated at \$175 million to \$210 million. The damages for approximately 49,950 class members have been settled and accounted for in the State's financial statements and budget. The parties are still in the process of calculating economic damages for the approximately remaining 50 class members who sustained economic damages as a result of the layoffs. The State does not consider its remaining liability to be material.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned or do petition the Federal Government for federal acknowledgement. In any of the land claims matters, irrespective of whether federal acknowledgement is granted, denied or upheld, a particular group could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal acknowledgement of tribes under relaxed standards. As enacted, those regulations do not allow for previously denied petitioners, such as the Schaghticoke Tribal Nation ("STN"), the Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek acknowledgement under the new regulations. However, courts in litigation with other tribes have held that the prohibition on re-petitioning is invalid. In 2022, the BIA promulgated new rulemaking on this issue to address the district courts' concerns and bolster the long-standing prohibition on re-petitioning. Connecticut, along with other interested parties in Connecticut, submitted comments in support of the new rulemaking. As of January 2024, the BIA has not yet issued a decision on the rulemaking. However, the BIA has indicated in court filings that it is increasingly interested in pursuing the option of an exception to the re-petitioning ban and has submitted a new Notice of Proposed Rulemaking to the Office of Information and Regulatory Affairs.

In and around March 2022, the Schaghticoke Indian Tribe ("SIT") filed a petition for acknowledgement with the BIA. The State opposed that petition in July 2022 on the grounds that, *inter alia*, SIT does not meet the requirements for a continuous tribal nation and, moreover, SIT is not a standalone tribe but is instead a splinter offshoot of STN and therefore is not entitled to recognition on its own. That petition and the State's and other entities opposition remain pending and the process will have several additional phases before any decision is reached.

In and around January 2023, the Historical Eastern Pequot Tribe filed suit against the Office of Federal Acknowledgement, BIA in the United States District Court for the District of Columbia seeking *inter alia* injunctive relief requiring a final determination of the group's prior request for acknowledgement and federal recognition of the group. On November 1, 2023, the Court granted Defendants' Motion to Dismiss. The group has moved to vacate the dismissal and for permission for leave to file a third amended complaint and that motion is pending.

D.J. v. Conn. State Board of Education is a federal court case brought by a special education student and a purported class of similarly situated special education students. Plaintiffs allege that state law violates the Individuals with Disabilities in Education Act (“IDEA”) by terminating the obligation of local school districts to provide special education at the end of the school year in which a special education student turns 21. Plaintiffs’ allegations are premised on the fact that Connecticut provides education services to non-special education students beyond the age of 21 and that such a distinction is not permitted under the IDEA. Plaintiffs seek a declaration that Connecticut violates the IDEA by limiting public schools’ obligation to provide education services to all special education students before the end of the school year of their 22nd birthday. The plaintiffs further seek compensatory education for the class which is made up of all special education students deprived of special education services after reaching the age of 21 for the two years before the action was filed and during the pendency of the case. If plaintiffs are successful, the State could be ordered to ensure the provision of a one year extension of current duration of services for all special education students. The State filed a motion for summary judgment and an objection to certification of the class. The plaintiffs’ motion for summary judgment was granted and the State’s motion for summary judgment was denied by the District Court. The State appealed the District Court’s decision, which was affirmed by the U.S. Court of Appeals for the Second Circuit in July 2021, and judgment entered for the plaintiffs. The District Court certified a class of students: non-graduating special education students whose services were terminated prior to their 22nd birthday for the school years 2014-15 through present. The State estimates the class to be approximately 900 students. This action means that a to be determined number of former Connecticut public school special education students will be entitled to “compensatory education” for the amount of school they missed (i.e., the portion of a school year until they would have turned 22). The State has been ordered to work with the plaintiffs and a magistrate judge to determine the number of students affected and provide them with their compensatory education. The number of affected children has not yet been determined.

OTHER MATTERS

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a Public Health Emergency of International Concern by the World Health Organization and, on March 13, 2020 was declared a national emergency by the President of the United States. The outbreak of the virus affected travel, commerce and financial markets and economic growth globally.

The impact of COVID-19 caused a significant pullback in consumption and significant increases in unemployment. As a result, on March 27, 2020, the United States Congress enacted the CARES Act that provides aid to industries and entities throughout the country, including state and local governments. The State received \$1.382 billion to cover statewide costs associated with the response to the outbreak of COVID-19. These resources were not counted towards revenues in the General Fund. Consistent with the State's practice in using federal grant funds, expenditures are not authorized through the General Fund.

Additionally, on March 11, 2021, the United States Congress enacted the ARP Act that provided additional relief to individuals, grants to businesses, and support to state and local governments. The State received approximately \$2.8 billion under the ARP Act to respond to the impacts of the COVID-19 pandemic. The adopted budget for the Fiscal Year 2022-2023 biennium programmed the use of ARP Act funds for the State for the 2022-2023 biennium. The State's expenditures of these federal funds are subject to audit and review by the federal government to ensure they were and are spent in accordance with the CARES Act and ARP Act.

Hospital Dispute

In Fiscal Year 2012, the State began levying a user fee on the net patient revenue of most hospitals in the State ("First Hospital User Fee"). A petition for a declaratory ruling was received by the Department of Social Services ("DSS") and the Department of Revenue Services ("DRS") claiming that the First Hospital User Fee was invalid as implemented under various constitutional and administrative provisions. The First Hospital User Fee was sunset by the General Assembly effective June 30, 2017. The General Assembly enacted a separate and distinct user fee on certain hospitals beginning July 1, 2017 ("Second Hospital User Fee"). On December 18, 2019, the General Assembly approved a settlement agreement among the State and the Connecticut Hospital Association and the petitioning hospitals that is expected to have a cost impact on the State of approximately \$60 million to \$186 million in each fiscal year through Fiscal Year 2026. The federal government issued the required approvals of the Second Hospital User Fee waivers and Medicaid State plan amendments, respectively, for the Second Hospital User Fee and Medicaid expenditures required under the settlement agreement. If after initial approval, during the term of the settlement agreement, federal requirements impact the ability of the State to implement the settlement agreement's requirements as to the Second Hospital User Fee or Medicaid expenditures in excess of \$100 million on an annual basis, the State has the option to terminate the settlement agreement. If the federal requirements impact the State in excess of \$50 million on an annual basis, the parties can either agree to an amendment to the settlement agreement or seek a court ordered modification that is designed to maintain a proportionate balance of benefits and burdens on the parties. Under the settlement agreement, for Fiscal Years 2020 to 2026 the hospitals agree not to challenge the Second Hospital User Fee or the Medicaid rates and supplemental payments.

Information Technology, Cybersecurity and Related Matters

Strategic Plan

The State's Information Technology strategic plan for Fiscal Year 2024 focused on four goals: (i) to optimize IT services across executive branch agencies for improved flexibility and efficiency; (ii) to grow digital government services, which will increase online services to residents and businesses; (iii) to improve cybersecurity statewide and (iv) to harness and appropriately manage the power of artificial intelligence ("AI")

technology. To account for the increased cyber risk that is being experienced across all industries, the State authorized a total of \$11.8 million to reduce cybersecurity risks. This investment to date has been used to increase security monitoring and vulnerability response capabilities and to upgrade State government endpoint security. There have been no cybersecurity incidents of note within the State as a result of these investments.

The State operates information technology systems critical to its operations. The State develops and publishes an annual IT strategic plan that outlines critical technology activities. To improve the efficiency and effectiveness of information technology within the State, the Department of Administrative Services undertook a reorganization of Executive Branch agency technology resources. In January 2022, the State began operation of the Department of Administrative Services / Bureau of Information Technology Solutions (“DAS/BITS”). This wide-ranging shared service includes infrastructure, applications, and user supports.

Systems

In accordance with these plans and prior initiatives, the State continues to make progress in improvements to its systems. Since 2015, the State’s shared systems have been primarily operated through two data centers which allows infrastructure continuity through duplication at the two facilities. The two data centers operate in an “active/passive” mode, whereby the overall system load is handled by one of the two centers, and the applications and datasets are replicated in each. If one data center is offline, the entire load would shift to the other data center. Depending on the application criticality, some manual intervention may be required to return to operation. One data center is located in Groton, Connecticut and the other in Springfield, Massachusetts. The datasets are regularly verified for integrity, and backed up incrementally in stages covering approximately six months. Some of these backups are maintained externally to the datacenters. DAS/BITS has systems in place to monitor and protect against malicious events. The datacenters of the State have procedures in place to protect against unauthorized physical access, against misconduct or risks associated by personnel with physical access and similar risks, on a level comparable to the other parties collocated with it in the datacenters. Since these centers were put in operation, the State has been incrementally moving agency computing from older, location-based technology to a shared private cloud infrastructure. The State intends to vacate the Groton data center before 2029 and in the 2023 calendar year began substantive planning for the next iteration of computing.

The State has also embraced a measured approach to cloud computing when the benefits of the cloud outweigh the costs. Significant cloud migrations include the Microsoft 365 collaboration suite and, more recently, the migration of the State’s enterprise resource planning system, Core-CT, to the Oracle Cloud in November 2023.

Approximately 50% of the State’s overall systems are dedicated to single agency use; the State has been modernizing these systems and in some cases moving them to shared private cloud solutions operated by third parties. Agencies using these applications may utilize internal or outside consulting assistance for improvements and maintenance of these systems.

The State maintains a State-wide fiber-optic networking system for its Connecticut Education Network (“CEN”) and its Public Safety Data Network (“PSDN”). This network had been relatively stable, seeing incremental expansion as schools, towns, libraries, state agencies, first responders and others were connected. The State’s E911 system operates on this network, with microwave radio backup for the state police systems. Because of the critical nature of these systems, DAS/BITS has taken steps to ensure the continuity of the systems for natural events, the continuity of the systems for malicious events, and safeguarding the information maintained against theft and misuse. The systems are regularly monitored, evaluated, tested, and improved. Major equipment upgrades for both CEN and PSDN are currently underway that improve capacity, supportability and resilience. Individual offices of the State access the systems through internet facilities maintained by third parties, and those offices have varied levels of backup power and redundancy. None of the offices are believed to be critical to the integrity of the overall systems, but events such as snowstorms, flooding, fire and other hazards may affect the ability of the State to deliver services as contemplated.

Cybersecurity

In calendar year 2023 steps continued to be taken to significantly harden the State's operations against cybersecurity threats. The State released the second statewide cybersecurity strategy, with input from federal, state and local partners, in March of 2022. This document outlines the critical importance of protecting all the digital assets in the State. The State has obtained the first year funding of a four-year Department of Homeland Security grant to address a "whole of state" approach to cybersecurity that factors in both state and local government entities through the Department of Emergency Services and Public Protection, Division of Emergency Management and Homeland Security and DAS/BITS. The State convenes a monthly cybersecurity working group with local, state, federal, and private sector partners to raise awareness of current threats and to share best practices. The State also operates under a State Cyber Disruption Response Plan and a Cyber Incident Response Plan, which was updated in January 2024.

Generally, the State's centralized systems were also protected by methods limiting access of users to relevant portions of the system. Malware infection introduced by one user may therefore be limited to the portions of the system accessible by that user. In the past five years, no malware corruptions have materially affected State data or operations. In 2022, the State completed the rollout of Endpoint Detection and Response capabilities for servers and endpoints to provide advanced protections from constantly evolving threats. Over the last year, the State has experienced no material cybersecurity incidents. Additional protections have been put in place to continue addressing an evolving threat landscape.

The State's systems contain significant amounts of personally identifiable and non-public information. This includes social security identification numbers, credit card information, criminal and arrest records, medical records, driving records, educational records, information made available from the federal government and other states. The State limits misuse of this information by compartmentalizing access and endeavoring to design systems such that such information is encrypted, segmented and otherwise not available to unauthorized individuals gaining access to some portion of the State's systems. This information is nevertheless vulnerable to misuse by persons with authorized access to such information, persons with unauthorized access to such information (such as through phishing or other social attack vectors), persons inadvertently granting access, and other means. The consequences of any such potential misuse, to the persons involved and to the State, cannot be predicted. To date the State has uncovered no such material unauthorized access. The State endeavors to further mitigate any such potential misuse with thorough training of its users to recognize common attack vectors.

Artificial Intelligence

Artificial Intelligence has quickly emerged as a critical topic for the State. Significant actions have been taken to ensure responsible use of the technology that also holds the promise to improve many government interactions. The State (i) developed an internal AI working group with expertise from several agencies, (ii) inventoried applications that area using AI and published that information to the States Open Data Portal; (iii) created the first draft of the Artificial Intelligence Policy; (iv) began the development of the procedures to ensure the technology is used in a continually equitable manner.

INDEX TO APPENDICES TO INFORMATION STATEMENT

Appendix II-A	Governmental Organization and Services	II-A-1
Appendix II-B	State Economy.....	II-B-1
Appendix II-C	June 30, 2023 (GAAP-Based) Audited Basic Financial Statements - To Be Included Upon Completion	II-C-1
Appendix II-D	June 30, 2019 – June 30, 2023 Statutory Basis General Fund Financial Statements	II-D-1
	Comptroller’s Transmittal Letter (June 30, 2019 – June 30, 2023).....	II-D-2
	Auditor’s Letter (June 30, 2019 – June 30, 2023).....	II-D-3
	June 30, 2022 Statutory Basis General Fund Financial Statements	II-D-6
Appendix II-E	Fiscal Year 2023 Adopted Budget and Audited Financial Results, Fiscal Year 2024 Adopted Budget and Estimated Budget and Fiscal Year 2025 Adopted Budget	II-E-1

APPENDIX –II-A

APPENDIX II-A

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

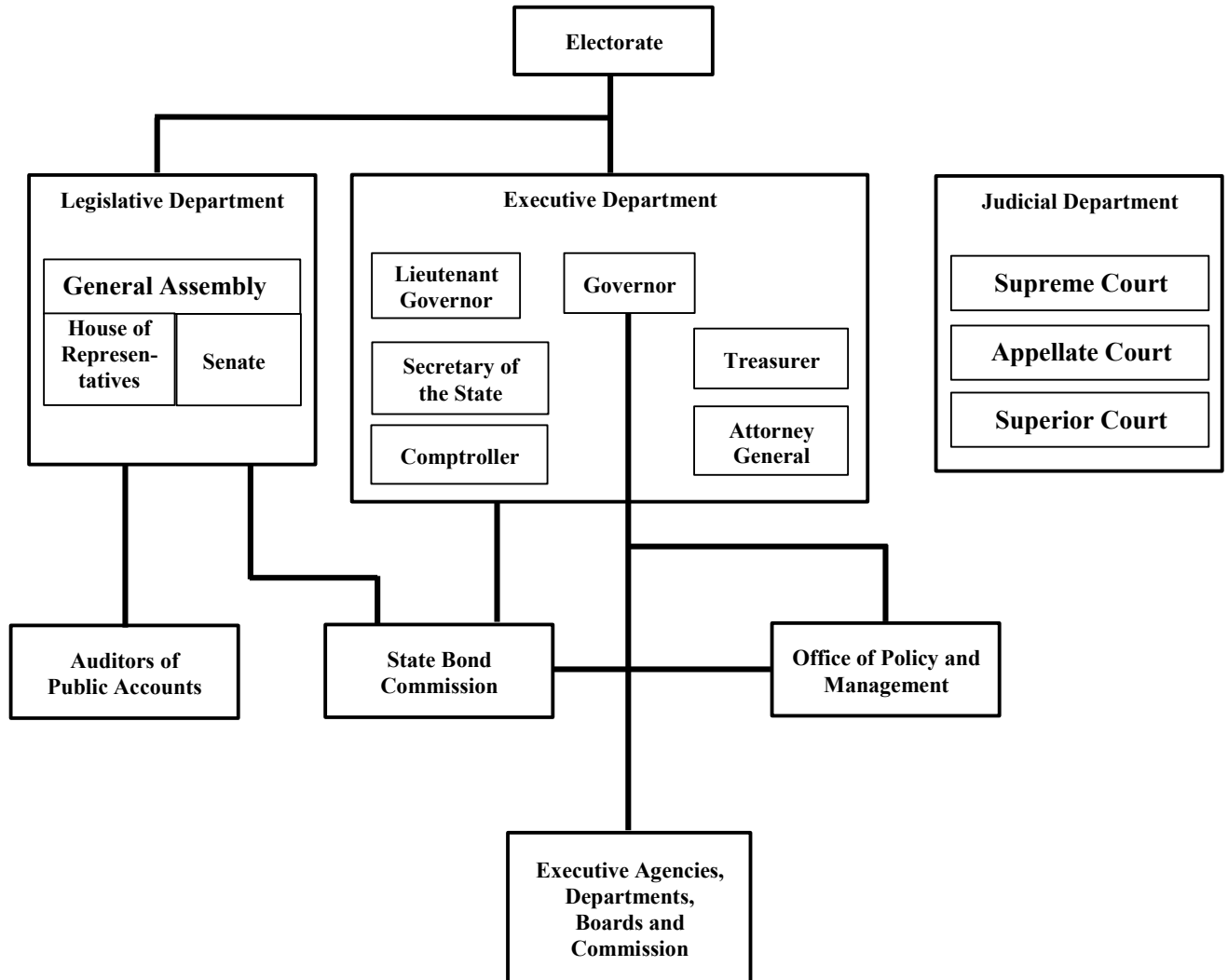
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in Tables A-2 and A-3 below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2022, and the new members took office in January 2023.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or quasi-public agency funds or any actual or contemplated breakdown in the safeguarding of any resources of the State or a quasi-public agency promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. The Auditors may give an agency a reasonable amount of time to conduct an investigation in certain circumstances prior the Auditors reporting the matter to such officials. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2 and A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2022 for terms beginning in January 2023. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and, on request, rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 176 sitting judges as of February 1, 2024, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief

Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex-officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2
State Employees^(a)
By Function of Government

<u>Function Headings^(b)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Legislative	531	532	533	535	561
General Government	2,735	2,767	2,749	2,971	3,159
Regulation and Protection	3,685	3,749	3,757	3,740	3,710
Conservation and Development	1,338	1,353	1,398	1,354	1,335
Health and Hospitals	5,813	5,792	5,529	5,402	5,539
Transportation	4,288	4,469	4,477	4,505	4,557
Human Services.....	2,070	2,094	2,082	1,992	2,048
Education.....	16,045	16,276	16,144	16,324	15,101
Corrections	8,616	8,706	8,405	8,204	8,179
Judicial	<u>4,154</u>	<u>4,166</u>	<u>3,965</u>	<u>4,060</u>	<u>4,154</u>
Total.....	49,275	49,904	49,039	49,087	48,343

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: OPM

TABLE A-3
State Employees As of April 30, 2023^{(a)(b)}
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	561					561
General Government	2,858	35	20	99	147	3,159
Regulation and Protection	2,054	520	359	428	349	3,710
Conservation and Development	705	34	110	72	414	1,335
Health and Hospitals	5,088		25		426	5,539
Transportation		3,027		649	881	4,557
Human Services	1,749		5		294	2,048
Education	3,703			11,188	210	15,101
Corrections	8,087			73	19	8,179
Judicial	4,054		10	21	69	4,154
Total	28,859	3,616	529	12,530	2,809	48,343

(a) Table shows a count of paid employees by fund category. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: OPM

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 49 such bargaining units representing State employees. The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

If an agreement is rejected, the matter shall be returned to the parties who shall initiate arbitration. The parties may submit any award issued pursuant to such arbitration to the General Assembly in the same manner as the rejected agreement. If the arbitration award is rejected by the General Assembly, the matter shall be returned again to the parties for further arbitration. Any award issued pursuant to such further arbitration shall be deemed approved by the General Assembly.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown in the following table:

TABLE A-4
Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

<u>Bargaining Unit/Status Group</u>	<u>Percentage of State Employees Represented^(a)</u>	<u>Contract Status, if any</u>
<u>Covered by Collective Bargaining</u>		
Administrative and Residual (P-5)	6.18%	Contract in place through 6/30/2025
Administrative Clerical (NP-3)	4.70	Contract in place through 6/30/2025
American Federation of School Administrators	0.15	Contract in place through 6/30/2025
Assistant Attorneys General (P-6)	0.37	Contract in place through 6/30/2025
Assistant Attorney General Dept. Heads (P-7)	0.03	Contract in place through 6/30/2025
Board for State Academic Awards Prof	0.12	Contract in place through 6/30/2025
Community College Administration - AFSCME	0.17	Contract in place through 6/30/2025
Community College Administration – CCCC	1.44	Contract in place through 6/30/2025
Community College AFT – Counselors/Librarians	0.02	Contract in place through 6/30/2025
Community College Faculty – AFT	0.29	Contract in place through 6/30/2025
Community College Faculty – CCCC	1.05	Contract in place through 6/30/2025
Connecticut Association of Prosecutors	0.41	Contract in place through 6/30/2025
Correctional Officers (NP-4)	8.04	Contract in place through 6/30/2025
Correctional Supervisor (NP-8)	0.98	Contract in place through 6/30/2025
Criminal Justice Inspectors	0.15	Contract in place through 6/30/2025
Criminal Justice Residual	0.26	Contract in place through 6/30/2025
DCF Program Supervisors - AFSCME	0.19	Contract in place through 6/30/2025
DPDS Asst Public Defenders	0.37	Contract in place through 6/30/2025
DPDS Supervising Attorneys - AFSCME	0.04	Contract in place through 6/30/2025
Education Administrative (P-3A)	0.41	Contract in place through 6/30/2025
Education Technical (P-3B)	1.02	Contract in place through 6/30/2025
Engineering, Scientific and Technical (P-4)	5.02	Contract in place through 6/30/2025
GEU-UAW Graduate Empl Union	3.29	Contract in place through 6/30/2025
Health Care Unit-Non-Professional (NP-6)	5.00	Contract in place through 6/30/2025
Health Care Unit-Professional (P-1)	5.88	Contract in place through 6/30/2025
Higher Education – Professional Employees	0.06	Contract in place through 6/30/2025
Judicial - Judicial Marshals	1.07	Contract in place through 6/30/2025
Judicial – Law Clerks	0.10	Contract in place through 6/30/2025
Judicial – Non-Professional	2.51	Contract in place through 6/30/2025
Judicial – Professional	2.35	Contract in place through 6/30/2025
Judicial – Professional B	0.36	Contract in place through 6/30/2025
Judicial - Supervising Judicial Marshals	0.10	Contract in place through 6/30/2025
Judicial – Professional Appellate	0.04	Contract in place through 6/30/2025
Protective Services (NP-5)	1.44	Contract in place through 6/30/2025
Service/Maintenance (NP-2)	6.97	Contract in place through 6/30/2025
Social and Human Services (P-2)	7.34	Contract in place through 6/30/2025
State Vocational Federation of Teachers	2.37	Contract in place through 6/30/2025
State Police (NP-1)	1.81	Contract in place through 6/30/2026
State Police Lieutenants and Captains (NP-9)	0.05	Contract in place through 6/30/2025
State University-Faculty	2.49	Contract in place through 6/30/2025
State University- Non-Faculty Professional	1.82	Contract in place through 6/30/2025
UHC – Faculty	0.09	Contract in place through 6/30/2025
UHC – Faculty AAUP	0.94	Contract in place through 6/30/2025
UHC University Health Professionals	5.34	Contract in place through 6/30/2025
UConn – Faculty	3.68	Contract in place through 6/30/2025
UConn – Law School Faculty	0.09	Contract in place through 6/30/2025
UConn - Non-Faculty	3.93	Contract in place through 6/30/2025
UConn – UAW Postdoc	0.27	Contract in place through 6/30/2026
Total Covered by Collective Bargaining	90.84%	
<u>Not Covered by Collective Bargaining</u>		
Auditors of Public Accounts	0.24	Not Applicable
Other Employees	8.92	Not Applicable
Total Not Covered by Collective Bargaining	9.16%	
Total Full-Time Work Force	100.00%	Contract in place through 6/30/2025

(a) Percentage expressed reflects approximately 52,131 filled full-time positions as of February 1, 2024.

SOURCE: OPM

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as “non-functional”. These function headings are used for the State’s General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings^{(a)(b)}

Conservation and Development

Department of Agriculture
Department of Energy and
Environmental Protection
Department of Economic and
Community Development
Department of Housing
Agricultural Experiment Station

Corrections

Department of Corrections
Department of Children and
Families

Education, Libraries and Museums

Department of Education
State Library
Office of Early Childhood
University of Connecticut
University of Connecticut Health
Center
Connecticut State Colleges and
Universities
Office of Higher Education
Teachers’ Retirement Board

General Government

Governor’s Office
Lieutenant Governor’s Office
Secretary of the State
Office of Governmental
Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans Affairs
Department of Administrative
Services
Attorney General
Division of Criminal Justice

Health and Hospitals

Department of Public Health
Office of Health Strategy
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and
Addiction Services
Psychiatric Security Review Board

Human Services

Department of Social Services
Department of Rehabilitation
Services

Judicial

Judicial Department
Public Defender Services
Commission

Legislative

Legislative Management
Auditors of Public Accounts
Commission on Women, Children
Seniors, Equity and Opportunity

Regulation and Protection

Department of Emergency Services
and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Office of the Behavioral Health
Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and
Opportunities
Workers’ Compensation Commission

Transportation

Department of Transportation

- (a) In addition to the ten listed government function headings, the State also employs a “non-functional” heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.
- (b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2023.

SOURCE: OPM

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection (DESPP) is responsible for providing a coordinated, integrated program for the protection of life and property and for state-wide emergency management and homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department is responsible for the preparation of a comprehensive civil preparedness plan and program, including integration and coordination with planning and activities of the federal government, other states, and towns, cities and tribal nations within the State. The State's plans include the State Response Framework and the State Disaster Recovery Framework and the State Natural Hazard Mitigation Plan, which includes consideration of how climate change is and will continue to affect the frequency, intensity, and distribution of specific hazards. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a severe weather event in or affecting Connecticut; (ii) a terrorist attack in or affecting Connecticut (cyber and/or physical), and (iii) a release of contamination from the Millstone Power Plant. Although these three events are still priority disasters, it is clear that response to a pandemic disaster can also be a priority in the State. Recent disasters include Tropical Storm Isaias in 2020, the remnants of Hurricane Ida in 2021, as well as the 3-year COVID disaster. The State responds to all disasters by following the all-hazards State Response Framework and operating the Emergency Operations Center in person and virtually.

Current planning activities at the State level include multiple cyber security initiatives, including a State Cyber Security Strategy and Action Plan, Cyber Incident Response Plan, and Cyber Disruption Response Plan, which is an annex to the State Response Framework. DESPP/DEMHS also operates the State's fusion center – the Connecticut Intelligence Center – which is a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other groups as appropriate. DESPP/CSP operates the CT State Police Cyber Crimes Investigative Unit. DEMHS includes a Radiological Emergency Preparedness Unit, which, among other things, conducts regular exercises evaluated by the Federal Emergency Management Agency (FEMA). DESPP/DEMHS is also actively involved in both school security planning and the State school security grant program, as well as program management of many other grant programs, including FEMA disaster grants and state and federal non-profit security grants.

Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year. In April 2015, the State received accreditation for its emergency management and homeland security activities from the nationally recognized Emergency Management Accreditation Program. Under the state emergency management and homeland security re-accreditation process, DEMHS received full re-accreditation in 2020.

APPENDIX II-B

APPENDIX II-B

STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by the Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past five decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 0.1% from 2014 to 2023 versus an increase of 2.3% in New England and 4.9% for the nation. The mid-2023 population in Connecticut was estimated at 3.618 million, a 0.2% change from a year ago, compared to an increase of 0.3% for New England and an increase of 0.5% for the United States. From 2014 to 2023, within New England, Massachusetts (2.6%), New Hampshire (4.7%), Maine (4.5%), Rhode Island (2.1%) and Vermont (2.1%) all experienced growth higher than Connecticut (0.1%).

TABLE B-1

Population (In Thousands)

<u>Calendar Year</u>	<u>Connecticut</u>		<u>New England</u>		<u>United States</u>	
	<u>Total</u>	<u>% Change</u>	<u>Total</u>	<u>% Change</u>	<u>Total</u>	<u>% Change</u>
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2020 Census	3,606	0.9	15,116	4.6	331,449	7.4
2014	3,614	0.1	14,824	0.5	319,597	0.8
2015	3,612	(0.1)	14,880	0.4	322,036	0.8
2016	3,608	(0.1)	14,938	0.4	324,500	0.8
2017	3,609	0.0	15,004	0.4	326,747	0.7
2018	3,611	0.1	15,060	0.4	328,736	0.6
2019	3,607	(0.1)	15,098	0.3	330,551	0.6
2020	3,585	(0.6)	15,073	(0.2)	331,820	0.4
2021	3,604	0.5	15,106	0.2	332,444	0.2
2022	3,610	0.2	15,126	0.1	333,728	0.4
2023	3,618	0.2	15,165	0.3	335,372	0.5

NOTE: 1940-2020, April 1 Census. Figures are for census comparison purposes.
2014-2023 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Census Bureau

The State is highly urbanized with a 2023 population density of 746 persons per square mile, as compared with 88 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2020 Census count, 75.1% of the population resides within Fairfield (26.2%), Hartford (24.9%), and New Haven (24.0%) counties.

Education. In 2022 Connecticut ranked 7th in the nation with 41.9% of the State population over the age of 25 holding a bachelor's degree or higher.

Connecticut is home to over 45 colleges and universities, including, among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including, but not limited to the following members of the 2020 Fortune 500: Cigna, Charter Communications, Philip Morris International, Hartford Financial Services, Synchrony Financial, XPO Logistics, Booking Holdings, Stanley Black & Decker, Amphenol, EMCOR Group, United Rentals, Otis Worldwide Corporation, GXO Logistics and W.R. Berkley. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Connecticut is home to Bradley International Airport ("Bradley") in Windsor Locks, which is accessible from all areas of the State and western Massachusetts via the highway network and public transportation system. In 2023, Bradley handled approximately 200 commercial flights every day to 40 non-stop destinations and was served by virtually all major passenger and cargo air carriers. Bradley served over 6.2 million passengers in 2023, which represented a 7.5% decrease from pre-pandemic levels and a 7.8% increase over 2022 passenger levels.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. Prior to the COVID-19 pandemic, the New Haven Line (including the Waterbury, Danbury and New Canaan branch lines), Shore Line East and Hartford Line serves approximately 41.6 million passengers each year and statewide bus and paratransit services carry approximately 41.2 million passengers each year. As of December 2023, passenger counts on all 3 rail lines was 71.1% of 2019 pre-pandemic levels, and statewide bus and paratransit ridership was at 90.1% of 2019 pre-pandemic levels. During the COVID-19 pandemic, passenger counts significantly declined initially and have continued to recover to the current percentages stated above. The overall bus transit program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 12 independent, locally-governed and operated transit districts. The State also operates two historic passenger and vehicular ferries, linking communities on the Connecticut River.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads, as well as direct access to Canadian markets. Positioned between the ports of New York and Boston, with access to European and South American markets, the State's deep draft harbors at Bridgeport, New Haven, and New London offer similar direct access to international markets and U.S. ports.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system, the run by the independent system operator and regional transmission organization, ISO New England, Inc..

Investor-owned electric distribution companies in Connecticut (Eversource Energy and The United Illuminating Company) deliver electricity to consumers through the infrastructure they own and operate and are regulated by the Public Utilities Regulatory Authority (PURA). Consumers of these companies can choose an independent electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on the distribution company's standard service. Electric suppliers are not subject to rate regulation by PURA, but must receive a license issued by PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory can continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection (DEEP) structure, where it continues its mandates related to rates, reliability and safety, but now must also be guided in accordance with the goals of DEEP as outlined in its Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. PURA is the successor to the former Department of Public Utility Control.

The electric distribution companies work with PURA and the Office of Consumer Counsel staff to procure electric generation services and related wholesale electricity market products on behalf of retail customers. This offering is known as standard service, or last resort service in the case of commercial and industrial customers. The statutory principles guiding these procurements are to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels that do not deviate overtly from the wholesale market.

Lastly, the legislation created a quasi-public authority, the Connecticut Green Bank to administer the Clean Energy Fund which is funded by a charge on consumer's electric bills and an Environmental Infrastructure Fund. Subsequently, Green Bank's scope was expanded to include more types of projects the fund can support with respect to the financing of clean energy sources and environmental infrastructure projects.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Pennsylvania, Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Eversource Energy, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is an Orange, Connecticut-based utility holding company.

Since 1996, PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). Two ILECs currently offer local telephone services in Connecticut. They are Frontier Corporation and Verizon New York, Inc. Connecticut also has 108 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity, particularly during particularly cold periods. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic

production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 2.86 thousand British Thermal Units (BTU) per 2012 chained dollar of Gross State Product in 2021, the latest available data, ranking it the 4th most efficient state among the 50 states and 42.7% less than the national average of 4.99 thousand BTUs. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 194.4 million BTU's of energy per person in 2021, ranking it 46th among the 50 states plus the District of Columbia and 34.0% less than the national average of 294.6 million BTU per capita.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2022, per capita personal income in Connecticut equaled \$83,313, the second highest of any state in the nation behind Massachusetts at \$84,522. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2022 indicates that if they were states, four of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The following table shows total and per capita personal income for Connecticut residents during the period from 2013 to 2022 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

<u>Calendar Year</u>	<u>Connecticut</u>		<u>Connecticut Per Capita as Percent of</u>	
	<u>Total</u> <u>(Millions of Dollars)</u>	<u>Per Capita</u> <u>(Dollars)</u>	<u>New England</u>	<u>United States</u>
2013	\$223,834	\$61,987	114.2%	139.7%
2014	233,084	64,492	114.6	139.4
2015	239,185	66,226	112.7	137.8
2016	243,699	67,539	112.1	137.9
2017	249,451	69,126	110.8	135.6
2018	260,582	72,170	110.8	135.4
2019	267,553	74,170	109.1	133.6
2020	278,374	77,646	107.4	131.3
2021	292,371	81,129	105.1	126.0
2022	300,751	83,313	106.0	127.3

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, for Connecticut, New England and the United States.

TABLE B-3

Annual Growth Rates in Personal Income By Place of Residence

<u>Calendar Year</u>	<u>Connecticut</u> <u>(Current)</u>	<u>New England</u> <u>(Current)</u>	<u>U.S.</u> <u>(Current)</u>	<u>Connecticut</u> <u>(Constant)</u>	<u>New England</u> <u>(Constant)</u>	<u>U.S.</u> <u>(Constant)</u>
2013	(2.3)%	(0.3)%	1.1%	(3.7)%	(1.3)%	(0.2)%
2014	4.1	4.2	5.1	3.4	3.0	3.6
2015	2.6	4.8	4.7	1.9	3.7	4.5
2016	1.9	3.0	2.7	1.0	0.4	1.6
2017	2.4	4.0	4.9	0.9	2.5	3.1
2018	4.5	4.8	5.2	5.4	3.7	3.1
2019	2.7	4.5	4.7	1.4	3.4	3.2
2020	4.0	6.2	6.9	1.7	3.4	5.8
2021	5.0	7.0	9.1	3.2	4.9	4.7
2022	2.9	1.9	2.0	(6.7)	(7.2)	(4.2)

Note — Real dollars are adjusted for inflation using the national personal consumption expenditures price index and regional price parities.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2022.

TABLE B-4
Sources of Personal Income By Place of Residence
Calendar Year 2022
(In Billions)

	<u>Connecticut</u>	<u>Percent of Total</u>	<u>U.S</u>	<u>Percent of Total</u>
Wages in Non-manufacturing.....	\$145.5	48.4%	\$10,081.2	46.2%
Property Income (Div., Rents & Int.).....	59.1	19.6	4,310.3	19.7
Wages in Manufacturing	17.3	5.7	1,034.8	4.7
Transfer Payments less Social Insurance Paid	19.9	6.6	2,300.4	10.5
Other Labor Income	33.2	11.0	2,323.2	10.6
Proprietor's Income.....	<u>25.8</u>	<u>8.6</u>	<u>1,790.9</u>	<u>8.2</u>
Personal Income — Total.....	\$300.8	100.0%	\$21,840.8	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2022, the State produced \$319.3 billion worth of goods and services and \$276.7 billion worth of goods and services in 2017 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5
Gross State Product
(In Millions)

<u>Calendar Year</u>	<u>Connecticut</u>		<u>New England^(a)</u>		<u>United States^(b)</u>	
	<u>\$</u>	<u>Percent Growth</u>	<u>\$</u>	<u>Percent Growth</u>	<u>\$</u>	<u>Percent Growth</u>
2013	243,380.3	0.2%	905,918.0	1.9%	16,880,683.3	3.9%
2014	248,547.0	2.1	934,205.9	3.1	17,608,138.3	4.3
2015	261,489.8	5.2	983,078.5	5.2	18,295,019.0	3.9
2016	265,627.5	1.6	1,009,535.5	2.7	18,804,913.3	2.8
2017	273,409.9	2.9	1,038,943.3	2.9	19,612,102.5	4.3
2018	280,535.4	2.6	1,083,763.3	4.3	20,656,515.5	5.3
2019	285,466.4	1.8	1,128,009.1	4.1	21,521,395.0	4.2
2020	275,801.9	(3.4)	1,122,041.1	(0.5)	21,322,949.5	(0.9)
2021	295,907.5	7.3	1,224,190.1	9.1	23,594,030.8	10.7
2022	319,344.8	7.9	1,315,233.3	7.4	25,744,108.3	9.1

(a) Sum of the New England States' Gross State Products.

(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2017 chained dollars.

TABLE B-6

Calendar Year	Gross State Product (In Millions of 2017 Chained Dollars*)					
	Connecticut		New England		United States	
	\$	Percent Growth	\$	Percent Growth	\$	Percent Growth
2013	261,363.2	(2.0)%	974,192.7	(0.3)%	17,812,167.0	2.1%
2014	261,114.9	(0.1)	984,264.7	1.0	18,261,714.3	2.5
2015	268,733.6	2.9	1,012,892.0	2.9	18,799,622.0	2.9
2016	269,297.9	0.2	1,024,905.8	1.2	19,141,672.3	1.8
2017	273,399.6	1.5	1,038,899.4	1.4	19,612,102.5	2.5
2018	274,582.8	0.4	1,062,486.4	2.3	20,193,895.3	3.0
2019	274,219.4	(0.1)	1,084,378.1	2.1	20,692,086.8	2.5
2020	258,625.1	(5.7)	1,055,871.8	(2.6)	20,234,074.0	(2.2)
2021	268,846.7	4.0	1,116,101.5	5.7	21,407,692.5	5.8
2022	276,668.8	2.9	1,140,256.9	2.2	21,822,036.5	1.9

* 2017 chained dollar series are calculated as the product of the chain-type quantity index and the 2017 current-dollar value of the corresponding series, divided by 100. Figures for the United States represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2022 Connecticut's production was concentrated in four areas: finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 76.0% of total production in Connecticut in 2022 compared to 69.9% for the nation in 2022.

The output contribution of manufacturing, however, has remained relatively flat as the contributions of services has been increasing. The share of production from the manufacturing sector was 11.3% in 2015 compared to 11.8% in 2022. Historically, the share of production from the manufacturing sector was declining, however, that trend ended as defense-related production has been stable to increasing. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased to 60.7% of the total GSP in 2022 from 59.5% in 2015. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7

**Gross State Product by Industry in Connecticut
(In Millions)**

<u>Calendar Year</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Sector</u>								
Manufacturing	\$ 29,561	\$ 27,312	\$ 28,691	\$ 31,694	\$ 33,026	\$ 31,452	\$ 33,356	\$ 37,656
Construction ^(a)	7,513	7,801	7,711	7,873	8,243	7,565	8,353	8,728
Agriculture ^(b)	414	352	384	363	395	337	395	558
Utilities ^(c)	10,930	10,314	10,261	10,122	10,270	10,559	11,990	12,818
Wholesale Trade	15,929	15,111	14,634	14,715	14,871	14,509	16,268	18,005
Retail Trade	14,657	14,690	14,857	15,233	15,504	15,444	17,606	18,660
Information	13,181	14,048	13,835	14,661	16,285	15,706	16,937	17,883
Finance ^(d)	71,222	75,772	80,926	81,390	79,642	78,514	80,626	85,138
Services ^(e)	71,178	73,122	74,502	76,854	79,888	74,141	82,198	90,737
Government	<u>26,905</u>	<u>27,106</u>	<u>27,609</u>	<u>27,629</u>	<u>27,342</u>	<u>27,575</u>	<u>28,179</u>	<u>29,162</u>
Total GSP	\$261,490	\$265,627	\$273,410	\$280,535	\$285,466	\$275,802	\$295,908	\$319,345

Note—Columns may not add due to rounding.

(a) Includes mining.

(b) Includes forestry and fisheries.

(c) Includes transportation, communications, electric, gas, and sanitary services.

(d) Includes finance, insurance and real estate.

(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 2013 and 2022. Connecticut's nonagricultural employment reached a high in March 2008 of 1,717,100 persons employed, but began declining with the onset of the 2008 recession falling to 1,597,100 jobs by February 2010. After the 2008 recession, employment reached a peak of 1,697,500 in February 2020 before the onset of the COVID-19 pandemic-related recession. Employment then fell 289,100 jobs to 1,408,400 jobs in April 2020. In October 2023, the State had regained all of the jobs that were lost as a result of the pandemic, reaching a new employment level high since February 2020. As of December 2023, the State stands at 1,695,800 jobs, slightly below February 2020 levels.

TABLE B-8**Non-agricultural Employment^(a)
(In Thousands)**

Calendar Year	Connecticut		New England^(a)		United States^(b)	
	<u>Employment</u>	<u>Percent Growth</u>	<u>Employment</u>	<u>Percent Growth</u>	<u>Employment</u>	<u>Percent Growth</u>
2013	1,661.1	0.8%	7,047.1	1.2%	136,358.3	1.6%
2014	1,672.9	0.7	7,146.2	1.4	138,919.5	1.9
2015	1,686.8	0.8	7,253.3	1.5	141,801.2	2.1
2016	1,692.5	0.3	7,351.7	1.4	144,332.4	1.8
2017	1,696.2	0.2	7,421.7	1.0	146,610.9	1.6
2018	1,699.1	0.2	7,480.5	0.8	148,897.0	1.6
2019	1,696.0	(0.2)	7,548.6	0.9	150,891.4	1.3
2020	1,570.5	(7.4)	6,958.5	(7.8)	142,153.2	(5.8)
2021	1,616.6	2.9	7,210.2	3.6	146,280.9	2.9
2022	1,667.1	3.1	7,471.5	3.6	152,625.3	4.3

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

In an effort to provide a broader employment picture, the following table, based on residential employment, was developed. Total residential employment is estimated based on household surveys which include individuals excluded from establishment employment figures such as self-employed and workers in the agricultural sector. By this measure, residential employment in 2022 increased by approximately 113,500 jobs. The level of establishment employment based on the survey response increased by approximately 50,500 jobs in 2022. Both measurements were significantly impacted by COVID.

TABLE B-8a**Connecticut Survey Employment Comparisons
(In Thousands)**

Calendar Year	<u>Establishment Employment</u>	<u>Percent Growth</u>	<u>Residential Employment</u>	<u>Percent Growth</u>
2013	1,661.1	0.8%	1,727.0	(0.5)%
2014	1,672.9	0.7	1,773.7	2.7
2015	1,686.8	0.8	1,798.0	1.4
2016	1,692.5	0.3	1,815.7	1.0
2017	1,696.2	0.2	1,838.4	1.2
2018	1,699.1	0.2	1,848.9	0.6
2019	1,696.0	(0.2)	1,869.1	1.1
2020	1,570.5	(7.4)	1,733.9	(7.2)
2021	1,616.6	2.9	1,739.1	0.3
2022	1,667.1	3.1	1,852.6	6.5

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2022. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9
Connecticut Non-agricultural Employment, Calendar Year 2022
(In Thousands)

	<u>Connecticut</u>		<u>United States</u>	
	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>
Services ^(a)	774.7	46.5	69,091.4	45.3
Trade ^(b)	297.9	17.9	28,663.9	18.8
Manufacturing	157.2	9.4	12,827.3	8.4
Government	227.2	13.6	22,177.8	14.5
Finance ^(c)	118.2	7.1	9,042.7	5.9
Information ^(d)	31.2	1.9	3,073.0	2.0
Construction ^(e)	<u>60.9</u>	<u>3.7</u>	<u>7,749.3</u>	<u>5.1</u>
Total ^(f)	1,667.1	100.0%	152,625.3	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(b) Includes wholesale and retail trade, transportation, and utilities.

(c) Includes finance, insurance, and real estate.

(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.

(e) Includes natural resources and mining.

(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in the services industries has surged. In calendar year 2022, approximately 90.6% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

**Connecticut Non-agricultural Employment
(Annual Averages In Thousands)**

Calendar Year	Manufacturing	Trade^(a)	Services^(b)	Government	Finance^(c)	Information^(d)	Construction^(e)	Total Non- agricultural Employment^(f)
2013	160.2	293.1	746.4	245.2	130.6	32.1	53.4	1,661.1
2014	157.2	294.9	759.7	244.7	128.8	32.1	55.5	1,672.9
2015	156.9	296.4	769.2	243.7	130.1	32.5	57.9	1,686.8
2016	156.5	297.3	776.7	241.0	129.5	32.4	59.1	1,692.5
2017	158.7	296.9	784.4	238.5	127.8	31.6	58.3	1,696.2
2018	160.7	296.4	789.7	236.4	125.4	31.7	58.8	1,699.1
2019	161.9	292.5	790.6	236.0	123.7	31.6	59.7	1,696.0
2020	153.9	277.6	708.1	224.6	120.1	29.3	56.9	1,570.5
2021	153.0	290.5	741.4	224.1	118.1	30.1	59.4	1,616.6
2022	157.2	297.9	774.7	227.2	118.2	31.2	60.9	1,667.1

(a) Includes wholesale and retail trade, transportation, and utilities.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes finance, insurance, and real estate.

(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.

(e) Includes natural resources and mining.

(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the number of jobs derived from this sector, Connecticut ranked 22nd in the nation for manufacturing employment as a percentage of total employment in calendar year 2022. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region, and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. In calendar year 2022 approximately 9.4% of the State's workforce, versus 8.4% for the nation, was employed in the manufacturing sector.

TABLE B-11

**Manufacturing Employment
(In Thousands)**

Calendar Year	Connecticut		New England^(a)		United States^(b)	
	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>
2013	160.2	(1.1)%	595.9	(0.6)%	12,019.2	0.8%
2014	157.2	(1.9)	592.2	(0.6)	12,184.6	1.4
2015	156.9	(0.2)	592.9	0.1	12,334.9	1.2
2016	156.5	(0.3)	588.8	(0.7)	12,352.8	0.1
2017	158.7	1.4	590.9	0.4	12,438.8	0.7
2018	160.7	1.2	596.0	0.9	12,687.8	2.0
2019	161.9	0.7	600.8	0.8	12,816.2	1.0
2020	153.9	(4.9)	567.2	(5.6)	12,164.8	(5.1)
2021	153.0	(0.6)	575.9	1.5	12,354.3	1.6
2022	157.2	2.7	589.3	2.3	12,827.3	3.8

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, machinery, and computer and electronics for the total number employed in 2022.

TABLE B-12

**Manufacturing Employment
By Industry
(In Thousands)**

Calendar Year	<u>Transportation Equipment</u>	<u>Fabricated Metals</u>	<u>Computer & Electronics</u>	<u>Machinery</u>	<u>Other^(a)</u>	<u>Total Manufacturing Employment^(b)</u>
2013	41.4	30.0	12.8	14.1	61.9	160.2
2014	40.1	29.7	12.6	14.0	60.8	157.2
2015	40.7	29.2	12.3	14.1	60.6	156.9
2016	41.7	29.2	11.6	13.6	60.4	156.5
2017	44.0	29.4	11.2	13.3	60.7	158.7
2018	45.6	29.8	10.9	13.1	61.3	160.7
2019	47.0	29.8	10.9	13.2	61.0	161.9
2020	45.9	27.8	10.3	12.9	57.0	153.9
2021	44.7	27.6	10.1	12.9	57.7	153.0
2022	45.2	28.1	10.4	13.4	60.1	157.2

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

(b) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 2012 at just under 162,000 workers. Over the last ten years, employment in manufacturing has remained relatively stable with the exception of 2020 and 2021 levels which were influenced by the pandemic induced recession. Total manufacturing jobs in Connecticut in 2022 increased almost 4,200 jobs or 2.7% over 2021 levels to 157,200 jobs. This is the largest increase in manufacturing jobs in the State since before 2000, however, manufacturing jobs in the State remain approximately 2.9% below levels attained before the pandemic in 2019.

Exports. In Connecticut, the export sector of manufacturing is an important component of the overall economy. According to figures published by the United States Census Bureau Foreign Trade Division, compiled by the World Institute for Strategic Economic Research, exports of manufacturing products registered at \$15.3 billion in 2022, accounting for 4.8% of Gross State Product. From 2018 to 2022, the State's export of goods declined at a compound annual rate of 3.1% versus 3.3% growth for the Gross State Product and both indicators were significantly impacted by the COVID-19 pandemic. The following table shows the growth in exports of manufacturing products.

TABLE B-13

**Exports Originating in Connecticut
(In Millions)**

	<u>2018</u>	<u>2019</u>	<u>Calendar Year</u> <u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Percent</u> <u>of</u> <u>2022</u> <u>Total</u>	<u>Compound</u> <u>Annual</u> <u>Growth Rate</u> <u>2018-2022</u>
A. Manufacturing Products							
Paper	\$ 157.6	\$ 145.1	\$ 124.9	\$ 161.0	\$ 195.7	1.3%	5.6%
Chemicals	1,224.5	1,054.4	1,303.3	1,350.8	1,290.9	8.4	1.3
Plastics and Rubber	323.8	295.1	211.7	318.3	275.9	1.8	(3.9)
Primary Metal	297.7	346.4	256.8	290.7	344.6	2.2	3.7
Fabricated Metal	901.6	938.5	888.5	870.0	962.3	6.3	1.6
Machinery, exc. Elec.	2,259.1	2,180.8	2,134.6	2,220.6	2,633.0	17.2	3.9
Comp. & Electronic	1,260.4	1,176.9	1,032.5	1,128.6	1,139.2	7.4	(2.5)
Electrical Equipment	919.6	895.6	946.5	979.1	930.0	6.1	0.3
Transportation Equip.	7,673.6	6,951.0	4,883.3	5,129.9	5,274.8	34.4	(8.9)
Misc. MFG	339.1	382.5	426.9	504.1	489.1	3.2	9.6
Other	<u>2,046.5</u>	<u>1,864.3</u>	<u>1,618.1</u>	<u>1,594.4</u>	<u>1,808.5</u>	<u>11.8</u>	<u>(3.0)</u>
Total	\$17,403.5	\$16,230.6	\$13,827.2	\$14,547.6	\$15,344.0	100.0%	(3.1)%
Percent Growth	17.7%	(6.7)%	(14.8)%	5.2%	5.5%		
B. Gross State Product^(a)	\$280,535.4	\$285,466.4	\$275,801.9	295,907.5	319,344.8		3.3%
Mfg Exports as a % of GSP	6.2%	5.7%	5.0%	4.9%	4.8%		5.3%

(a) In millions.

SOURCE: United States Census Bureau Foreign Trade Division
World Institute for Strategic Economic Research

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since Federal Fiscal Year 2002. In Federal Fiscal Year 2022 Connecticut received \$17.3 billion of prime contract awards. These total awards accounted for 5.5% of national total awards and ranked 5th in total defense dollars awarded and 1st in per capita

dollars awarded among the 50 states. In Federal Fiscal Year 2022, Connecticut had \$4,759 in per capita defense awards, compared to the national average of \$944. As measured by a three-year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 6.0% of Gross State Product in Fiscal Year 2022.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are Raytheon Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, Lockheed Martin with its Sikorsky Division in Stratford, and General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

<u>Federal Fiscal Year</u>	<u>Connecticut Total Contract Award (Millions)</u>	<u>Connecticut Rank Among States Total Awards</u>	<u>Percent Change from Prior Year</u>	
			<u>Connecticut</u>	<u>U.S.</u>
2013	\$10,028	8 th	(21.3)%	(5.0)%
2014	13,207	4 th	31.7	5.3
2015	12,147	5 th	(8.0)	(1.7)
2016	14,132	4 th	16.3	11.6
2017	11,647	7 th	(17.6)	(4.0)
2018	14,696	6 th	26.2	6.7
2019	18,358	5 th	24.9	10.4
2020	22,356	4 th	21.8	24.0
2021	16,966	4 th	(24.1)	(30.1)
2022	17,262	5 th	1.7	12.5

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 90.6% by 2022. This trend has diluted the State's dependence on manufacturing. From 2013 to 2022, Connecticut gained 6,100 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 9,000, while manufacturing jobs decreased by 3,000.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE B-15

**Non-manufacturing Employment
(In Thousands)**

Calendar Year	Connecticut		New England		United States	
	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>
2013	1,500.9	1.0%	6,451.2	1.4%	124,339.2	1.7%
2014	1,515.7	1.0	6,554.0	1.6	126,734.9	1.9
2015	1,529.9	0.9	6,660.5	1.6	129,466.3	2.2
2016	1,536.0	0.4	6,762.9	1.5	131,979.6	1.9
2017	1,537.5	0.1	6,830.7	1.0	134,172.2	1.7
2018	1,538.4	0.1	6,884.5	0.8	136,209.2	1.5
2019	1,534.1	(0.3)	6,947.8	0.9	138,075.3	1.4
2020	1,416.6	(7.7)	6,391.3	(8.0)	129,988.3	(5.9)
2021	1,463.6	3.3	6,634.3	3.8	133,926.6	3.0
2022	1,509.9	3.2	6,882.1	3.7	139,798.0	4.4

SOURCE: United States Department of Labor, Bureau of Labor Statistics Connecticut State Labor Department

Services as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 59.1% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2013, 2021 and 2022 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 2013 and 2022, employment in the non-manufacturing sector grew by 9,000 workers driven primarily by the growth in services offset somewhat by a decline in FIRE-related employment.

TABLE B-16

**Connecticut Non-manufacturing Employment By Industry
(In Thousands)**

<u>Industry</u>	<u>Calendar Year 2013</u>	<u>Calendar Year 2021</u>	<u>Calendar Year 2022</u>	<u>Percent Change 2021-2022</u>	<u>Percent Change 2013-2022</u>
Construction ^(a)	54.0	59.9	61.4	2.4%	13.6%
Information	32.1	30.1	31.2	3.7	(2.8)
Trade ^(b)	293.1	290.5	297.9	2.5	1.6
Finance, Insurance & Real Estate	130.6	118.1	118.2	0.1	(9.5)
Services ^(c)	745.8	740.9	774.2	4.5	3.8
Federal Government	17.3	18.3	18.3	0.0	5.5
State and Local Government	<u>227.9</u>	<u>205.9</u>	<u>208.9</u>	1.5	(8.3)
Total Non-manufacturing Employment ^(d)	1,500.9	1,463.6	1,509.9	3.2	0.6

(a) Includes natural resources and mining.

(b) Includes wholesale & retail trade, transportation, and utilities.

(c) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for Fiscal Years 2018-2022. Connecticut retail trade in Fiscal Year 2022 totaled \$77.8 billion, an increase of 7.3% from Fiscal Year 2021. Sales in the durable goods category, which are typically most sensitive to changes in economic conditions, increased slightly in Fiscal Year 2022. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

**Retail Trade In Connecticut^(a)
(In Millions)**

NAICS		Fiscal Year 2018 Total	Percent of Fiscal Year 2018 Total	Fiscal Year 2019 Total	Percent of Fiscal Year 2019 Total	Fiscal Year 2020 Total	Percent of Fiscal Year 2020 Total	Fiscal Year 2021 Total	Percent of Fiscal Year 2021 Total	Fiscal Year 2022 Total	Percent of Fiscal Year 2022 Total	Compound Annual Growth Rate 2018-2022
441	Motor Vehicle and Parts Dealers	\$10,140.8	17.8%	\$11,435.0	19.0%	\$11,068.4	17.8%	\$13,592.5	18.7%	\$13,755	17.7%	7.9%
442	Furniture and Home Furnishings Stores	2,003.9	3.5	2,043.0	3.4	1,902.1	3.1	2,390.7	3.3	2,404	3.1	4.7
443	Electronics and Appliance Stores	1,633.7	2.9	1,630.0	2.7	1,744.0	2.8	1,974.1	2.7	1,688	2.2	0.8
444	Building Material and Garden Supply Stores	3,187.3	5.6	3,331.0	5.5	3,488.3	5.6	4,147.3	5.7	4,520	5.8	9.1
445	Food and Beverage Stores ^(b)	10,588.4	18.6	10,873.0	18.1	11,663.8	18.7	12,234.1	16.9	12,706	16.3	4.7
446	Health and Personal Care Stores	4,291.3	7.5	4,124.0	6.9	4,346.7	7.0	4,944.6	6.8	5,462	7.0	6.2
447	Gasoline Stations	3,729.1	6.6	3,792.0	6.3	3,261.4	5.2	3,305.5	4.6	4,597	5.9	5.4
448	Clothing and Clothing Accessories Stores	3,084.0	5.4	3,083.0	5.1	2,723.8	4.4	3,210.6	4.4	3,700	4.8	4.7
451	Sporting Goods, Hobby, Book and Music Stores	1,047.9	1.8	936.0	1.6	856.9	1.4	1,028.0	1.4	1,044	1.3	(0.1)
452	General Merchandise Stores	5,523.3	9.7	5,465.0	9.1	5,625.1	9.0	6,132.4	8.5	6,651	8.5	4.8
453	Miscellaneous Store Retailers	6,989.2	12.3	7,917.0	13.2	8,025.6	12.9	8,967.9	12.4	9,295	11.9	7.4
454	Nonstore Retailers	<u>4,641.6</u>	<u>8.2</u>	<u>5,451.4</u>	<u>9.1</u>	<u>7,568.9</u>	<u>12.2</u>	<u>10,614.4</u>	<u>14.6</u>	<u>12,027</u>	<u>15.4</u>	<u>26.9</u>
	Total^(a)	\$56,860.5	100.0%	\$60,080.4	100.0%	\$62,274.9	100.0%	\$72,542.1	100.0%	\$77,848	100.0%	8.2%
	Durables (NAICS 441, 442, 443, 444)	\$16,966.0	29.8%	\$18,439.0	30.7%	\$18,202.8	29.2%	\$22,104.6	30.5%	\$22,367	28.7%	7.2%
	Non Durables (all other NAICS)	\$39,895.0	70.1%	\$41,641.4	69.3%	\$44,072.1	70.8%	\$50,437.5	69.5%	\$55,482	71.3%	8.6%

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates.

The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

Just before the COVID-19 pandemic struck the state, Connecticut was experiencing low unemployment rates. In March 2020, Connecticut experienced an unemployment rate of 3.9%. Likewise, both the New England and the Nation were also experiencing low unemployment rates. New England saw a rate of 3.1% in January 2020 and the United States was experiencing a low unemployment rate of 3.5% in January 2020. At the height of unemployment during the pandemic, Connecticut's peak unemployment rate reached 11.7% in May of 2020, New England reached 14.0% in April 2020, and the nation reached 14.7% in April 2020. As of December 2023, Connecticut's unemployment rate was 3.8% whereas it was 3.2% in New England, and 3.7% for the United States.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2014 through 2023.

TABLE B-18

Unemployment Rate^(a)

<u>Calendar Year</u>	<u>Unemployment Rate</u>		
	<u>Connecticut</u>	<u>New England</u>	<u>United States</u>
2014	6.6	5.9	6.2
2015	5.6	4.9	5.3
2016	4.9	4.1	4.9
2017	4.4	3.8	4.4
2018	3.9	3.5	3.9
2019	3.6	3.1	3.7
2020	8.0	8.3	8.1
2021	6.3	5.3	5.4
2022	4.2	3.6	3.6
2023	3.7	3.0	3.6

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

APPENDIX II-C

The audited GAAP financial statements of the State for the fiscal year ended June 30, 2023, which ordinarily would be included herein as **Appendix II-C**, have not yet been completed and released. The State will refile this Information Statement with **Appendix II-C** when such financial statements are completed and released.

APPENDIX II-D

SEAN SCANLON
STATE COMPTROLLER



TARA DOWNES
DEPUTY COMPTROLLER



STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
165 Capitol Ave.
Hartford, CT 06106

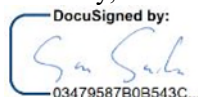
October 23, 2023

The Honorable Erick Russell
State Treasurer
165 Capitol Ave
Hartford, CT 06106
Dear Treasurer Russell,

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2019-2023. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the Connecticut General Statutes, and reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2019-2023. The statements for the fiscal year ending June 30, 2023 are under review and unaudited at present.

The statements have been prepared on a statutory basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied in accordance with the governing statutory requirements for all periods shown. In fiscal year 2023, statutory provisions provided appropriations of projected expenditure accrual within budgeted funds.

Sincerely,

DocuSigned by:

03479587B0B543C...

Sean Scanlon
Comptroller

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

INDEPENDENT AUDITORS' REPORT

Governor Ned Lamont
Members of the General Assembly

Adverse and Unmodified Opinions

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2019, 2020, 2021, 2022 and 2023, and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices II-D-6, II-D-7, II-D-8 and II-D-9.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State of Connecticut, as of June 30, 2019, 2020, 2021, 2022 and 2023.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the General Fund of the State of Connecticut as of June 30, 2019, 2020, 2021, 2022 and 2023, and the results of its operations – statutory basis for the years then ended, in accordance with the basis of accounting described in Note (a) to Appendix II-D-6.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Connecticut and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note (a) to Appendix II-D-6, the State of Connecticut prepared its financial statements for the fiscal years ended June 30, 2019, 2020, 2021, 2022 and 2023, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Emphasis of Matter

The financial statements in Appendices II-D-6, II-D-7, II-D-8 and II-D-9 present only the General Fund and do not purport to, and do not, present fairly the financial position – statutory basis of the State of Connecticut as of June 30, 2019, 2020, 2021, 2022 and 2023 and the results of its operations – statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-6. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Connecticut's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

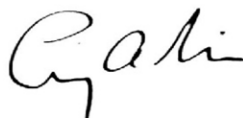
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Connecticut's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



John C. Geragosian
State Auditor



Craig A. Miner
State Auditor

February 15, 2024
State Capitol
Hartford, Connecticut

GENERAL FUND^(a)

**Balance Sheet
As of June 30
(In Thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets					
Cash and Short-Term Investments	\$ --	\$ --	\$ 342,496	\$ 1,717,891	\$ 577,190
Accrued Taxes Receivable	1,662,280	3,163,868	1,733,156	1,641,988	1,574,133
Accrued Accounts Receivable	20,733	19,780	17,572	20,434	--
Loans Receivable	<u>3,419</u>	<u>3,419</u>	<u>3,412</u>	<u>3,412</u>	<u>3,413</u>
Total Assets	<u>\$1,686,432</u>	<u>\$ 3,187,066</u>	<u>\$ 2,096,636</u>	<u>\$ 3,383,725</u>	<u>\$2,154,736</u>
Liabilities, Reserves, Fund Balances and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	\$ 253,198	\$2,030,662	\$ --	\$ --	\$ --
Accounts Payable Nonfunctional Change to Accruals	609,367	636,018	665,656	873,763	500,240
Due to Other Funds	<u>8,415</u>	<u>1,951</u>	<u>462</u>	<u>9,995</u>	<u>258</u>
Total Liabilities	<u>\$ 870,980</u>	<u>\$ 2,668,631</u>	<u>\$ 666,118</u>	<u>\$ 883,758</u>	<u>\$ 500,498</u>
Reserves and Fund Balances					
Petty Cash Funds	\$ 785	\$ 1,000	\$ 995	\$ 991	\$ 1,001
Statutory Surplus Reserves	646,698	183,110	475,864	1,261,301	555,275
Statutory Surplus Reserves for FY 2022 - 2023	--	--	--	208,200	--
Reserve to Pay Off GAAP Bonds	--	--	--	--	211,700
Appropriations Continued to Following Year	164,550	139,105	758,445	834,261	691,048
Reserve for Receivables	3,419	3,419	3,412	3,412	3,412
Fund Balance Related to Statutory GAAP Budgeting ^(b)	<u>--</u>	<u>191,802</u>	<u>191,802</u>	<u>191,802</u>	<u>191,802</u>
Total Reserves and Fund Balance	<u>\$ 815,452</u>	<u>\$ 518,435</u>	<u>\$ 1,430,518</u>	<u>\$ 2,499,967</u>	<u>\$ 1,654,238</u>
Unappropriated Surplus (Deficit)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities, Reserves and Surplus	<u>\$ 1,686,432</u>	<u>\$ 3,187,066</u>	<u>\$ 2,096,636</u>	<u>\$ 3,383,725</u>	<u>\$ 2,154,736</u>

(a) For Fiscal Years 2019-2023, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of CGS Sections 3-115, 3-115b and 3-114b through 3-114r.

(b) Amount is deemed a statutory surplus reserve. The negative unassigned fund balance in the General Fund as defined by Public Act No. 17-51 was \$603,828,154 as of June 30, 2023. Pursuant to such act, commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM shall annually publish an amortization schedule to fully reduce the negative unassigned balance by June 30, 2028.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus Fiscal Year Ended June 30 (In Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Unappropriated Surplus (Deficit), July 1	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Revenues (per Appendix II-D-6)	19,649,862	19,193,540	20,531,419	21,990,857	22,822,894
Total Expenditures (per Appendix II-D-7)	19,248,650 ^(a)	19,188,634 ^(b)	19,436,205 ^(c)	20,655,131 ^(d)	22,198,901 ^(e)
Operating Balance	\$ 401,212	\$ 4,906	\$ 1,095,214	\$ 1,335,726	\$ 623,993
Reserved for Prior Year Appropriations					
Less Appropriations Carried Forward	(30,235)	25,444	(619,340)	(75,816)	(68,488)
Other Adjustments	(379)	8,359	(10)	1,391	(230)
Reserved from Prior Year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal	\$ 370,598	\$ 38,709	\$ 475,864	\$ 1,261,301	\$ 555,275
Transferred or Reserved for:					
Budget Reserve Fund	(370,598)	--	--	--	--
SERS/TRS Fund	--	(38,709) ^(f)	(475,864) ^(f)	(1,261,301) ^(f)	(555,275) ^(g)
Unappropriated Surplus (Deficit), June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

- (a) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(30.235) million.
- (b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$25.444 million.
- (c) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(619.340) million.
- (d) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(75.816) million.
Also includes \$3.6 million not reflected in Appendix II-D-9.
- (e) Total Expenditures includes prior year appropriations less appropriations carried forward to Fiscal Years 2024 and 2025 in the amount of \$(68.488) million.
- (f) In accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 15%, the Treasurer determined it was in the best interest of the State to transfer the surplus to the State Employees' Retirement Fund.
- (g) It is determined by State statute to be in the best interest of the State to transfer the surplus to the Teachers' Retirement System.

GENERAL FUND

Statement of Revenues Fiscal Year Ended June 30 (In Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Taxes:					
Personal Income	\$ 9,640,164 ^(a)	\$ 9,397,779 ^(b)	\$ 10,340,437 ^(c)	\$ 12,131,800 ^(d)	\$ 11,223,390 ^(e)
Sales and Use	\$9,397,779 ^(b)	4,317,730	4,792,675	4,818,083	4,944,772
Corporations	\$10,340,437 ^(c)	934,499	1,153,079	1,401,153	1,516,588
Insurance Companies	\$12,131,800 ^(d)	228,350	229,761	240,969	295,687
Inheritance and Estate	4,338,061	159,538	303,339	220,223	218,352
Alcoholic Beverages	1,060,877	73,080	79,111	78,916	80,242
Cigarettes	193,803	346,300	351,077	326,709	290,789
Admissions, Dues, Cabaret	225,230	39,939	36,022	41,011	40,677
Public Service Corporations	64,145	254,076	243,671	295,681	278,205
Real Estate Conveyance	357,494	176,578	385,028	384,454	287,187
Miscellaneous / Health Provider	42,834	1,023,041	1,052,109	1,051,776	851,995
Pass-Through Entity Tax	262,141	1,241,949	1,549,716	2,307,594	2,048,068
Refunds of Taxes	213,224	(1,491,413)	(1,857,512)	(1,811,202)	(1,990,104)
R&D Credit Exchange	1,100,087	(8,628)	(7,093)	(5,756)	(6,061)
Other Revenue:					
Licenses, Permits, Fees	291,171	307,524	329,568	368,612	331,212
Sales of Commodities and Services	27,105	26,136	22,872	22,816	17,880
Transfer – Special Revenue	364,082	340,090	410,301	395,023	395,602
Investment Income	48,950	48,690	2,945	20,607	206,218
Transfers — To Other Funds(f)	(101,814)	(129,620)	--	--	--
Fines, Escheats and Rents	165,875	154,288	183,115	220,749	230,698
Miscellaneous	214,700	256,341	257,766	272,825	260,885
Refunds of Payments	(59,139)	(69,306)	(37,661)	(74,708)	(75,821)
Federal Grants	2,083,774	1,796,754	1,496,315	1,934,869	1,997,837
Indian Gaming Payments	255,239	164,141	228,883	248,686	278,974
Statutory Transfer to Budget Reserve Fund for Volatility Adjustment	(949,681)	(530,316)	(1,241,460)	(3,047,454)	(1,321,793)
Statutory Transfers To / From Other Funds	<u>110,200</u>	<u>136,000</u>	<u>227,356</u>	<u>147,421</u>	<u>421,415</u>
Total Revenues^(g)	<u>\$ 19,649,862</u>	<u>\$19,193,540</u>	<u>\$ 20,531,419</u>	<u>\$ 21,990,857</u>	<u>\$22,822,894</u>

(a) Personal Income includes withholding of \$6,665,752,429 and Estimates and Finals of \$2,974,411,405.

(b) Personal Income includes withholding of \$6,815,212,581 and Estimates and Finals of \$2,582,566,122.

(c) Personal Income includes withholding of \$7,243,803,612 and Estimates and Finals of \$3,096,633,081.

(d) Personal Income includes withholding of \$7,886,242,302 and Estimates and Finals of \$4,245,558,091.

(e) Personal Income includes withholding of \$8,317,165,509 and Estimates and Finals of \$2,906,224,724.

(f) Transfer to Pequot/Mohegan Fund.

(g) See Operating Balance on **Appendix II-D-7** for surplus or deficit for each fiscal year.

GENERAL FUND

Statement of Expenditures Fiscal Year Ended June 30 (In Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Legislative	\$ 64,595	\$ 69,158	\$ 69,727	\$ 75,577	\$ 84,112
General Government					
Executive	11,168	11,537	11,698	12,145	16,064
Financial Administration	564,793	543,570	551,398	651,650	827,435
Legal	77,309	79,515	83,260	85,905	90,948
Total General Government	<u>653,270</u>	<u>634,622</u>	<u>646,356</u>	<u>749,700</u>	<u>934,447</u>
Regulation and Protection of Persons and Property					
Public Safety	184,210	195,897	204,080	212,845	219,355
Regulative	88,211	84,679	80,025	90,838	126,452
Total Regulation and Protection	<u>272,421</u>	<u>280,576</u>	<u>284,105</u>	<u>303,683</u>	<u>345,807</u>
Conservation and Development					
Agriculture	12,550	12,392	13,316	14,358	18,256
Environment	52,898	51,060	54,015	56,836	59,789
Historical Sites, Commerce and Industry	104,722	108,157	122,145	161,905	158,513
Total Conservation and Development	<u>170,170</u>	<u>171,609</u>	<u>189,476</u>	<u>233,099</u>	<u>236,558</u>
Health and Hospitals					
Public Health	65,650	67,570	68,396	76,953	92,277
Developmental Services	520,040	514,989	543,884	559,262	597,218
Mental Health	608,483	620,331	631,292	640,158	705,647
Total Health and Hospitals	<u>1,194,173</u>	<u>1,202,890</u>	<u>1,243,572</u>	<u>1,276,373</u>	<u>1,395,142</u>
Human Services	<u>4,311,722</u>	<u>4,356,788</u>	<u>4,257,971</u>	<u>4,444,984</u>	<u>4,969,383</u>
Education, Libraries and Museums					
Department of Education	3,232,087	3,238,749	3,265,830	3,349,271	3,339,499
CT Tech High School System	0	0	0	0	190,315
University of Connecticut	317,363	327,486	394,370	421,975	445,433
Higher Education and the Arts	35,815	37,237	35,593	38,252	38,048
Libraries	8,435	8,272	8,798	9,011	8,899
Teachers' Retirement	1,313,515	1,240,227	1,281,216	1,468,617	1,601,870
Community—Technical Colleges	143,053	143,847	151,803	201,442	219,501
State University	158,131	158,829	166,236	209,052	216,545
Total Education, Libraries and Museums	<u>5,208,399</u>	<u>5,154,647</u>	<u>5,303,846</u>	<u>5,697,620</u>	<u>6,060,110</u>
Corrections	<u>1,410,967</u>	<u>1,429,124</u>	<u>1,412,659</u>	<u>1,305,228</u>	<u>1,485,572</u>
Judicial	<u>557,067</u>	<u>574,735</u>	<u>580,979</u>	<u>606,544</u>	<u>653,109</u>
Non-Functional					
Debt Service	2,554,610	2,204,512	2,219,492	2,328,964	2,506,352
Miscellaneous	2,851,256	3,109,973	3,228,021	3,629,730	3,528,309
Total Non-Functional	<u>5,405,866</u>	<u>5,314,485</u>	<u>5,447,513</u>	<u>5,958,694</u>	<u>6,034,661</u>
Total Expenditures^(a)	<u>\$19,248,650</u>	<u>\$19,188,634</u>	<u>\$ 19,436,204</u>	<u>\$ 20,651,502</u>	<u>\$ 22,198,901</u>

(a) See Operating Balance on **Appendix II-D-7** for surplus or deficit for each fiscal year.

NOTE: Totals may not add due to rounding.

INTENTIONALLY LEFT BLANK

APPENDIX II-E

APPENDIX II-E

GENERAL FUND REVENUES AND EXPENDITURES ADOPTED BUDGET AND FINANCIAL RESULTS FOR FISCAL YEAR 2023 ADOPTED BUDGET FOR FISCAL YEARS 2024 AND 2025 AND ESTIMATED BUDGET FOR FISCAL YEAR 2024 (In Millions)

	Revised Adopted Budget Fiscal Year <u>2023</u> ^(e)	Financial Results Fiscal Year <u>2023</u> ^(f)	Adopted Budget Fiscal Year <u>2024</u> ^(g)	Estimated Budget Fiscal Year <u>2024</u> ^(h)	Adopted Budget Fiscal Year <u>2025</u> ^(g)
Revenues					
<u>Taxes</u>					
Personal Income Tax	\$ 11,707.1	\$ 11,223.4	\$ 11,023.3	\$ 11,031.3	\$ 11,233.4
Sales & Use	4,777.6	4,944.8	5,299.5	5,099.5	5,428.2
Corporation	1,294.2	1,516.6	1,514.5	1,514.5	1,526.5
Pass-Through Entity Tax	1,957.3	2,048.1	1,815.6	1,760.9	1,877.3
Public Service	277.0	278.2	291.6	323.9	296.8
Inheritance & Estate	150.2	218.4	178.1	158.1	182.2
Insurance Companies	243.1	295.7	262.8	291.3	266.8
Cigarettes	308.1	290.8	276.4	258.9	262.0
Real Estate Conveyance	290.4	287.2	287.7	287.7	292.6
Alcoholic Beverages	78.0	80.2	78.4	78.4	78.8
Admissions and Dues	27.2	40.7	31.0	35.5	31.0
Health Provider Tax	973.8	900.7	956.4	901.0	957.4
Miscellaneous	66.5	(48.7)	45.4	25.4	69.2
Total Taxes	\$ 22,150.5	\$ 22,076.0	\$ 22,060.7	\$ 21,766.4	\$ 22,502.2
Less Refunds of Taxes	(1,952.4)	(1,863.8)	(1,879.5)	(1,979.5)	(1,971.9)
Less Earned Income Tax	(143.8)	(126.3)	(191.6)	(191.6)	(196.2)
Less R&D Credit Exchange	(7.3)	(6.1)	(7.5)	(10.5)	(7.8)
Net Taxes	\$ 20,047.0	\$ 20,079.8	\$ 19,982.1	\$ 19,584.8	\$ 20,326.3
<u>Other Revenues</u>					
Transfers- Special Revenues	\$ 402.2	\$ 395.6	\$ 406.5	\$ 399.5	\$ 411.9
Indian Gaming Payments	251.8	279.0	283.7	288.7	286.0
Licenses, Permits, Fees	327.5	331.2	356.5	356.5	330.7
Sales of Commodities & Services	23.9	17.9	16.9	16.9	17.8
Rents, Fines & Escheats	163.3	230.7	172.9	172.9	175.2
Investment Income	4.8	206.2	198.9	258.9	201.7
Miscellaneous	224.9	260.9	153.2	194.7	158.0
Less Refunds of Payments	(63.8)	(75.8)	(85.7)	(95.7)	(67.1)
Total Other Revenue	\$ 1,334.6	\$ 1,645.6	\$ 1,502.9	\$ 1,592.4	\$ 1,514.2
<u>Other Sources</u>					
Federal Grants	\$ 2,059.0	\$ 1,997.8	\$ 1,867.8	\$ 1,966.0	\$ 1,886.5
Transfers from Tobacco Settlement Funds	122.1	112.5	(272.7)	108.4	(70.4)
Transfers (to)/from Other Funds ^(a)	673.0	308.9	108.4	(273.2)	106.7
Transfers to BRF – Volatility Adjustment ^(b)	(1,847.5)	(1,321.8)	(683.2)	(478.5)	(659.6)
Total Other Sources	\$ 1,006.6	\$ 1,097.5	\$ 1,020.3	\$ 1,322.7	\$ 1,263.2
Total Budgeted Revenue ^(c)	\$ 22,388.2	\$ 22,822.9	\$ 22,505.3	\$ 22,499.9	\$ 23,103.7
Revenue Cap Deduction	(279.9)	--	--	--	--
Total Available Revenue	\$ 22,108.3	\$ 22,822.9	\$ 22,505.3	\$ 22,499.9	\$ 23,103.7

	Revised Adopted Budget Fiscal Year <u>2023</u> ^(e)	Financial Results Fiscal Year <u>2023</u> ^(f)	Adopted Budget Fiscal Year <u>2024</u> ^(g)	Estimated Budget Fiscal Year <u>2024</u> ^(h)	Adopted Budget Fiscal Year <u>2025</u> ^(g)
Appropriations/ Expenditures					
Legislative	\$ 90.0	\$ 80.0	\$ 102.0	\$ 102.0	\$ 108.3
General Government	1,084.5	970.9	522.5	523.0	581.3
Regulation & Protection	373.7	324.0	345.0	345.0	355.1
Conservation & Development	130.6	224.0	230.0	230.0	224.8
Health & Hospitals	1,370.0	1,412.0	2,310.6	2,323.3	2,342.0
Human Services	4,983.5	5,010.8	4,502.1	4,637.5	4,633.2
Education, Libraries & Museums	5,871.1	6,123.5	6,041.7	6,041.7	6,358.5
Corrections	1,430.9	1,487.5	1,503.5	1,527.5	1,516.7
Judicial	658.3	650.7	674.7	676.7	694.7
Non- Functional					
Debt Service	2,572.4	2,772.2	2,574.0	3,433.1	2,594.4
Miscellaneous	<u>3,664.2</u>	<u>3,242.6</u>	<u>3,433.1</u>	<u>2,684.3</u>	<u>3,579.5</u>
Subtotal	\$ 22,229.4	\$ 22,198.9	\$ 22,239.3	\$ 22,524.1	\$ 22,988.6
Other Reductions and Lapses	<u>(140.2)</u>	<u>(30.6)</u>	<u>(133.7)</u>	<u>(191.0)</u>	<u>(182.7)</u>
Net Appropriations/ Expenditures	\$ 22,089.2	\$ 22,267.6	\$ 22,105.6	\$ 22,333.1	\$ 22,805.9
 Surplus (or Deficit) from					
Operations	19.1	555.3	399.7	166.7	297.8
Miscellaneous Adjustments	--	--	--	--	--
Balance^(d)	\$ 19.1	\$ 555.3	\$ 399.7	\$ 166.7	\$ 297.8

NOTE: Columns may not add due to rounding.

- (a) Includes transfers to the Mashantucket Pequot Fund for grants to towns.
- (b) CGS Section 4-30a requires that any amount in Estimates and Finals and Pass-Through Entity Tax revenue above a prescribed threshold be transferred to the Budget Reserve Fund.
- (c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received.
- (d) Per CGS Section 4-30a, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus or deficit in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus or deficit shall be transferred by the State Treasurer to/from the Budget Reserve Fund.
- (e) Per Public Act No. 22-118.
- (f) Per the Comptroller's audited statutory basis financial results dated December 29, 2023 and adjusted by the Office of Policy and Management to exclude expenditures of appropriation carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year. **See STATE GENERAL FUND – Fiscal Year 2023 Operations.**
- (g) Per Public Act No. 23-204.
- (h) Estimates reflect the Office of Policy and Management's January 20, 2024 monthly forecast letter to the State Comptroller as of the period ending December 31, 2023.

NOTE: The information in **Appendix II-E** of this **Information Statement** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.