

**FIRST SUPPLEMENT TO  
PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 14, 2024**

**\$1,380,000,000\***  
**State of Connecticut**

<b>\$1,000,000,000</b>	<b>\$380,000,000*</b>
<b>Special Tax Obligation Bonds</b>	<b>Special Tax Obligation Refunding Bonds</b>
<b>Transportation Infrastructure Purposes</b>	<b>Transportation Infrastructure Purposes</b>
<b>2024 Series A</b>	<b>2024 Series B</b>

**Supplement Dated November 18, 2024**

The following information, dated November 18, 2024 (this “Supplement”), supplements the Preliminary Official Statement dated November 14, 2024 (the “Preliminary Official Statement”) relating to the above-referenced Bonds. Any capitalized terms used in this Supplement and not defined herein have the meanings assigned to them in the Preliminary Official Statement.

I. The inside cover of the Preliminary Official Statement is hereby supplemented as follows:

The 2024 Series A Bonds maturing in years 2025 through 2031\*, inclusive, are designated the “2024 Series A-1 Bonds”, and the 2024 Series A Bonds maturing in the years 2032 through 2045\*, inclusive, are designated the “2024 Series A-2 Bonds”. The purpose of this designation is to grant the State the opportunity to offer the sale of such designated bonds on different dates. While the 2024 Series A-1 Bonds and the 2024 Series A-2 Bonds may be offered for sale on separate dates, it is anticipated that the Expected Date of Delivery will be the same for both such series of bonds. If the Series A-1 Bonds and the Series A-2 Bonds are sold on separate dates, the final Official Statement for each sale will reflect the designation of the two subseries of the 2024 Series A Bonds.

**\$1,000,000,000 Special Tax Obligation Bonds  
Transportation Infrastructure Purposes, 2024 Series A**

<b>2024 Series A-1</b>					<b>2024 Series A-2</b>				
<b>July 1*</b>	<b>Interest</b>		<b>Yield</b>	<b>CUSIP†</b>	<b>July 1*</b>	<b>Interest</b>		<b>Yield</b>	<b>CUSIP†</b>
<b>Amount</b>	<b>Rate</b>	<b>Rate</b>			<b>Amount</b>	<b>Rate</b>			
2025	\$	%	%	207758	2032	\$	%	%	207758
2026				207758	2033				207758
2027				207758	2034				207758
2028				207758	2035				207758
2029				207758	2036				207758
2030				207758	2037				207758
2031				207758	2038				207758
					2039				207758
					2040				207758
					2041				207758
					2042				207758
					2043				207758
					2044				207758
					2045				207758

- II. The inside cover of the Preliminary Official Statement is hereby supplemented by changing the month of the maturity dates for the 2024 Series B Bonds from January 1 to July 1\*, as set forth below, and the final Official Statement related to the sale of the 2024 Series B Bonds will reflect the change in the maturity dates of the 2024 Series B Bonds:

**\$380,000,000\* Special Tax Obligation Refunding Bonds  
Transportation Infrastructure Purposes, 2024 Series B**

<u>July 1*</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2025	\$	%	%	207758
2026				207758
2027				207758
2028				207758
2029				207758
2030				207758
2031				207758

It is anticipated that the Expected Date of Delivery for the 2024 Series B Bonds will be the same as the 2024 Series A Bonds.

- III. The Preliminary Official Statement, as supplemented by this Supplement, may be further supplemented for the benefit of potential investors of Series 2024 Bonds remaining to be sold in a subsequent sale following a prior sale of any portion of the Series 2024 Bonds. The final Official Statement for the first sale of a portion of the Series 2024 Bonds may be supplemented to reflect the information of a subsequent sale of any remaining portion of the Series 2024 Bonds.

\* Preliminary, subject to change

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*This Supplement is an integral part of the Preliminary Official Statement dated November 14, 2024 (the "Preliminary Official Statement"). Investors should read this Supplement together with the Preliminary Official Statement in order to obtain information essential to making an informed investment decision.*

**NEW ISSUE/REFUNDING ISSUE – BOOK-ENTRY-ONLY**

**RATINGS: Moody's: Aa3 S&P: AA**  
**Fitch: AA- Kroll: AAA**  
 (See "RATINGS" herein)

*In the opinions of Bond Counsel and Co-Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the State of Connecticut with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the 2024 Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation and will not be treated as a preference item for purposes of computing the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations. In the opinions of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2024 Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. For a discussion of the inclusion of interest income on the 2024 Bonds in the definition of "gross income" for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes and other federal and State tax consequences of ownership or disposition of the 2024 Bonds, see "Tax Exemption" herein.*

**\$1,380,000,000\***  
**State of Connecticut**

**\$1,000,000,000**  
**Special Tax Obligation Bonds**  
**Transportation Infrastructure Purposes**  
**2024 Series A**

**\$380,000,000\***  
**Special Tax Obligation Refunding Bonds**  
**Transportation Infrastructure Purposes**  
**2024 Series B**

**Dated: Expected Date of Delivery**

**Due: As shown herein**

The \$1,000,000,000 State of Connecticut Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2024 Series A (the "2024 Series A Bonds"), and the \$380,000,000\* State of Connecticut Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2024 Series B (the "2024 Series B Bonds," together with the 2024 Series A Bonds, the "2024 Bonds"), are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2024 Bonds. Purchases of the 2024 Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2024 Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2024 Bonds. See "Book-Entry-Only System" herein.

Principal of and interest on the 2024 Bonds will be paid directly to DTC by U.S. Bank Trust Company, National Association, as Trustee and Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2024 Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2025, as described herein. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants, as more fully described herein. **See inside front cover for maturities, interest rates and prices or yields.** The 2024 Series A Bonds are subject to optional redemption as more fully described herein. The 2024 Series B Bonds are not subject to optional redemption. See "Optional Redemption" herein.

The 2024 Bonds will be issued on a parity with earlier series of Prior Bonds (as defined herein, and together with the 2024 Bonds, the "Senior Bonds") issued by the State for the Infrastructure Program (as defined herein) under an Indenture of Trust by and between the State and the Trustee, as previously supplemented and amended (the "Original Indenture"), and as amended and restated by the Amended and Restated Indenture of Trust, by and between the State and the Trustee, dated as of November 1, 2024 (the "Amended and Restated Indenture"), and the First Supplement (as more fully described and defined herein), and collectively referred to herein as the "Senior Indenture". See "Additional Bonds and Outstanding Bonds" and "Total Bonds Outstanding" herein. **Senior Bonds are special obligations of the State payable solely from the taxes and other revenues of the State pledged therefor. The Senior Bonds shall not be payable from nor charged upon any funds other than such pledged revenues, nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such pledged revenues. The issuance of Senior Bonds pursuant to the Senior Indenture (as defined herein) shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation (except for taxes included in such pledged revenues) whatever therefor or to make any additional appropriations for their payment.**

The 2024 Bonds are offered, when, as and if issued and received by the Underwriters, subject to the approval of legality by Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their co-counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut, and Law Offices of Joseph C. Reid, P.A., New York, New York. It is expected that the 2024 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about December 19, 2024 (the "Expected Date of Delivery").

**Honorable Erick Russell**  
**Treasurer of the State of Connecticut**

**Goldman Sachs & Co. LLC**

**Oppenheimer & Co.**  
**RBC Capital Markets**

**Raymond James**  
**Siebert Williams Shank**

**AmeriVet Securities**  
**Cabrera Capital Markets LLC**  
**J.P. Morgan**  
**Multi-Bank Securities, Inc.**  
**Roosevelt & Cross Incorporated**

**Bancroft Capital, LLC**  
**FHN Financial Capital Markets**  
**Loop Capital Markets**  
**Rice Financial Products Company**  
**Stifel**  
**UMB Bank, N.A.**

**BofA Securities**  
**Jefferies**  
**Morgan Stanley**  
**Roberts & Ryan, Inc.**  
**TD Securities**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**\$1,380,000,000\***  
**State of Connecticut**

**MATURITY SCHEDULES**

**\$1,000,000,000 Special Tax Obligation Bonds**  
**Transportation Infrastructure Purposes, 2024 Series A**

<u>July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>	<u>July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>
2025	\$	%	%	207758	2036	\$	%	%	207758
2026				207758	2037				207758
2027				207758	2038				207758
2028				207758	2039				207758
2029				207758	2040				207758
2030				207758	2041				207758
2031				207758	2042				207758
2032				207758	2043				207758
2033				207758	2044				207758
2034				207758	2045				207758
2035				207758					

**\$380,000,000\* Special Tax Obligation Refunding Bonds**  
**Transportation Infrastructure Purposes, 2024 Series B**

<u>January 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>
2026	\$	%	%	207758
2027				207758
2028				207758
2029				207758
2030				207758
2031				207758

\*Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc., which is not affiliated with the State, and are included solely for the convenience of the holders of the 2024 Bonds. The State is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2024 Bonds.

## **NOTICE REGARDING AMENDMENTS TO THE INDENTURE**

This Notice is hereby given to all recipients of this Official Statement, prepared in connection with the 2024 Bonds, for the purpose of highlighting certain information contained therein. Capitalized terms used in this Notice and not otherwise defined have the meanings given to such terms in the Official Statement or “Appendix D – Amended and Restated Indenture” thereto, as applicable.

Certain amendments to the Original Indenture became effective November 1, 2024. Such amendments are further described in the “VOLUNTARY NOTICE – Amendment and Future Amendments to Indenture of Trust” at <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/?id=P11362386>. Amendments included in the Amended and Restated Indenture that are in effect that only affect future bonds include, but are not limited to: (1) the option for a Reserve Account on future Bonds on a series by series basis, and (2) the option that Bonds may be Pay When Due Bonds. The 2024 Bonds will be issued without a Reserve Account and as Monthly Payment Bonds (not Pay When Due Bonds).

Other amendments to the Amended and Restated Indenture (the “Future Amendments”), become effective upon obtaining consent of the holders of at least 60% in aggregate principal amount of Senior Bonds outstanding. Such amendments are described in the Official Statement under the caption “FUTURE AMENDMENTS TO THE INDENTURE.” Such amendments are set forth in Exhibit A to the Amended and Restated Indenture. See Exhibit A to “Appendix D – Amended and Restated Indenture.”

*By the purchase and acceptance of a 2024 Series A Bond or a 2024 Series B Bond, the owners thereof, including any participants, beneficial owners and subsequent owners, shall be deemed to have (i) consented and agreed to be bound by the Future Amendments; (ii) waived the requirement in the Original Indenture for holders to receive a copy of the Future Amendments in the mail; and (iii) agreed that such purchase and acceptance of a 2024 Series A Bond or a 2024 Series B Bond shall constitute evidence of the written consent of each owner thereof to the Future Amendments. Copies of the Senior Indenture, as so amended, are on file with the State and the Trustee.*

*Assuming the issuance of the 2024 Series B Bonds, upon the issuance of the 2024 Bonds, such bonds will constitute approximately 17% of Senior Bonds outstanding. Accordingly, the Future Amendments to which the purchasers of the 2024 Bonds will have consented will not take effect unless and until the aggregate principal amount of Senior Bonds outstanding whose holders have consented to such amendments constitute at least 60% of such outstanding bonds.*

*Assuming (i) the issuance of Senior Bonds as projected in footnote (f) to Table 8 and Table 9; (ii) the refunding of Senior Bonds eligible to be called are called in future years; and (iii) the owners of the 2024 Bonds and future Senior Bonds to be issued will have been deemed to have consented to the Future Amendments, the State estimates that by as early as the end of calendar year 2028, the consent of the holders of the 2024 Bonds and future Senior Bonds to be issued will constitute 60% or more of the Senior Bonds outstanding at such time. Upon receiving 60% or more consent of outstanding Senior Bonds, the State will be able to complete the process of amending the Senior Indenture with some or all of the Future Amendments.*

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2024 Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or the operations of the Special Transportation Fund since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. Certain projections in this Official Statement are based on various assumptions and contingencies which are uncertain and which may not materialize. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2024 Bonds and the proceedings of the State relating thereto are qualified in their entirety by reference to the definitive forms of such bonds and such proceedings. This Official Statement is submitted only in connection with the sale of such bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## **CONTENTS OF OFFICIAL STATEMENT**

This Official Statement, including the cover page, inside cover page, and the Appendices hereto, is provided for the purpose of presenting certain information relating to the State in connection with the sale of the 2024 Bonds. **Investors must read the entire Official Statement and its Appendices to obtain information essential to making an informed investment decision.**

This Official Statement and the 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 Official 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) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; (iv) future energy costs; (v) health care related matters including Medicaid reimbursements; (vi) federal defense spending; (vii) financial services industry developments; (viii) litigation or arbitration; (ix) climate and weather related developments, natural disasters and other acts of God; (x) 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; (xi) the effects of epidemics and pandemics, including economic effects therefrom; (xii) foreign hostilities or wars; (xiii) foreign or domestic terrorism or domestic violence extremism; and (xiv) other factors contained in this Official Statement and its Appendices. In addition, where so referenced, actual results could differ materially from those anticipated in such forward-looking statements and reports.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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**Municipal Advisors  
Estrada Hinojosa & Company, Inc.  
PFM Financial Advisors LLC**

Note: The State regularly updates estimates for revenues and expenditures. The tables in the section captioned “THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND” herein may be updated to reflect the most recent information available at the time of posting of the final Official Statement. If such information is material, the State will issue a supplement to the Preliminary Official Statement or highlight the change in the final Official Statement.

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**\$1,380,000,000\***  
**State of Connecticut**  
**\$1,000,000,000 Special Tax Obligation Bonds**  
**Transportation Infrastructure Purposes, 2024 Series A**  
**\$380,000,000\* Special Tax Obligation Refunding Bonds**  
**Transportation Infrastructure Purposes, 2024 Series B**

**INTRODUCTION**

This Official Statement (including the cover page, inside cover page and appendices) provides certain information in connection with the issuance by the State of Connecticut (the “State”) of its \$1,000,000,000 Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2024 Series A (the “2024 Series A Bonds”), and its \$380,000,000\* Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2024 Series B (the “2024 Series B Bonds,” together with the 2024 Series A Bonds, the “2024 Bonds”). The State has authorized the issuance of special tax obligation bonds for transportation infrastructure purposes pursuant to Public Act 84-254 of the General Assembly of the State of Connecticut (the “General Assembly”), February Session of 1984, as amended, and other public and special acts adopted by the General Assembly (the “Act”). The State has heretofore authorized the issuance of special tax obligation bonds pursuant to the Act and pursuant to an Indenture of Trust, by and between the State and The Connecticut National Bank, as Trustee, dated as of September 15, 1984, as supplemented by the First through the Fifty-Fourth Supplemental Indentures, by and between the State and the Trustee and amended by the Special Tax Obligation Bonds, Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994, by and between the State and the Trustee (the foregoing herein referred to collectively as the “Original Indenture”). U.S. Bank Trust Company, National Association, Hartford, Connecticut, is the successor trustee (the “Trustee”) under the Original Indenture. Additionally, the State has heretofore authorized the issuance of special tax obligation bonds pursuant to the Act and pursuant to the Original Indenture, as amended and restated by the Amended and Restated Indenture of Trust, by and between the State and the Trustee, dated as of November 1, 2024 (the “Amended and Restated Indenture”). Bonds issued under the Original Indenture are referred to herein as “Prior Bonds”. Bonds issued under the Original Indenture or the Amended and Restated Indenture (including the Prior Bonds) are referred to herein as “Senior Bonds”. The Original Indenture, as amended and restated by the Amended and Restated Indenture, as may be further amended and supplemented, is referred to herein as the “Senior Indenture”. All outstanding Senior Bonds are now governed by the Amended and Restated Indenture. The Act and the Senior Indenture further authorize the issuance of Senior Bonds as refunding bonds having equal rank and on a parity with any outstanding Senior Bonds. The 2024 Bonds will be issued pursuant to a First Supplement to Amended and Restated Indenture of Trust, to be entered into by and between the State and the Trustee, and to be dated the date of delivery of the 2024 Bonds (the “First Supplement”). The 2024 Series A Bonds will be the seventy-second series of Senior Bonds issued under the Senior Indenture. The 2024 Series B Bonds will be the seventy-third series of Senior Bonds issued under the Senior Indenture.

The Senior Indenture constitutes a contract between the State and the holders of all bonds issued thereunder. Pursuant to the Senior Indenture, all bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein. The State may authorize and issue special tax obligation bonds junior in right of payment of principal and interest to the Senior Bonds (the “Second Lien Bonds”), pursuant to a Second Lien Indenture of Trust previously adopted, or to be adopted (the “Second Lien Indenture”). There are no Second Lien Bonds outstanding. Special tax obligation bonds authorized by the State for issuance from time to time may be issued under either the Senior Indenture or the Second Lien Indenture upon the terms and subject to the conditions stated in such Indentures. The Senior Bonds and the Second Lien Bonds are herein called collectively the “Bonds”, and the Senior Indenture and the Second Lien Indenture are herein called collectively the “Indentures”.

There follows in this Official Statement a description of the transportation infrastructure program, the nature of the obligation and the security therefor, the terms of the 2024 Bonds, the establishment and maintenance of the Special Transportation Fund of the State (the “Special Transportation Fund”), created under Section 1 of Public Act 83-30, as amended, including the transportation related revenues of the State to be credited to the Special Transportation Fund and the method of accounting therefor, and the Department of Transportation (the “Department”), which is charged with the management of the transportation infrastructure program. Also included are summaries of certain provisions of the Indentures. All references herein to the Act and the Indentures are qualified in their entirety by reference to the complete text of the Act and each such Indenture, copies of which are available from the State, and all references to the 2024 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Senior Indenture.

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\* Preliminary, subject to change.

## THE TRANSPORTATION INFRASTRUCTURE PROGRAM

The Infrastructure Program was established in 1984 and is a continuous program which finances the ongoing requirements of the State for the planning, acquisition, construction, equipping, reconstruction, repair, removal, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, waterway facilities, mass transportation and transit facilities, the highway safety program, maintenance garages and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program established under the Act, and payment of State contributions to the local bridge revolving fund established under the Act (all such projects being collectively herein called the "Infrastructure Program"). The Infrastructure Program is administered by the Department. For a more detailed description of the Department and the Infrastructure Program, see "The Department of Transportation" herein.

The aggregate cost of the Infrastructure Program for fiscal years 2020-2029, which has been, and is expected to be, met from federal, state, and local funds, is currently estimated at \$25.1 billion and includes \$10.2 billion in federal funds. The State's share of such cost, estimated at \$14.9 billion, has been and is expected to be funded from transportation related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of special tax obligation bonds. The State's share of State program costs not financed by special tax obligation bonds is estimated at \$185.4 million and includes the expenses of the Infrastructure Program which either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety activities, and other minor transportation improvements.

During fiscal years 2020-2025, \$14.2 billion of the total Infrastructure Program was approved by the appropriate governmental authorities. The State's share of such cost was funded by approximately \$8.1 billion of special tax obligation bonds and \$0.1 billion of revenues and other funds. The remaining costs were funded with \$6.0 billion of federal funds. For fiscal years 2026-2029, the total Infrastructure Program is estimated at \$10.9 billion. The State's share of such cost is planned to be funded with proceeds of \$6.5 billion from the issuance of new special tax obligation bonds and \$0.1 billion of revenues and other funds. The remaining costs are expected to be funded with \$4.3 billion in federal funds.

The Pledged Revenues (see "Source of Payment-Special Transportation Fund and Pledged Revenues" herein), including enacted adjustments, are intended to cover the cost of the State's share of the Infrastructure Program, including debt service requirements. For a more detailed description of Pledged Revenues see "The Operations of the Special Transportation Fund" herein, and for a description of legislative changes to Pledged Revenues see "Legislative Changes" herein. After providing for debt service requirements on the Bonds, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued or previously authorized and to be issued for transportation purposes, for the payment of annually budgeted expenses of the Department and the Department of Motor Vehicles (the "DMV"), and for other transportation purposes.

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 Bonds. See "The Operations of the Special Transportation Fund" herein. In addition, the State has established an Infrastructure Improvement Fund to account for the net proceeds of special tax obligation bonds and bond anticipation notes (the "Notes") issued under public and special acts adopted annually by the General Assembly authorizing such obligations. The 2024 Bonds are neither payable from nor secured by the Infrastructure Improvement Fund.

## NATURE OF OBLIGATION

### Legal Authority - State Bond Commission

The State issues Bonds pursuant to the Act, the Indentures and legislation enacted annually authorizing additional Bonds. Under the terms and provisions of the Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended (the “Connecticut General Statutes” or “C.G.S.”)) is empowered to authorize special tax obligation bonds of the State for transportation infrastructure projects and uses, subject to the annual legislative authorizations (the “Public and Special Acts”). The Act also authorizes the issuance of special tax obligation bonds to refund outstanding special tax obligation bonds and to refund certain general obligation bonds of the State issued for transportation purposes and authorizes the execution of the Indentures as contracts of the State with the holders of the Bonds. On June 7, 2024 and October 22, 2024, the State Bond Commission authorized the issuance and sale by the Treasurer of the 2024 Bonds to fund a portion of the projects and uses authorized in the Public and Special Acts and to refund certain outstanding Senior Bonds. See “Purpose of the 2024 Bonds” herein. The Act expressly provides that holders of Bonds may sue the State upon such express contract in the Connecticut Superior Court for the Judicial District of Hartford.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of Administrative Services of the State and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the State Bond Commission.

### Source of Payment

#### *Special Transportation Fund and Pledged Revenues*

The Bonds are special obligations of the State and are payable solely from the revenues of the State pledged therefor as provided in the Act (the “Pledged Revenues”) and other receipts, funds or moneys pledged therefor pursuant to the Act and the Indentures. Pursuant to the Act and under the Indentures, all Pledged Revenues received or collected are promptly credited to the Special Transportation Fund established pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly, as amended. Section 432 of Public Act 15-5 of the June Special Session created a statutory transportation “lock box” which established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service on the Bonds. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015, and once credited, are to continue to be credited to such fund to the extent the State collects or receives such moneys. Section 432 of Public Act 15-5 of the June Special Session also provides that no law shall be enacted authorizing the resources of the Special Transportation Fund to be expended other than for transportation purposes. Further, Section 19 of Article Third of the Constitution of the State of Connecticut was added after approval by the electors at the general election of November 6, 2018 and provides: “The Special Transportation Fund shall remain a perpetual fund. The general assembly shall direct the resources of said fund solely for transportation purposes, including the payment of debt service on obligations of the state incurred for transportation purposes. Sources of funds, moneys and receipts of the state credited, deposited or transferred to said fund by state law on or after the effective date of this amendment shall be credited, deposited or transferred to the Special Transportation Fund, so long as such sources are authorized by statute to be collected or received by the state, or any officer thereof, and the general assembly shall enact no law authorizing the resources of said fund to be expended other than for transportation purposes.” Note that a new source of funds is not considered pledged 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. In addition, nothing prevents the legislature from reducing the rate or fees of a pledged source of funds to 0% or \$0.

Pledged Revenues consist of taxes, fees, charges and other receipts, funds or moneys of the State credited to the Special Transportation Fund. These include motor fuels taxes; oil companies taxes; a portion of the general retail sales and use taxes; motor vehicle receipts; motor vehicle related licenses, permits and fees; sales taxes imposed on casual sales of motor vehicles; motor vehicle related fines, penalties and other charges and other transportation related revenue sources more particularly defined in the Act, including enacted adjustments in all of the foregoing sources; certain federal subsidy payments relating to certain Taxable Build America Bonds – Direct Pay; and certain transportation related federal revenues of the State credited to the Fund. Other receipts, funds or moneys pledged under the Indentures include investment earnings and moneys in the funds and accounts established thereunder, subject to the application thereof as provided for in the Indentures. For a more detailed description of Pledged Revenues see “The Operations of the Special Transportation Fund” herein.

The Act further provides that the Treasurer shall apply the resources in the Special Transportation Fund first to pay or to provide for the payment of debt service requirements (the “Debt Service Requirements”) on the Bonds or on Notes in such

amount or amounts and in such manner as required by the Indentures. The Debt Service Account, the Note Repayment Account and the Reserve Account, which are accounted for as part of the Special Transportation Fund, are maintained and held in trust by the Trustee under the Senior Indenture and are the accounts from which payments of Principal and Interest Requirements on all Senior Bonds and Interest Requirements on Senior Notes (defined as “Notes” in the Senior Indenture) will be paid. The remaining resources of the Special Transportation Fund, pursuant to the proper appropriation thereof and subject to approval by the Governor of allotment thereof, are available for (i) payment of principal on Senior Notes, (ii) payment of amounts required to be deposited with the Second Lien Trustee under the Second Lien Indenture, (iii) payment of the principal of and interest on “General Obligation Bonds of the State issued for Transportation Purposes,” as defined in the Act, or any general obligations refunding the same, and (iv) payment of State budget appropriations for the Department and the DMV as described in the Act.

The Act provides that, as part of the contract with bondholders, upon authorization of the issuance of the Bonds, all amounts necessary for the punctual payment of Debt Service Requirements are deemed appropriated from the Pledged Revenues and the Treasurer is required to pay such principal and interest as the same shall accrue, but only from the Pledged Revenues and other receipts, funds or moneys pledged to repay the Bonds. In the opinions of Bond Counsel and Co-Bond Counsel, such amounts are validly deemed to be appropriated from such sources and such payment does not require further legislative approval.

The Act also provides that the obligation of the State to pay the Debt Service Requirements, in addition, will be secured by: (i) a first call upon the Pledged Revenues as they are received by the State and credited to the Special Transportation Fund (such a requirement whereby the Pledged Revenues are first applied to debt service is commonly referred to as a gross pledge); and (ii) a lien upon any and all amounts held to the credit of the Special Transportation Fund from time to time, provided such lien shall not extend to amounts credited to such Fund representing (A) proceeds of short term State notes or (B) transportation related federal revenues of the State. The Act provides that any pledge made by the State shall be valid and binding from the time when the pledge is made, and that any revenues or other receipts, funds or moneys so pledged or thereafter received by the State shall be subject immediately to the lien of such pledge without any physical delivery thereof or further act. In the opinions of Bond Counsel and Co-Bond Counsel, the pledge in the Senior Indenture granting a first call on Pledged Revenues and a lien upon and security interest in amounts held to the credit of the Special Transportation Fund and other receipts, funds, or moneys pledged in the Senior Indenture, in the manner and to the extent set forth therein, is valid and binding upon the State and against all parties having claims of any kind in tort, contract, or otherwise against the State (including holders of general obligation debt of the State).

#### *Agreements of the State*

Pursuant to the Act and under the Senior Indenture, the State has covenanted with the bondholders to impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements, in such amounts as may be necessary to pay the Debt Service Requirements in each year in which the Senior Bonds or Senior Notes are outstanding. In addition, the State has covenanted that it will not limit, or otherwise alter, the rights or obligations of the appropriate officers of the State with respect to the application of the Pledged Revenues or to impose, maintain, charge or collect the taxes, fees, charges and other receipts constituting the Pledged Revenues as may be necessary to fulfill the terms of the proceedings authorizing the issuance of the Senior Bonds, including the Pledged Revenue coverage requirement described below.

With respect to such Pledged Revenue coverage requirement, the Senior Indenture includes the covenant of the State to provide Pledged Revenues, in each fiscal year, after deducting payments out of Pledged Revenues for reserves required under the Senior Indenture, and computed as of the final Business Day (as defined in the Senior Indenture) of such fiscal year, in an amount equal to at least two times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior Notes in such fiscal year.

In the event the State does not meet the foregoing coverage requirement, such a failure does not constitute an event of default under the Senior Indenture unless the State shall not enact legislation such that the conditions contained in the Senior Indenture would be satisfied if Additional Bonds were then to be issued. See Section 9.1(c) under “Appendix D – Amended and Restated Indenture” for a more detailed description.

The Prior Bonds are secured by a Reserve Account established and required to be maintained in an amount equal to the maximum Principal and Interest Requirements on Prior Bonds for the current or any future fiscal year (the “Debt Service Reserve Requirement”). **The 2024 Bonds are not secured by a Reserve Sub-Account.**

In the opinions of Bond Counsel and Co-Bond Counsel, the foregoing covenants are valid and enforceable covenants of the State, except as enforceability thereof may be limited by insolvency, moratorium and other laws affecting creditors’ rights generally heretofore or hereafter enacted and by law applicable to relief in equity and by the reserved police powers of

the State; no opinion is expressed as to the availability of a right in equity to specific performance of any covenant requiring legislative action with respect to taxes not presently enacted when an adequate remedy at law for damages is available or another such limitation exists and is applied.

Pursuant to the Constitution of the State of Connecticut, the General Assembly is required to adopt a balanced biennial budget of the State, which generally is commenced during the regular session of the General Assembly prior to the beginning of the next biennium. General budget expenditures authorized for any fiscal year cannot exceed the estimated amount of revenue for such year. Pursuant to the Act, the Senior Indenture provides that the State may limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing fiscal year of the State, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund, including accumulated deficits, if any, the Debt Service Requirements on the Senior Bonds and Senior Notes and such Pledged Revenue coverage requirement. Provided, however, that such right to modify Pledged Revenues is limited by Section 19 of Article Third of the Constitution of the State of Connecticut.

The State does not presently have a constitutional restriction on its power of taxation other than that the State may not tax to provide funds for private purposes as distinguished from public purposes.

#### *Flow of Funds Under Senior Indenture*

All Pledged Revenues collected by the State or any officer thereof, along with other revenues of the State, are deposited in various bank accounts of the State. The Pledged Revenues will be promptly identified and credited to the Special Transportation Fund held by the State, and, as provided by the Senior Indenture, will be transferred monthly to the extent required to meet Debt Service Requirements for the Senior Bonds and the Senior Notes to the credit of the following accounts or sub-accounts in the following amounts and in the following order:

(i) to the credit of the Bond Service Sub-Account, the Note Repayment Account and the Redemption Sub-Account, respectively, such amounts thereof, if any (or the entire amount so withdrawn if less than the required amount, in which case such amount shall be allocated among the purposes set forth in this subsection (i) on a pro rata basis), as may be required (A) to make the amount then held to the credit of the Bond Service Sub-Account equal to the amount of the Principal and Interest Requirements on Senior Bonds accruing through the dates in the next ensuing month, plus the amount accruing or payable with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal on Senior Bonds, plus one-twelfth (1/12) of the Principal and Interest Requirements on Prior Bonds for the next ensuing twelve (12) months; (B) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest on Senior Notes payable through the end of the next ensuing month and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Notes; and (C) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any, accruing through the respective payment dates of the Monthly Payment Bonds in the next ensuing month, plus the aggregate Amortization Requirements, if any, due through the respective payment dates of the Pay When Due Bonds in the next ensuing month, for each of the term bonds then outstanding (plus a ratable portion of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for mandatory redemption); provided, however, that if the amount so deposited to the credit of the Redemption Sub-Account in any Fiscal Year shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any Fiscal Year shall be added to the amount otherwise required to be deposited in each Fiscal Year thereafter until such time as such deficiency shall have been made up;

(ii) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subsection (i) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain each Reserve Sub-Account at each respective Series Reserve Requirement. See Section 5.1(a) under "Appendix D – Amended and Restated Indenture."

Following the transfers described above, the Pledged Revenues of the Special Transportation Fund may be applied to the payment of principal on Senior Notes or other obligations of the State subordinate to the Senior Bonds, to the payment of amounts required to be deposited with the Trustee under the Second Lien Indenture and, subject to appropriation and allotment, payment of the debt service on general obligation bonds of the State issued for transportation purposes and to the payment of State budget appropriations for the Department and the DMV.

If at any time any amounts required to be paid to the Trustee under the Senior Indenture have not been so paid, no payments shall be made from the Special Transportation Fund except with respect to the Senior Bonds and Senior Notes and the Trustee shall be entitled to notify the Treasurer that such amounts are accrued and unpaid, whereupon any Pledged Revenues received by the State and credited to the Special Transportation Fund are required by the Act and the Senior

Indenture to be paid by the Treasurer forthwith to the Trustee, and shall not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full. See Section 7.2 under “Appendix D – Amended and Restated Indenture.”

The Senior Indenture also provides that the State shall at all times do and perform all acts and things permitted by law and necessary to assure that the Pledged Revenues received by the State and credited to the Special Transportation Fund shall be applied first to the payment of the Debt Service Requirements. Such covenant provides, among other things, assurance that, if necessary, the State will implement procedures for immediate segregation, upon collection, of Pledged Revenues from other cash receipts of the State.

### **Refunding Bonds**

Refunding Bonds are authorized under the Act and the Senior Indenture to be issued by the State having equal rank and on a parity with the Senior Bonds heretofore issued. Refunding Bonds may be issued at any time and from time to time, in such amounts as the State Bond Commission may deem necessary for the purpose of purchasing or refunding the principal of the bonds or obligations to be refunded, any unpaid interest thereon to the date of redemption thereof, any premium necessary to be paid in connection therewith, and the costs and expenses of issuing such Refunding Bonds. Refunding Bonds shall be issued under and pursuant to a supplemental indenture (or supplemental indentures). The 2024 Series B Bonds are being issued as Refunding Bonds under the Act and the Senior Indenture, as supplemented by the First Supplement.

### **Additional Bonds and Outstanding Bonds**

Additional Bonds may be issued by the State having equal rank and on a parity with the Senior Bonds heretofore issued for the Infrastructure Program. Additional Bonds also may be issued junior in right of payment to the Senior Bonds and on a parity with the outstanding Second Lien Bonds, if any, issued under the Second Lien Indenture. See Section 2.4 under “Appendix D – Amended and Restated Indenture.” As of December 5, 2024, there are \$7,144,615,000 Senior Bonds outstanding and no Second Lien Bonds outstanding. See “Total Bonds Outstanding” herein. The Public and Special Acts currently provide for the issuance of Additional Bonds for the Infrastructure Program in principal amounts not exceeding the aggregate amount of \$8,702,991,100 prior to the issuance of the 2024 Bonds. Of such \$8,702,991,100 unissued amount, \$7,341,453,269 have been allocated by the State Bond Commission, and are available for expenditure, prior to the issuance of the 2024 Bonds. It is anticipated that Additional Bonds will be authorized by Public and Special Acts annually to finance the Infrastructure Program. Subject to such statutory authorization, issuance of Additional Bonds shall be issued under and pursuant to a supplemental indenture (or supplemental indentures) and subject to compliance with the following conditions (and where “Coverage Requirement” means two times (i) the aggregate Principal and Interest Requirements on Bonds for all Senior Bonds; plus (ii) Interest Requirements on Senior Notes):

(1) Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required by the Senior Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding eighteen (18) calendar months were equal to at least the Coverage Requirement for such period; provided however, that this condition shall be deemed to be satisfied if such test is satisfied after adjusting such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture only to reflect any increase(s) or decrease(s) in taxes, fees or charges enacted to be in effect at the time of issuance of such Additional Bonds, and the Secretary of the Office of Policy and Management of the State shall deliver to the Trustee a certificate demonstrating such coverage;

(2) Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required by the Senior Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding eighteen (18) calendar months divided by such number of full calendar months and multiplied by twelve (12) are equal to at least the Coverage Requirement (such Coverage Requirement to include the Additional Bonds to be issued, and to exclude Interest Requirements on Senior Notes being refunded from the proceeds of such Additional Bonds), for the current and each succeeding fiscal year, after adjusting such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture only to reflect any increase(s) or decrease(s) in taxes, fees or charges enacted to be in effect for such current or such succeeding fiscal year, and the Secretary of the Office of Policy and Management of the State shall deliver to the Trustee a certificate demonstrating such coverage;

(3) The State shall have received a letter from the Accountant appointed by the State (i) substantially to the effect that in connection with its examination of the Special Transportation Fund pursuant to Section 7.4 of the Senior Indenture nothing came to their attention that caused them to believe that the State was not then in compliance with the requirement of (1) above and (ii) reporting on the certificates delivered by the State pursuant to the requirement of (1) and (2) above without material qualification; and

(4) The State shall have determined that the principal amount of all Bonds, including the Additional Bonds to be issued, will not exceed any limitation imposed by law and that upon such issue, the amount credited to the Reserve Account will be not less than the Debt Service Reserve Requirement.

In addition, issuance of Additional Bonds under the Senior Indenture is conditioned upon the State having made all monthly payments to the Trustee required to be made.

At the option of the State, and at the time of issuance of any series of Senior Bonds pursuant to a Supplemental Indenture, the State may create and establish within the Reserve Account of the Special Transportation Fund a Reserve Sub-Account for such series of Senior Bonds. The State will, by such Supplemental Indenture, specify the Series Reserve Requirement, provide for the manner of funding and replenishing of such Reserve Sub-Account and establish such other terms with respect to such Reserve Sub-Account as the State may deem to be appropriate, including providing a Reserve Account Surety Policy in lieu thereof. **The 2024 Bonds are not secured by a Reserve Sub-Account, and therefore, there is no reserve requirement for the 2024 Bonds.**

### **Bond Anticipation Notes and Subordinated Indebtedness**

Pursuant to the Act and the Senior Indenture, interest on Senior Notes issued in accordance with the Senior Indenture and in anticipation of the receipt of the proceeds of Additional Bonds is payable on a parity with principal and interest on the Senior Bonds. See “Source of Payment-*Flow of Funds Under Senior Indenture*” herein. No such Senior Notes, under the terms of the Senior Indenture, shall be issued (i) unless the Senior Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and the Senior Indenture, and (ii) if the aggregate principal amount of all Senior Notes then outstanding and to be issued exceeds \$250,000,000, unless, as of the date of issuance of such Senior Notes, the State could have issued under the terms of the Senior Indenture an equivalent aggregate principal amount of serial bonds, maturing in equal annual installments of principal and interest, the last installment of which shall mature not later than thirty (30) years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Senior Bonds been issued at such time. Senior Notes shall be special obligations of the State payable solely from the proceeds of the Senior Bonds and, to the extent provided in the Senior Indenture or deemed necessary or desirable by the State, from the Special Transportation Fund. The Senior Indenture provides that any obligation of the State to pay the unrefunded principal of Senior Notes, including for this purpose any obligation of the State under a reimbursement agreement entered into in connection with a credit facility providing for payment of the unrefunded principal of Senior Notes, shall be subordinate to any obligation of the State to pay the principal and interest with respect to the Senior Bonds or interest with respect to Senior Notes. The Senior Indenture further provides that the State may not enter into any contract with any noteholder inconsistent with the terms of the Senior Indenture. The full faith and credit of the State shall not be pledged to the repayment of such Senior Notes and the State shall not be obligated to make appropriations from its general fund (“General Fund”) for the repayment of such Senior Notes. See Section 2.6 under “Appendix D – Amended and Restated Indenture.”

Nothing in the Senior Indenture prohibits the State (i) from issuing other indebtedness for any use or purpose of the State payable as to principal and interest from the Special Transportation Fund subject and subordinate to the deposits and credits required to be made to the Debt Service Account, the Senior Note Repayment Account, or the Reserve Account, or (ii) from securing other indebtedness and the payment thereof by a call upon the Pledged Revenues and a lien on and pledge of the Special Transportation Fund junior and inferior to the first call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund created in the Senior Indenture for the payment and security of the Senior Bonds and Senior Notes. The State may issue notes in anticipation of federal grants and, to the extent any such grants when received are credited to the Fund, the repayment obligation with respect to such notes will be subordinate to any obligation of the State to pay Debt Service Requirements on Senior Bonds and Senior Notes. See Section 2.7 under “Appendix D – Amended and Restated Indenture.”

### **State General Taxing Power Not Pledged**

Pursuant to the Act, the Bonds shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor as provided in the Act, nor shall the State or any political subdivision thereof be subject to any liability thereon, except to the extent of the Pledged Revenues and such other receipts, funds or moneys pledged therefor. The issuance of the Bonds under the Act and Indentures shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor (except for taxes included in the Pledged Revenues), or to make any additional appropriation for their payment. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, other than the Pledged Revenues and other receipts, funds or moneys pledged therefor. The Bonds shall not be subject to any statutory limitation on the indebtedness of the State and, when issued, shall not be

included in computing the aggregate indebtedness of the State with respect to and to the extent of any such limitation. The full faith and credit of the State shall not be pledged to the repayment of the Bonds.

## THE 2024 BONDS

### Purpose of the 2024 Bonds

The Public and Special Acts provide for the issuance of \$8,702,991,100 in additional special tax obligation bonds, in one or more series (including the 2024 Bonds), to fund, together with anticipated federal grants, a portion of the costs of various purposes of the Infrastructure Program. It is expected that in each year, special legislation will empower the State Bond Commission to authorize additional special tax obligation bonds to finance the Infrastructure Program.

On June 7, 2024 and October 22, 2024, the State Bond Commission authorized (i) the issuance and sale by the Treasurer of the 2024 Series A Bonds to fund a portion of the projects and uses authorized in the Public and Special Acts and the 2024 Series B Bonds to refund certain outstanding Senior Bonds (see “Plan of Refunding” herein), and (ii) the execution of the First Supplement by the Governor, the Treasurer, and the Comptroller, the Official Statement, a Continuing Disclosure Agreement, an Escrow Agreement and a Certificate of Determination executed by the Treasurer and filed with the Secretary of the State Bond Commission.

### Description of the 2024 Bonds

The 2024 Bonds will be dated the Expected Date of Delivery and will bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the 2024 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2025. Interest on the 2024 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable to the registered owner as of the close of business on the fifteenth day of June and December, in each year beginning June 15, 2025, or the preceding Business Day if such fifteenth day is not a Business Day, by check mailed to the registered owner at such address as appears on the registration books of the State kept for such purpose under the Senior Indenture.

The 2024 Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of and interest on the 2024 Bonds will be paid directly to DTC by U.S. Bank Trust Company, National Association, the Trustee, as Paying Agent so long as DTC or its nominee, Cede & Co., is the Bondowner. See “Book-Entry-Only System” herein.

### Optional Redemption\*

The 2024 Series A Bonds maturing on or after July 1, 20\_\_ will be subject to redemption, at the election of the Treasurer, on or after October 1, 20\_\_ at any time, in whole or in part and by lot within maturity, in such amounts and in such order of maturity as the Treasurer may determine, at the respective redemption prices (expressed as percentages of the principal amounts of the bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 20__ and thereafter	_____%

The 2024 Series B Bonds are not subject to redemption prior to maturity.

### Notice of Redemption

Notice of redemption shall be mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date, by first class mail, to the registered owner of the bonds to be redeemed at the address as it appears on the books of registry or at such address as such owner may have filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2024 Series A Bonds, all notices of redemption will be sent only to DTC, and delivery of such notices of redemption to DTC’s Participants and Indirect Participants and Beneficial Owners of the 2024 Series A Bonds will be governed by the customary practices and procedures of DTC and said Participants and Indirect Participants. The 2024 Series A Bonds called for redemption shall, on the redemption date designated in the notice of

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\* Preliminary, subject to change.



redemption, become due and payable only if moneys for the payment of such 2024 Series A Bonds called for redemption together with the applicable redemption premium, if any, and the interest to accrue to the redemption date on such 2024 Series A Bonds are held for the purpose of payment by the Trustee or Paying Agent.

**Plan of Refunding\***

The 2024 Series B Bonds, if issued, and other funds of the State available under the Senior Indenture, will be used to refund certain outstanding Senior Bonds, including some or all of the following maturities and principal amounts of outstanding State of Connecticut Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2009 Series B (Taxable Build America Bonds – Direct Pay) (the “2009B Refunded Bonds”), and State of Connecticut Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2010 Series B (Taxable Build America Bonds – Direct Pay) (the “2010B Refunded Bonds” and together with the 2009B Refunded Bonds, the “Refunded Bonds”) on the dates and at the redemption prices set forth below.

<u>Series</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price<sup>†</sup></u>
2009 Series B	12/01/2029	\$170,970,000	5.740%	12/19/2024	_____
2010 Series B	11/01/2030	\$246,525,000	5.459%	12/19/2024	_____

<sup>†</sup> *The Treasury Rate for the redemption will be determined at least two Business Days, but no more than forty-five (45) Business Days, prior to the Redemption Date. It is anticipated the Treasury Rate for determining the Redemption Price will be determined on or about December 4, 2024.*

A Notice of Conditional Full Extraordinary Optional Redemption for the 2009 Series B Refunded Bonds was or will be filed on or before November 19, 2024 pursuant to the terms of the 2009 Series B Refunded Bonds, and a Notice of Conditional Full Extraordinary Optional Redemption for the 2010 Series B Refunded Bonds was or will be filed on or before November 19, 2024 pursuant to the terms of the 2010 Series B Refunded Bonds, whereby the redemption of any of the Refunded Bonds is conditioned upon the issuance and delivery of the 2024 Series B Bonds and the availability of the proceeds of a portion of the 2024 Series B Bonds to pay the Redemption Price of the Refunded Bonds on the date of delivery of the 2024 Series B Bonds (the “Redemption Date”). Revised conditional notices will be filed on or about December 4, 2024 upon the determination of the Redemption Prices.

**Sources and Uses of Funds**

The proceeds to be derived from the sale of the 2024 Bonds, together with other funds, if any, are estimated to be applied as follows:

**Sources**

Principal Amount of 2024 Series A Bonds.....	\$1,000,000.00
Principal Amount of 2024 Series B Bonds .....	
Deposits from Bond Service Sub-Account/Reserve Account.....	
[Net] Original Issue Premium/Discount (if any) .....	
Total.....	\$

**Uses**

Deposit into Infrastructure Improvement Fund to pay a portion of the costs of the Infrastructure Program .....	\$
Redemption of the Refunded Bonds .....	
Underwriters’ Discount.....	
Other Costs of Issuance .....	
Total.....	\$

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\* Preliminary, subject to change.

## FUTURE AMENDMENTS TO THE INDENTURE

On October 22, 2024, the State Bond Commission adopted a resolution authorizing the Amended and Restated Indenture, which contained certain amendments that became immediately effective, and certain amendments (the “Future Amendments”) which may become effective in the future upon obtaining consent of the holders of at least 60% in aggregate principal amount of Senior Bonds outstanding. The following summary is not all-inclusive of the amendments and is qualified in its entirety by reference to “Appendix D – Amended and Restated Indenture” hereto, and specifically Article XII therein and Exhibit A thereto (“Exhibit A”). Potential purchasers of the 2024 Bonds should review Appendix D in its entirety before purchasing the 2024 Bonds.

The following is a summary of some, but not all, of the “Future Amendments:”

- (A) Provide for the issuance of parity variable rate debt, as well as make provisions for swaps, credit facilities and liquidity facilities. See Sections 1, 2, 3, 4, 5, 8, 9, 10, 11, 14, 19 and 21 of Exhibit A.
- (B) Provide for balloon indebtedness. See Sections 2, 3, 5 and 7 of Exhibit A.
- (C) Modify the additional bonds test to eliminate the historical coverage portion of the test and modify the testing period for the additional bonds test. See Section 6 of Exhibit A.
- (D) Modify provisions related to the Trustee. See Sections 15 and 16 of Exhibit A.
- (E) For the notification to the State of a non-payment default, modify the notification by bondholders from 20% to a majority of bondholders. See Section 17 of Exhibit A.
- (F) Regarding bondholder request to Trustee to direct remedies, modify from 10% to a majority of bondholders. See Section 18 of Exhibit A.
- (G) Provide for a majority of bondholders to waive any existing default or Event of Default. See Section 20 of Exhibit A.

***By the purchase and acceptance of a 2024 Series A Bond or a 2024 Series B Bond, the owners thereof, including any participants, beneficial owners and subsequent owners, shall be deemed to have (i) consented and agreed to be bound by the Future Amendments; (ii) waived the requirement in the Original Indenture for holders to receive a copy of the Future Amendments in the mail; and (iii) agreed that such purchase and acceptance of a 2024 Series A Bond or a 2024 Series B Bond shall constitute evidence of the written consent of each owner thereof to the Future Amendments. Copies of the Senior Indenture, as so amended, are on file with the State and the Trustee.***

***Assuming the issuance of the 2024 Series B Bonds, upon the issuance of the 2024 Bonds, such bonds will constitute approximately 17% of Senior Bonds outstanding. Accordingly, the Future Amendments to which the purchasers of the 2024 Bonds will have consented will not take effect unless and until the aggregate principal amount of Senior Bonds outstanding whose holders have consented to such amendments constitute at least 60% of such outstanding bonds.***

***Assuming (i) the issuance of Senior Bonds as projected in footnote (f) to Table 8 and Table 9; (ii) the refunding of Senior Bonds eligible to be called are called in future years; and (iii) the owners of the 2024 Bonds and future Senior Bonds to be issued will have been deemed to have consented to the Future Amendments, the State estimates that by as early as the end of calendar year 2028, the consent of the holders of the 2024 Bonds and future Senior Bonds to be issued will constitute 60% or more of the Senior Bonds outstanding at such time. Upon receiving 60% or more consent of outstanding Senior Bonds, the State will be able to complete the process of amending the Senior Indenture with some or all of the Future Amendments.***

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for each maturity of each series of the 2024 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money

market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each of the 2024 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all the 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity of a 2024 Series A Bond or a 2024 Series B Bond are being redeemed, DTC's practice is to determine by lot the amount of the principal registered to each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the State or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. Neither the State, the Trustee nor any Underwriter has any responsibility or obligation to DTC's Direct Participants or Indirect Participants or Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or its Direct Participants or Indirect Participants, (2) the payments by DTC or its Direct Participants or Indirect Participants with respect to the principal of or premium, if any, or interest on the 2024 Bonds, (3) any notice which is permitted or required to be given to Bondowners, (4) any consent given by DTC or other action taken by DTC on behalf of Cede & Co. as Bondowner or (5) the selection by DTC or any of its Direct Participants or any Indirect Participants or any Beneficial Owners to receive payment in the event of a partial redemption of the 2024 Bonds.

For so long as Cede & Co. is the registered owner of the 2024 Bonds, all references herein to the Bondowner or owners of the 2024 Bonds shall mean Cede & Co. and shall not mean any Beneficial Owner or Beneficial Owners of the 2024 Bonds nor any Direct Participant or Indirect Participant, unless specific exception has been expressed herein.

## TOTAL BONDS OUTSTANDING

The following table sets forth all Bonds outstanding as of December 5, 2024. In the final Official Statement, this table will be updated as of the date of delivery of the 2024 Bonds.

<u>Series of Senior Bonds</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding</u>	<u>Dated Date</u>	<u>True Interest Cost</u>
2009 Series B <sup>(a)(b)</sup>	\$304,030,000	\$170,970,000	November 10, 2009	3.636%
2010 Series B <sup>(a)(b)</sup>	400,430,000	246,525,000	November 10, 2010	3.443
2012 Series A <sup>(c)</sup>	502,290,000	0	December 21, 2012	2.733
2014 Series A <sup>(c)</sup>	600,000,000	0	October 16, 2014	3.169
2014 Series B (Refunding) <sup>(c)(d)</sup>	131,545,000	0	October 16, 2014	2.123
2015 Series A	700,000,000	468,105,000	October 15, 2015	3.243
2015 Series B (Refunding) <sup>(d)</sup>	139,770,000	49,295,000	October 15, 2015	2.320
2016 Series A	800,000,000	569,885,000	September 28, 2016	2.831
2016 Series B (Refunding) <sup>(d)</sup>	68,265,000	40,875,000	September 28, 2016	2.270
2018 Series A	800,000,000	632,000,000	February 8, 2018	3.563
2018 Series B	750,000,000	593,810,000	October 25, 2018	3.966
2018 Series C (Refunding) <sup>(d)</sup>	100,105,000	37,925,000	October 25, 2018	3.020
2020 Series A	850,000,000	757,635,000	May 29, 2020	2.967
2021 Series A	875,000,000	799,475,000	May 12, 2021	2.125
2021 Series B (Refunding) <sup>(d)</sup>	11,695,000	1,965,000	May 12, 2021	0.689
2021 Series C (Refunding) <sup>(d)</sup>	144,190,000	98,765,000	October 19, 2021	1.183
2021 Series D	500,000,000	451,800,000	December 1, 2021	2.145
2022 Series A	830,000,000	786,695,000	November 7, 2022	4.097
2022 Series B (Refunding) <sup>(d)</sup>	313,490,000	232,505,000	November 7, 2022	3.375
2023 Series A	875,000,000	857,380,000	November 1, 2023	4.473
2023 Series B (Refunding) <sup>(d)</sup>	349,005,000	<u>349,005,000</u>	November 1, 2023	3.837
TOTAL		<u>\$7,144,615,000</u>		

(a) Taxable Build America Bonds – Direct Pay.

(b) Expected to be refunded with proceeds from the 2024 Series B Bonds.

(c) Total amount outstanding has been excluded, as it is scheduled to be redeemed on December 5, 2024. See “Legislative Changes” and “Redemption or Defeasance of Bonds” herein.

(d) Refunding Bonds do not constitute Additional Bonds.

SOURCE: Office of the State Treasurer

## DEBT SERVICE ON OUTSTANDING BONDS

The following schedule sets forth the debt service payments to be made in each year ending July 1st on the \$7,144,615,000 Bonds issued and outstanding as of December 5, 2024, excluding principal and interest on previously refunded bonds. The anticipated issuance of Additional Bonds to finance the Infrastructure Program for fiscal years 2025-2028 is reflected in Tables 8 and 9. In the final Official Statement, this table will be updated as of the date of delivery of the 2024 Bonds.

Year Ending July 1st	Outstanding Bonds <sup>(a)</sup>			2024 Bonds			Total Debt Service
	Principal	Interest <sup>(b)</sup>	Subtotal	Principal	Interest	Subtotal	
2025 <sup>(c)</sup>	\$245,250,000	\$248,782,545	\$494,032,545				
2026	441,915,000	333,756,303	775,671,303				
2027	464,500,000	310,941,083	775,441,083				
2028	485,010,000	287,026,403	772,036,403				
2029	490,795,000	262,258,458	753,053,458				
2030	490,805,000	237,522,279	728,327,279				
2031	483,040,000	213,292,605	696,332,605				
2032	449,775,000	190,041,869	639,816,869				
2033	438,180,000	167,746,506	605,926,506				
2034	415,020,000	145,569,381	560,589,381				
2035	426,115,000	124,639,806	550,754,806				
2036	446,950,000	103,647,281	550,597,281				
2037	411,165,000	84,212,856	495,377,856				
2038	367,470,000	65,990,181	433,460,181				
2039	321,105,000	49,938,006	371,043,006				
2040	275,570,000	36,882,581	312,452,581				
2041	219,870,000	24,233,069	244,103,069				
2042	162,270,000	13,254,538	175,524,538				
2043	87,370,000	5,751,075	93,121,075				
2044	22,440,000	1,178,100	23,618,100				
2045	0	0	0				
<b>Total</b>	<b>\$7,144,615,000</b>	<b>\$2,906,664,928</b>	<b>\$10,051,279,928</b>	<b>\$1,000,000,000</b>			

**Note: Figures may not add due to rounding**

- (a) Outstanding Senior Bonds as of December 5, 2024 (including debt service on the Refunded Bonds). A portion of the Outstanding Bonds is expected to be refunded from proceeds of the 2024 Series B Bonds. Excludes the 2012 Series A Bonds, 2014 Series A Bonds, and the 2014 Series B Bonds (see "Total Bonds Outstanding - footnote (c)"). See "Legislative Changes" and "Redemption or Defeasance of Bonds" herein.
- (b) Pursuant to the federal American Recovery and Reinvestment Act of 2009, the State expects to receive a cash subsidy payment directly from the United States Treasury equal to 35% of the interest payable for any outstanding Taxable Build America Bonds – Direct Pay, except as may be reduced as a result of federal sequestration measures or the federal PAYGO act of 2010. All such federal subsidy payments received or collected will be deposited in the Special Transportation Fund as Pledged Revenues and are then pledged for the payment of debt service of the Bonds outstanding.
- (c) Reflects principal and interest payments on all Outstanding Bonds as of December 5, 2024 to the end of the current fiscal year.

SOURCE: Office of the State Treasurer

## THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND

### Introduction

The State expects to receive revised information regarding revenues and expenditures between the date of the Preliminary Official Statement and the posting of the Official Statement. Accordingly, the information and following tables will be updated in the final Official Statement. If such information is material, the State will issue a supplement to the Preliminary Official Statement.

Pledged Revenues, which are credited to the Special Transportation Fund, consist of (i) the Motor Fuels Tax (which includes the gasoline tax and the special fuels tax, which formerly were levied as separate taxes, and the motor carrier road tax); (ii) the Petroleum Products Gross Earnings Tax (such tax is commonly, and hereinafter, referred to as the “Oil Companies Tax”); (iii) specific amounts of the general retail sales tax imposed under Section 12-408(1)(A) of the Connecticut General Statutes and specific amounts of the use tax imposed under Section 12-411(1)(A) of the Connecticut General Statutes (such specific amounts hereinafter referred to as the “Sales and Use Tax”); (iv) specific amounts of the sales and use tax paid on the sale of motor vehicles under Sections 12-408(1)(A) and (H) and 12-411(1)(A) and (H) (such specific amounts hereinafter referred to as the “Sales and Use Tax on Motor Vehicles”); (v) Motor Vehicle Receipts (e.g., fee for registration of motor vehicles); (vi) License, Permit and Fee Revenue (e.g., fee for license to sell or repair motor vehicles) (“LPF Revenue”); (vii) specific amounts of the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft pursuant to Section 12-431 of the Connecticut General Statutes (such specific amounts hereinafter referred to as the “Sales Tax - DMV” and such payments are hereinafter referred to as the “Sales Tax - DMV Payments”); (viii) moneys formerly received by the State from the Federal Transit Administration (“FTA”), pursuant to Section 9 of the Urban Mass Transportation Act of 1964, as operating assistance grants and were available for payment of debt service on Bonds and Notes (the lien does not extend to these transportation related federal revenues until such revenues are credited to the Special Transportation Fund); (ix) the Highway Use Fee; (x) specific amounts from the resources of the General Fund; and (xi) other receipts, funds, and moneys credited to the Special Transportation Fund. See “Description of Revenue Sources of the Special Transportation Fund” herein for a more detailed discussion of these revenues.

All Pledged Revenues, as collected by the State or any officer thereof, along with all other revenues of the State, are deposited in various bank accounts of the State. The Pledged Revenues are promptly identified and credited to the Special Transportation Fund.

The following table displays a five-year history of collections, as well as the projected collections, which include the tax, fee and charge adjustments enacted as shown on Table 2, for Motor Fuels Tax, Oil Companies Tax, Sales and Use Tax, Motor Vehicle Receipts and LPF Revenue:

**TABLE 1**  
**Summary of Five Largest Revenue Sources**  
**(\$ In Millions)**

<b>State Fiscal Year</b>	<b>Historical Collections</b>				
	<b>Motor Fuels</b>	<b>Oil Companies</b>	<b>Sales and Use</b>	<b>Motor Vehicle</b>	<b>LPF</b>
<b>Ending June 30</b>	<b>Tax<sup>(a)</sup></b>	<b>Tax</b>	<b>Tax<sup>(b)(c)</sup></b>	<b>Receipts</b>	<b>Revenue</b>
2020	478.2	230.4	400.9	241.6	128.7
2021	475.2	229.1	482.9	321.4	130.7
2022	389.8	387.1	703.4	281.7	126.0
2023	262.0	383.5	837.6	254.6	126.4
2024 <sup>(d)</sup>	504.5	358.6	844.4	278.8	142.2
<b>State Fiscal Year</b>	<b>Projected Collections at Current Rates</b>				
	<b>Motor Fuels</b>	<b>Oil Companies</b>	<b>Sales and Use</b>	<b>Motor Vehicle</b>	<b>LPF</b>
<b>Ending June 30</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax<sup>(b)</sup></b>	<b>Receipts</b>	<b>Revenue</b>
2025 <sup>(e)</sup>	510.7	336.7	879.2	280.6	133.9
2026 <sup>(e)</sup>	502.1	336.3	902.0	282.1	134.9
2027 <sup>(e)</sup>	498.4	349.4	925.4	283.4	137.2
2028 <sup>(e)</sup>	495.4	361.0	949.3	284.8	138.2

(a) Fiscal year 2022 included a three-month gasoline tax holiday. Fiscal year 2023 included a 6-month gasoline tax holiday, and a 5-month phase-in of the reimposition of the tax. See Table 4.

(b) Beginning in fiscal year 2016, a portion of the general retail sales taxes are being deposited into the Special Transportation Fund pursuant to section 132 of Public Act 15-5 of the June Special Session, as amended by section 32 of Public Act 15-1, December Special Session, and section 45 of Public Act 16-2, May Special Session. Pursuant to section 638 of Public Act 17-2 of the June Special Session, beginning on and after July 1, 2017, a portion of

the use tax is being deposited into the Special Transportation Fund. See “Description of Revenue Sources of the Special Transportation Fund-Sales and Use Tax” herein.

- (c) Pursuant to sections 62 and 63 of Public Act 18-81, as amended by sections 317 and 318 of Public Act 19-117, the Sales and Use Tax on Motor Vehicles to be deposited into the Special Transportation Fund was phased in over five (5) years as follows: 8% in fiscal year 2019, 17% in fiscal year 2020, 25% in fiscal year 2021, 75% in fiscal year 2022 and 100% in fiscal year 2023 and thereafter.
- (d) Per the Office of the State Comptroller’s Letter dated September 30, 2024, reporting on Fiscal Year 2024 Year-end, unaudited.
- (e) Per the November 12, 2024 Consensus Revenue Forecast.

SOURCE: Office of Policy and Management

### Discussion of Projected Pledged Revenues

The projections of the Pledged Revenues provided herein reflect the adjustments enacted by the General Assembly that were made to the Special Transportation Fund that have or will become effective during fiscal years 2025-2028 together with economic trends and other assumptions utilized by the State in its revenue forecasting methodologies.

#### *Legislative Changes to Pledged Revenues*

The following table summarizes the adjustment in projected revenues that were made to the Special Transportation Fund in the 2024 Session of the General Assembly:

**TABLE 2**  
**Summary of Enacted Revenue Adjustments<sup>(a)</sup>**  
**(\$ In Millions)**

#### **2024 Legislative Session<sup>(b)</sup>**

	<u>Effective</u>	<b>Fiscal Year Ending June 30</b>			
		<b><u>2025</u></b>	<b><u>2026</u></b>	<b><u>2027</u></b>	<b><u>2028</u></b>
Surplus for Pay Down of Debt <sup>(b)</sup>	07/01/2024	<u>0.0</u>	<u>(15.0)</u>	<u>(10.8)</u>	<u>(10.8)</u>
<b>Total Impact on Special Transportation Fund</b>		<b>0.0</b>	<b>(15.0)</b>	<b>(10.8)</b>	<b>(10.8)</b>

(a) Reflects impact of revenue adjustments per the Office of Policy and Management in relation to the previously projected revenue prior to the legislative sessions. See “Legislative Changes” and “Redemption or Defeasance of Bonds” herein.

(b) Pursuant to section 124 of Public Act 24-151.

SOURCE: Office of Policy and Management

#### *Forecasting of Pledged Revenues*

In making the projections of the Pledged Revenues provided herein for fiscal years 2025-2028, the State considered a variety of sources of economic data, including economic forecasts prepared by the State and outside economic forecasting services. These projections are based on estimates of a variety of economic variables for the State and the nation as a whole, including real disposable income, employment and size of the fleet of commercial and passenger vehicles. Other important variables used to determine the projections include the anticipated price of motor fuels and crude oil, the fuel efficiency of commercial and passenger vehicle fleets, and economic activity as expressed by the United States index of industrial production.

Section 2-36c of the Connecticut General Statutes requires the Office of Policy and Management and legislature’s Office of Fiscal Analysis 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 of 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 revenue estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The revenue projections for fiscal years 2025-2028 are based upon the November 12, 2024 consensus revenues revised to include legislative changes detailed in Table 2 and estimates of the Office of Policy and Management.

While the State believes that the assumptions which underlie its projections are appropriate, actual achievement of amounts projected may be affected by less favorable economic conditions than those assumed and such projections are dependent upon the occurrence of future events. For example, pandemics (such as the COVID-19 outbreak), political unrest or war and natural disasters in oil producing and refining regions could substantially reduce petroleum and motor fuels supplies and increase prices, as well as changes in worldwide demand for petroleum and motor fuel or economic slowdowns may increase or decrease prices, respectively. Thus, actual results achieved may vary from the projections and such variations may be materially adverse. The accompanying projected financial information for fiscal years 2025-2028 was prepared by the State



and was not prepared with a view toward compliance with the published guidelines of the American Institute of Certified Public Accountants for the preparation and presentation of prospective financial information (the AICPA Audit and Accounting Guide for Prospective Financial Information). The prospective financial information is based on assumptions which the State believes to be reasonable; however, there is no assurance that the prospective financial information will prove to be accurate. There will usually be differences between forecasted or projected results and actual results, and those differences may be material. Neither the Special Transportation Fund's independent auditors, nor any other independent accountants, have compiled or examined the prospective financial information. As such, no opinion or any other form of assurance has been expressed thereon and no responsibility for such prospective financial information has been assumed by the Special Transportation Fund's independent auditors.

Historical collections, enacted tax, fee and charge adjustments and economic projections provide the basis for the projections of the major categories of Pledged Revenues that are to be credited to the Special Transportation Fund. The following table summarizes the amount of revenue that each source of Pledged Revenues and other receipts is projected to produce through fiscal year 2028.

**TABLE 3**  
**Projected Pledged Revenues for the Special Transportation Fund**  
**(\$ In Millions)<sup>(j)</sup>**

	<b>Fiscal Year Ending June 30</b>			
	<b><u>2025</u></b>	<b><u>2026</u></b>	<b><u>2027</u></b>	<b><u>2028</u></b>
Motor Fuels Tax <sup>(a)</sup> .....	510.7	502.1	498.4	495.4
Oil Companies Tax <sup>(b)</sup> .....	336.7	336.3	349.4	361.0
Sales and Use Tax <sup>(c)</sup> .....	879.2	902.0	925.4	949.3
Motor Vehicle Receipts.....	280.6	282.1	283.4	284.8
LPF Revenue.....	133.9	134.9	137.2	138.2
Sales Tax - DMV <sup>(d)</sup> .....	117.8	118.8	120.0	121.0
Highway Use Fee <sup>(e)</sup> .....	60.8	61.7	62.6	63.4
Federal Payments <sup>(f)</sup> .....	8.1	6.9	5.6	4.4
Interest Income <sup>(g)</sup> .....	63.6	42.0	36.5	32.1
Transfers From/To Other Funds <sup>(h)</sup> .....	<u>(13.5)</u>	<u>(5.5)</u>	<u>(5.5)</u>	<u>(5.5)</u>
Total.....	2,377.9	2,381.3	2,413.0	2,444.1
Refunds <sup>(i)</sup> .....	<u>(21.6)</u>	<u>(19.4)</u>	<u>(20.0)</u>	<u>(20.6)</u>
<b>TOTAL PLEDGED REVENUES.....</b>	<b>2,356.3</b>	<b>2,361.9</b>	<b>2,393.0</b>	<b>2,423.5</b>

- (a) On and after July 1, 2008, the motor fuels tax on diesel fuels is determined by the Commissioner of Revenue Services annually pursuant to C.G.S. Section 12-458h.
- (b) Pursuant to section 368 of Public Act 23-204, beginning in fiscal year 2024 aviation fuel and jet fuel are exempt for the Oil Companies Tax.
- (c) Beginning in fiscal year 2016, a portion of the general retail sales taxes are being deposited into the Special Transportation Fund pursuant to section 132 of Public Act 15-5 of the June Special Session, as amended. Beginning on and after July 1, 2017, a portion of the use tax is being deposited into the Special Transportation Fund. Pursuant to sections 62 and 63 of Public Act 18-81 as amended, 100% of the Sales and Use Tax on Motor Vehicles is now being deposited into the Special Transportation Fund.
- (d) Pursuant to C.G.S. Section 13b-61b, the Commissioner of Motor Vehicles shall deposit all funds from the tax imposed under C.G.S. Section 12-431 attributable to motor vehicles to the Special Transportation Fund.
- (e) Pursuant Public Act 21-177, as amended by section 366 of Public Act 23-204, the revenues from the Highway Use Fee are dedicated to the Special Transportation Fund.
- (f) Pursuant to the federal American Recovery and Reinvestment Act of 2009, the State expects to receive a cash subsidy payment directly from the United States Treasury equal to 35% of the interest payable for any Taxable Build America Bonds – Direct Pay outstanding, except as may be reduced as a result of federal sequestration measures or the federal PAYGO act of 2010. Federal Payments do not reflect refunding of the Refunded Bonds. Table 3 will be updated in the Official Statement to reflect the refunding.
- (g) Amounts recorded as interest represent (i) expected investment earnings on the following amounts: (A) Bond proceeds held in the Infrastructure Improvement Fund and not applied for program costs, (B) amounts expected to be held by the Trustee in the respective Debt Service Accounts under the Senior Indenture and the Second Lien Indenture, and (C) balances in the Special Transportation Fund, plus (ii) expected investment earnings on amounts held in the Reserve Account under the Senior Indenture and the Reserve Account under the Second Lien Indenture, plus (iii) accrued interest, if any, to be received upon delivery of each series of Bonds.
- (h) Pursuant to C.G.S. Section 14-164m effective October 1, 2017, \$5.5 million is transferred annually from the Special Transportation Fund to the Emission Enterprise Fund. Pursuant to section 369 of Public Act 23-204, a transfer of \$8 million from the Special Transportation Fund to the Connecticut Airport and Aviation Account occurred in fiscal year 2024 and will also occur in fiscal year 2025.
- (i) Represents refunds for Oil Companies Taxes, Motor Fuel Taxes, and Motor Carrier Road Taxes when an overpayment of tax liability has been made. Refunds of payments to the Special Transportation Fund are funded with revenues of the Special Transportation Fund.
- (j) Per the November 12, 2024 Consensus Revenue Forecast.

SOURCE: Office of Policy and Management

## Description of Revenue Sources of the Special Transportation Fund

The Special Transportation Fund receives moneys from the following sources: Motor Fuels Tax, Oil Companies Tax, Sales and Use Tax, Motor Vehicle Receipts, LPF Revenue, Sales Tax – DMV Payments, and Other Revenues (as described below for each source), as well as Federal Build America Bonds Subsidies received by the State, and other sources including investment earnings. The Act provides for periodic adjustments in the taxes, fees and charges. See “Discussion of Projected Pledged Revenues” herein.

### Motor Fuels Tax

The Motor Fuels Tax revenue has been credited to the Special Transportation Fund since July 1, 1984 and consists of three taxes: the gasoline tax, the special fuels tax, and the motor carrier road tax. The ten-year history of collections of the Motor Fuels Tax is shown in the following table.

**TABLE 4**  
**Ten-Year History of Motor Fuels Tax Collections**

Totals	Fiscal Year Ending June 30									
	2015	2016	2017	2018	2019	2020	2021	2022 <sup>(d)</sup>	2023 <sup>(d)</sup>	2024
Amount collected (millions \$).....	516.6	518.2	498.5	499.8	509.7	478.2	475.2	389.8	262.0	504.5
Unit total (millions \$) <sup>(a)</sup> .....	17.304	17.811	18.011	18.046	18.207	16.613	16.620	17.318	17.112	17.39
Unit percentage growth (%).....	1.77	2.93	1.12	0.19	0.89	(8.75)	0.04	4.20	(1.19)	1.63
<b>Gasoline Tax</b>										
Amount collected (millions \$).....	361.4	373.2	378.1	378.3	383.0	342.2	339.4	267.6	118.3	362.8
Unit total (millions \$) <sup>(a)</sup> .....	14.457	14.928	15.125	15.131	15.321	13.689	13.576	14.271	14.192	14.51
Unit percentage growth (%).....	1.62	3.25	1.32	0.03	1.26	(10.65)	(0.82)	5.12	(0.56)	2.26
Tax Rate (¢/ gallon) <sup>(b)</sup> .....	25.0	25.0	25.0	25.0	25.0	25.0	25.0	18.8	8.3	25.0
<b>Special Fuels Tax</b>										
Amount collected (millions \$).....	136.1	128.4	106.3	109.1	114.8	122.0	124.6	113.8	135.4	133.9
Unit total (millions \$) <sup>(a)</sup> .....	2.497	2.553	2.549	2.615	2.616	2.624	2.793	2.838	2.751	2.721
Unit percentage growth (%).....	3.02	2.22	(0.14)	2.60	0.02	0.32	6.45	1.59	(3.05)	(1.10)
Tax Rate (¢/ gallon) <sup>(c)</sup> .....	54.5	50.3	41.7	41.7	43.9	46.5	44.6	40.1	49.2	49.2
<b>Motor Carrier Road Tax</b>										
Amount collected (millions \$).....	19.0	16.6	14.0	12.5	11.8	14.0	11.2	8.4	8.3	7.8
Unit total (millions \$) <sup>(a)</sup> .....	0.350	0.330	0.336	0.300	0.270	0.300	0.251	0.209	0.170	0.158
Unit percentage growth (%).....	(0.57)	(5.58)	1.89	(10.80)	(10.02)	11.22	(16.53)	(16.39)	(19.04)	(6.64)
Tax Rate (¢/ gallon) <sup>(c)</sup> .....	54.5	50.3	41.7	41.7	43.9	46.5	44.6	40.1	49.2	49.2

(a) The unit total represents millions of dollars of revenue collected per penny of tax.

(b) Fiscal year 2022 included a three-month gasoline tax holiday, resulting in an adjusted annual tax rate of 18.75¢ per gallon. Fiscal year 2023 included a 6-month gasoline tax holiday, and a 5-month phase-in of the reimposition of the tax, resulting in an adjusted annual tax rate of 8.3¢ per gallon.

(c) The motor fuels tax on diesel fuels is determined by the Commissioner of Revenue Services annually pursuant to C.G.S. Section 12-458h. Pursuant to Public Act 23-204, for fiscal year 2024, the motor fuels tax on diesel fuels was 49.2¢ per gallon. Pursuant to C.G.S. Section 12-458h, for fiscal year 2025, the motor fuels tax on diesel fuels is 52.4¢ per gallon.

(d) Pursuant to section 1 of Special Act 22-2, section 431 of Public Act 22-118, and section 1 of Public Act 22-1 of the November Special Session, gasoline and gasohol were exempted from the 25¢ per gallon tax rate from April 1, 2022 through December 31, 2022. Beginning January 1, 2023, the tax rate on gasoline and gasohol was phased-in by 5¢ increments until reaching the original 25¢ per gallon on May 1, 2023. The estimated revenue loss as a result of such change was \$90 million in fiscal year 2022, and \$240 million in fiscal year 2023.

SOURCE: Office of Policy and Management

The motor fuel tax rate on gasoline and gasohol is 25¢ per gallon, representing no change from the prior fiscal year. The motor fuel tax rate on diesel fuel is 52.4¢ per gallon, representing an increase of 3.2¢ over the prior fiscal year. The first two Motor Fuels Taxes are the gasoline tax and the special fuels tax, which are levied under Section 12-458 of the Connecticut General Statutes on gallons of fuel used or sold by distributors. The principal fuel subject to the tax is gasoline, but the taxes also are levied on any combustible gas or liquid, including diesel fuel and gasohol, which is used or is suitable for use to generate power for propelling motor vehicles. The distributors liable for these taxes are those entities which distribute fuel within the State, import fuel into the State for distribution within the State, or produce or refine fuels within the State. Distributors are required to pay the Motor Fuels Tax on the twenty-fifth calendar day of each month (on the basis of gallons of fuel used or sold during the preceding month) thus providing a constant monthly stream of revenues to be credited to the Special Transportation Fund.

There are only six types of transactions that are exempted from these taxes: (i) sales to the United States government and to the State; (ii) sales to a municipality for use by private contractors in the course of performing services for the municipality; (iii) sales (other than at retail outlets) to municipalities or State transit districts for use in vehicles owned by or leased to those governmental units; (iv) interdistributor sales; (v) transfers from a State storage site to an out-of-state site; and (vi) sales to a licensed exporter for transfer and sale outside the State.

The third Motor Fuels Tax is the motor carrier road tax imposed by Sections 12-479 and 12-483 of the Connecticut General Statutes upon gallons of fuel used by business entities (“motor carriers”) which operate any of the following vehicles in the State: (i) passenger vehicles seating more than nine persons; (ii) road tractors or tractor trucks; or (iii) trucks having a registered gross weight in excess of 18,000 pounds. Such motor carriers pay the tax on the gallons of fuel which they use while operating such vehicles in the State. The number of gallons subject to the tax is determined by multiplying the total number of gallons of fuel used by the motor carrier during each year by a fraction, the numerator of which is the total number of miles traveled by the motor carrier’s vehicles within the State during the year, and the denominator of which is the total number of miles traveled by the motor carrier’s vehicles both within and outside the State during the year.

*Oil Companies Tax*

The Oil Companies Tax revenue is credited to the Special Transportation Fund and is received from the tax imposed on the gross earnings from the sale of petroleum products. The principal petroleum product subject to the tax is motor vehicle fuel, but such tax is also levied on the sale of aviation fuel, kerosene, diesel fuel, crude oil, and derivatives of petroleum such as paint, fertilizers and asphalt. The revenue collected from the tax imposed on the sale of aviation fuel is not credited to the Special Transportation Fund.

The ten-year history of Oil Companies Tax collections is shown in the following table.

**TABLE 5  
Ten-Year History of Oil Companies Tax**

	<b>Fiscal Year Ending June 30</b>									
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total Amount Collected (millions \$) <sup>(a)</sup> .....	337.9	250.0	238.4	320.7	318.5	230.4	229.1	387.1	383.5	358.6
Revenue Per 1% (millions \$) <sup>(b)</sup> .....	41.716	30.864	29.426	39.595	39.323	29.126	28.683	49.130	48.402	44.269
Percentage Growth Rate (%).....	(18.83)	(26.01)	(4.66)	34.56	(0.69)	(25.93)	(1.52)	71.29	(1.48)	(8.54)
Tax Rate (%).....	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1

- (a) Represents the total gross Oil Companies Tax collections. Pursuant to section 91 of Public Act 15-244, beginning July 1, 2015, and thereafter, all Oil Companies Tax revenues are being deposited directly into the Special Transportation Fund. Section 671 of Public Act 17-2, June Special Session, diverts a portion of Oil Companies Tax paid on the sale of aviation fuel to the Connecticut Airport and Aviation Account starting in fiscal year 2018.
- (b) Revenue Per 1% represents millions of dollars of revenue collected per each one percent of the tax rate.

SOURCE: Office of Policy and Management

Section 91 of Public Act 15-244 modified Section 13b-61a of the Connecticut General Statutes to require the Oil Companies Tax revenue to be deposited by the Commissioner of Revenue Services directly into the Special Transportation Fund on and after July 1, 2015.

The Oil Companies Tax was levied, pursuant to Section 12-587 of the Connecticut General Statutes, at a rate of 5% of the gross earnings from the sale of petroleum products in the State prior to July 1, 2005. Pursuant to Section 40 of Public Act 05-4 of the June 2005 Special Session the tax rates were increased over time to 8.1% effective July 1, 2013. Pursuant to Section 368 of Public Act 23-204, beginning July 1, 2023, aviation fuel and jet fuel are exempt from the Oil Companies Tax.

*Sales and Use Tax*

The Sales and Use Tax revenue represents a Pledged Revenue which began in fiscal year 2016. As further described below and herein, the Sales and Use Tax represents a portion of the State’s general retail sales and use tax revenues. The State levies a statewide sales tax on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain services. Additionally, the State levies a use tax on goods or services purchased for use in the State for which State of Connecticut sales tax was not paid. There are no local sales taxes in the State. The following table illustrates the ten-year history of the State’s general retail sales and use tax revenue.

**TABLE 6**  
**Ten-Year History of General Retail Sales and Use Tax Revenue**

	<b>Fiscal Year Ending June 30</b>									
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>
General Retail Sales and Use Tax Revenue (millions \$) <sup>(a)</sup> .....	4,005.3	4,118.3	4,161.6	4,303.2	4,483.2	4,502.9	5,026.5	5,664.8	5,934.3	5,998.9
Revenue Per 0.1% of General Retail Sales and Use Tax Rate (millions \$).....	63.076	64.855	65.536	67.767	70.602	70.912	79.158	89.209	93.453	94.471
Percentage Growth Rate (%).....	2.82	2.82	1.05	3.40	4.18	0.44	11.63	12.70	4.76	1.09
General Retail Sales and Use Tax Rate (%) <sup>(b)</sup> .....	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35

(a) Represents approximately 95% of amount collected as estimated by the Office of Policy and Management pursuant to C.G.S. Section 12-408(1)(A).  
(b) Pursuant to C.G.S. Section 12-408(1)(A).

SOURCE: Office of Policy and Management

Currently, in accordance with Section 132 of Public Act 15-5, 7.9% of the State’s general retail sales tax revenues collected are deposited into the Special Transportation Fund, which is equivalent to approximately a 0.5% general sales tax rate.

Pursuant to Sections 12-408 and 12-411 of the Connecticut General Statutes, the State imposes sales and use taxes on various transactions, subject to certain exceptions. Sections 12-408(1)(A) and 12-411(1)(A) of the Connecticut General Statutes impose a general retail sales and use tax on all retailers at the rate of 6.35% of the gross receipts from the sale of and use of tangible personal property sold at retail or from the rendering of certain services. The general retail sales and use tax is net of administrative expenses of collecting the tax and represents approximately 95% of the total sales taxes collected by the State. Section 12-407(a)(2) of the Connecticut General Statutes defines what constitutes a “sale” or “use” for the Sales and Use Tax, which includes, among other things, the sale of tangible personal property; the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer; the furnishing, preparing or serving of food, meals, or drinks; the rendering of certain services; the leasing or rental of tangible personal property; the rendering of telecommunication services, community antenna television services and competitive video services; and the sale of certain naming rights.

The State receives revenues from the Sales and Use Tax on a monthly, quarterly or annual basis. Taxpayers file their tax returns and submit accompanying payments to the Department of Revenue Services. Pursuant to section 132 of Public Act 15-5 of the June Special Session, as amended by section 32 of Public Act 15-1 of the December Special Session, beginning in fiscal year 2016, a portion of the sales tax (which represents a portion of the State’s general retail sales tax revenues) is being deposited by the Commissioner of Revenue Services on a monthly basis directly into the Special Transportation Fund.

The Sales and Use Tax on Motor Vehicles represents a Pledged Revenue stream which began in fiscal year 2019 and was created pursuant to sections 637 and 638 of Public Act 17-2 of the June Special Session, as amended by sections 62 and 63 of Public Act 18-81 and sections 317 and 318 of Public Act 19-117. Under Section 12-408(1)(A) of the Connecticut General Statutes, the State imposes a sales tax of 6.35% on various transactions, including on the sale of motor vehicles. Section 12-408(1)(H) of the Connecticut General Statutes provides for a sales tax of 7.75% on certain motor vehicles with a sales price over \$50,000. Under Section 12-411(1)(A) of the Connecticut General Statutes, the State imposes a use tax of 6.35% on various transactions, including on the sale of motor vehicles for use in the State. Section 12-411(1)(H) of the Connecticut General Statutes provides for a use tax of 7.75% on certain motor vehicles with respect to the acceptance or receipt in the State of certain motor vehicles having a sales price over \$50,000. The amount of Sales and Use Tax on Motor Vehicles collected is included in “Sales and Use Tax” in Tables 1, 3 and 8 herein.

*Motor Vehicle Receipts / LPF Revenue*

Other sources of revenues include the Motor Vehicle Receipts and LPF Revenue. The ten-year history of collections of Motor Vehicle Receipts and LPF Revenue is shown in the following table.

**TABLE 7**  
**Ten-Year History of Motor Vehicle Receipts and LPF Revenue**  
**(\$ In Millions)**

	Fiscal Year Ending June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Motor Vehicle Receipts</b>										
Motor Vehicle Registrations.....	196.2	199.3	190.7	201.0	198.5	199.5	259.7	225.0	198.9	220.9
Other <sup>(a)</sup> .....	<u>53.3</u>	<u>52.2</u>	<u>52.2</u>	<u>52.1</u>	<u>51.9</u>	<u>42.1</u>	<u>61.7</u>	<u>56.7</u>	<u>55.7</u>	<u>57.9</u>
Total Motor Vehicle Receipts.....	249.5	251.5	242.9	253.1	250.4	241.6	321.4	281.7	254.6	278.8
<b>LPF Revenue<sup>(b)</sup>.....</b>	145.4	143.9	144.0	141.9	150.1	128.7	130.7	126.0	126.4	142.2
<b>Total Motor Vehicle Receipts and LPF Revenue.....</b>	<b>394.9</b>	<b>395.4</b>	<b>386.9</b>	<b>395.0</b>	<b>400.5</b>	<b>370.3</b>	<b>452.1</b>	<b>407.7</b>	<b>381.0</b>	<b>421.0</b>

- (a) Amounts listed as “Other” Motor Vehicle Receipts represent collections for (i) motor vehicle safety marker fee licenses; (ii) other motor vehicle transactions; (iii) motor vehicle registration late fees; and (iv) motor vehicle operator licenses.
- (b) LPF Revenue represents collections for (i) sale of commercial information; (ii) motor vehicle fines, penalties and surcharges; (iii) filing and reproduction fees; (iv) royalties; (v) motor carrier permits; (vi) operator license examination fees; (vii) vehicle inspection fees; (viii) gasoline handling charges; (ix) fees for license plates, and for certificates or licenses to repair or sell motor vehicles, relocate site for selling motor vehicles, register new car dealers and repairers, sell gasoline, and locate site for selling fuels; (x) special vehicle permits; (xi) miscellaneous recoveries; (xii) miscellaneous rentals; (xiii) searches for and copies of motor vehicle records; (xiv) tolls on ferries; (xv) operator license information and licenses for drivers’ education instructors; (xvi) sales of excess State property; (xvii) emission inspection late fee; (xviii) registration of weighing devices; and (xix) clean air fee.

SOURCE: Office of Policy and Management

LPF Revenue consists of amounts levied for certain permits issued and services provided by the State for transportation purposes, for the right to use certain transportation related State property, and for certain traffic fines levied under numerous statutory sections. The five largest sources of LPF Revenue are: motor vehicle related fines, penalties, or other charges; sale of commercial information; filing and reproduction fees; operator license examination fees; and vehicle inspection fees. Beginning in fiscal year 1985, the Act began crediting to the Special Transportation Fund three other types of LPF Revenue: fees for documents and services provided under Section 14-192(a) of the Connecticut General Statutes; royalty payments for retail sales of gasoline pursuant to Section 13a-80 of the Connecticut General Statutes; and gasoline handling charges which the Department receives from other State agencies for handling motor fuel consumed by State vehicles. All other LPF Revenue was credited to the Special Transportation Fund starting in fiscal year 1986. Commencing on July 1, 1997, pursuant to Sections 13b-61(7) through 13b-61(14) of the Connecticut General Statutes, transportation related revenue such as the sale of commercial information by the DMV and from other user fees and licenses previously deposited in the General Fund has been credited to the Special Transportation Fund as LPF Revenue.

Motor Vehicle Receipts and LPF Revenue received throughout the year as collections are dependent upon transactions, such as car registrations and new license requests.

*Sales Tax – DMV Payments*

Section 13-61b of the Connecticut General Statutes requires that the Commissioner of Motor Vehicles deposit into the Special Transportation Fund funds received by the State from the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft pursuant to Section 12-431 of the Connecticut General Statutes attributable to motor vehicles.

*Highway Use Fee*

Beginning January 1, 2023, Public Act 21-177 (the “Highway Use Fee Act”) imposes a highway use fee (the “Highway Use Fee”) on every “carrier” for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway (i.e., public road) in the State. Under the Highway Use Fee Act, “Carrier” means any person that operates or causes to be operated on any highway in the State any eligible motor vehicle, and “Carrier” does not include the State, any political subdivision of the State, the United States or the federal government. The Highway Use Fee is calculated based on a vehicle’s weight and the number of miles driven in the State. The Highway Use Fee Act establishes per-mile rates that increase based on vehicle gross weight, ranging from (i) 2.5¢ per mile for vehicles weighing 26,000-28,000 pounds to (ii) 17.5¢ per mile for vehicles weighing more than 80,000 pounds. Revenue from the fee is directed to the Special

Transportation Fund. Carriers are required to obtain Highway Use Fee permits from the Department of Revenue Services, and they must file returns and remit the fee to the Department of Revenue Services on a monthly basis. Pursuant to Section 366 of Public Act 23-204, beginning on July 1, 2023, such returns and fees are due on a quarterly basis.

### *Other Revenues*

In addition to the above categories of transportation related revenues, interest earnings also are credited to the Special Transportation Fund. Interest earnings accruing on the funds and accounts created under the Indentures are to be credited to the Special Transportation Fund, with the exception of interest earnings accruing on amounts in the Note Repayment Account. The State expects to invest available amounts credited to the Special Transportation Fund from time to time in the Short Term Investment Fund of the State and other permitted investments. See “Appendix A-Investment and Cash Management.”

Certain operating assistance grants from the FTA were previously credited to the Special Transportation Fund. These FTA operating assistance grants were included in Pledged Revenues and were generally available for payment of debt service. None of the federal grants being received under the CARES Act, the CRRSA Act or the ARP Act will be deposited into the Special Transportation Fund and will not be considered Pledged Revenues. The State plans to utilize these grants as reimbursement against expenditures for public transit operations.

Pursuant to Public Act 09-3 of the June 2009 Special Session, all cash subsidy payments received or collected by the State as the issuer of Taxable Build America Bonds – Direct Pay are credited to the Special Transportation Fund and are then pledged to the payment of all Bonds subject to the lien of the Indentures.

### **Transportation Grants and Restricted Accounts Fund**

Public Act 04-2 created the Transportation Grants and Restricted Accounts Fund to facilitate financial reporting under the State’s then new financial management and human resources computer system called Core-CT. The Grants and Restricted Accounts Fund was created to isolate transportation related activities that are funded through restricted sources of receipts such as federal and private grants and intercepts from general revenue sources. Prior to the implementation of Core-CT these activities were accounted for and reported within the Special Transportation Fund. Because of the operational requirements of Core-CT, separating restricted receipts from other general revenue sources for transportation related activities facilitated financial reporting. The creation of the Transportation Grants and Restricted Accounts Fund was not intended to change the nature of Pledged Revenues within the Special Transportation Fund. It was created to better accommodate the administrative and operational requirements of Core-CT.

### **Expenses of the Special Transportation Fund**

Moneys in the Special Transportation Fund not held by the Trustee or otherwise required to pay principal and interest on the Senior Bonds and interest on the Senior Notes may be used to pay (i) principal on Senior Notes, (ii) amounts required to be deposited with the Trustee under the Second Lien Indenture, (iii) debt service on transportation related general obligation bonds of the State, and (iv) the operating expenses of the Department, including both the annual budgeted expenses of the Department and the portion of the costs of the Infrastructure Program not financed by the Bonds but paid from current operations, and operating expenses of the DMV. See “The Transportation Infrastructure Program” herein. The Special Transportation Fund appropriations included in the budget for the 2023-2024 and 2024-2025 fiscal years are set forth in Appendix B to this Official Statement.

The Special Transportation Fund budget includes unallocated lapses to recognize that not all budget expenditures will be fully expended and will lapse for budget purposes. The unallocated lapse is reduced in a corresponding amount as agency lapses are identified within specific accounts.

### **Accounting Procedures for the Transportation Fund**

Since the inception of the Infrastructure Program, the audited financial statements of the Special Transportation Fund have been prepared in accordance with generally accepted accounting principles (“GAAP”). The Special Transportation Fund utilizes the following basis of accounting for budgetary purposes: the Motor Fuels Tax, Oil Companies Tax and Sales and Use Tax are recorded as revenue under the modified accrual method of accounting; Motor Vehicle Receipts, LPF Revenue, Sales Tax - DMV Payments, Federal Build America Bonds Subsidies and moneys received from FTA grants are recorded as revenue when received by the State; and interest income from investments held by the Trustee is recorded under the accrual method. Prior to fiscal year 2014, expenditures of the Special Transportation Fund were recorded when the obligation was paid and beginning in fiscal year 2014 the budget reported expenditures using GAAP based accrual methodologies.

**TABLE 8**  
**Actual and Projected Revenues, Debt Service and Expenditures of the Special Transportation Fund**  
**(\$ In Millions)**

	Fiscal Year Ending June 30								
	2020 <sup>(a)</sup>	2021 <sup>(a)</sup>	2022 <sup>(a)</sup>	2023 <sup>(a)</sup>	2024 <sup>(b)</sup>	2025 <sup>(c)</sup>	2026 <sup>(c)</sup>	2027 <sup>(c)</sup>	2028 <sup>(c)</sup>
<b>Actual &amp; Projected Revenues</b>									
Motor Fuels Tax <sup>(d)</sup>	478.2	475.2	389.8	262.0	504.5	510.7	502.1	498.4	495.4
Oil Companies Tax <sup>(d)</sup>	230.4	229.1	387.1	383.5	358.6	336.7	336.3	349.4	361.0
Sales and Use Tax <sup>(d)</sup>	400.9	482.9	703.4	837.6	844.4	879.2	902.0	925.4	949.3
Motor Vehicle Receipts <sup>(d)</sup>	241.6	321.4	281.7	254.6	278.8	280.6	282.1	283.4	284.8
LPF Revenue <sup>(d)</sup>	128.7	130.7	126.0	126.4	142.2	133.9	134.9	137.2	138.2
Sales Tax - DMV <sup>(d)</sup>	73.1	117.2	122.1	117.1	115.3	117.8	118.8	120.0	121.0
Highway Use Fee <sup>(d)</sup>	0.0	0.0	0.0	29.3	60.3	60.8	61.7	62.6	63.4
Federal Payments <sup>(d)</sup>	12.3	12.0	10.9	10.3	9.3	8.1	6.9	5.6	4.4
Interest Income <sup>(d)</sup>	21.8	1.9	5.0	71.9	87.2	63.6	42.0	36.5	32.1
Transfers from/(to) Other Funds <sup>(e)</sup>	(35.5)	24.5	(2.8)	(5.5)	32.2	(13.5)	(5.5)	(5.5)	(5.5)
Total Revenues	1,551.5	1,794.9	2,023.1	2,087.0	2,432.8	2,377.9	2,381.3	2,413.0	2,444.1
Refunds	(34.9)	(17.2)	(22.3)	(17.6)	(22.2)	(21.6)	(19.4)	(20.0)	(20.6)
Total Net Revenues	1,516.6	1,777.7	2,000.9	2,069.4	2,410.6	2,356.3	2,361.9	2,393.0	2,423.5
<b>Actual &amp; Projected Debt Service and Expenditures</b>									
Debt Service on the Bonds <sup>(f)</sup>	651.3	664.7	743.7	810.7	863.0	887.4	941.2	1,049.0	1,149.8
DOT Budgeted Expenses <sup>(g)</sup>	697.6	696.4	602.6	643.5	861.0	942.1	1,032.9	1,079.4	1,127.2
DMV Budgeted Expenses	62.3	70.3	64.9	74.4	75.0	70.9	74.0	77.2	80.5
Other Budget Expenses <sup>(h)</sup>	240.5	258.0	315.7	242.0	300.9	300.0	315.4	334.6	339.3
Program Costs Paid from Current Operations	16.7	15.7	117.4	17.5	18.0	18.0	18.5	19.0	19.4
Estimated Unallocated Lapses <sup>(i)</sup>	0.0	0.0	0.0	0.0	0.0	0.0	(12.0)	(12.0)	(12.0)
Total Expenditures	1,668.3	1,705.1	1,844.2	1,788.0	2,117.8	2,218.4	2,370.0	2,547.2	2,704.2
<b>Excess (Deficiency)</b>	(151.7)	72.7	156.6	281.4	292.8	137.9	(8.1)	(154.2)	(280.7)
<b>Cumulative Excess (Deficiency)</b>	168.4	241.1	397.8	679.2	972.0	583.0	574.9	420.7	140.0
Use of Excess to Pay Down Outstanding Debt <sup>(j)</sup>	0.0	0.0	0.0	0.0	(526.9)	0.0	0.0	0.0	0.0
<b>Remaining Cumulative Excess (Deficiency)</b>	168.4	241.1	397.8	679.2	445.1	583.0	574.9	420.7	140.0

SOURCE: Office of Policy and Management and Department of Transportation.

**Note: Figures may not add due to rounding**

- (a) Actual per Comptroller's Annual Reports, presented to conform to budgetary categories.
- (b) Revenues per the Office of the State Comptroller's Letter dated September 30, 2024, reporting on Fiscal Year 2024 Year-end, unaudited.
- (c) Revenues per the November 12, 2024 Consensus Revenue Forecast.
- (d) See "Discussion of Projected Pledged Revenues," footnotes to Table 3, and "Description of Revenue Sources of the Special Transportation Fund" herein.
- (e) Pursuant to C.G.S. Section 14-164m, \$6.5 million will be transferred annually from the Special Transportation Fund to the Emission Enterprise Fund. Section 671 of Public Act 17-2 of the June Special Session reduces the Emission Enterprise Fund transfer to \$5.5 million beginning October 1, 2017. Pursuant to section 371 of Public Act 19-117, a transfer of \$30 million from the Special Transportation Fund occurred in fiscal year 2020 to be used as revenue for the Special Transportation Fund in fiscal year 2021. Of the \$32.2 million transfer in fiscal year 2024, \$37.7 million was recorded as a transfer of interest earnings of the Reserve Account to the Special Transportation Fund, and not as Interest Income.
- (f) These figures represent Principal and Interest Requirements on special tax obligation bonds, and include the Bonds listed in the table under "Debt Service On Outstanding Bonds" excluding Principal and Interest Requirements on refunded Bonds. The figures also reflect the issuance of Additional Bonds with level debt service and a twenty-year final maturity in the principal amount and at the average interest costs for each of the following fiscal years: \$1.0 billion at 5.25% for fiscal year 2025; \$1.3 billion at 5.25% for fiscal year 2026; \$1.4 billion at 5.25% for fiscal year 2027; and \$1.4 billion at 5.25% for fiscal year 2028. Such amounts for Additional Bonds, and the projected Debt Service on the Bonds, reflect adjustments made in projected expenditures funded by the Special Transportation Fund. See "The Department of Transportation-Implementation of and Funding for the Infrastructure Program" herein. Includes budgeted amounts for actual and estimated rebate liability on the Bonds under the Code, as well as ancillary banking and auditing fees. Assumes no issuance of Notes. Also assumes a one-time use of \$526.9 million of the balance of the Special Transportation Fund to redeem before maturity the outstanding 2012 Series A Bonds, the outstanding 2014 Series A and B Bonds, and a portion of the outstanding 2015 Series A Bonds. See "Legislative Changes" and "Redemption or Defeasance of Bonds" herein.
- (g) The major components of the Department's annual budgeted and projected expenses are payments for (i) the rail and bus subsidy; (ii) State highway maintenance costs; (iii) aid to towns for local highway and repair maintenance; and (iv) salaries, data processing and other general administrative costs.
- (h) Represents the cost of fringe benefits, pension costs and salary adjustments for the Department, the DMV and the Department of Energy and Environmental Protection.
- (i) The Special Transportation Fund budget includes amounts for unallocated lapses to recognize that not all budget expenditures will be fully expended and will lapse for budget purposes. The unallocated lapse is reduced by a corresponding amount as agency lapses are identified within specific accounts.
- (j) Amount to be used to redeem Senior Bonds in fiscal year 2025. See "Legislative Changes" and "Redemption or Defeasance of Bonds" herein.

## Debt Service Coverage

Under the Senior Indenture, the State has covenanted to provide Pledged Revenues in each fiscal year equal to at least two times the aggregate Principal and Interest Requirements on Bonds plus Interest Requirements on Notes in such fiscal year. So long as any Second Lien Bonds are outstanding, the State also has covenanted in the Second Lien Indenture to provide Pledged Revenues in each fiscal year equal to at least two times the aggregate Principal and Interest Requirements on all Bonds and Notes in such fiscal year. There are no Second Lien Bonds outstanding. The following table indicates the actual and projected calculation of such coverage tests for all bonds outstanding as of December 5, 2024.

**TABLE 9**  
**Actual and Projected Debt Service Coverage**  
**(\$ In Millions, Where Applicable)**

	Fiscal Year Ending June 30								
	<u>2020<sup>(a)</sup></u>	<u>2021<sup>(a)</sup></u>	<u>2022<sup>(a)</sup></u>	<u>2023<sup>(a)</sup></u>	<u>2024<sup>(b)</sup></u>	<u>2025<sup>(c)</sup></u>	<u>2026<sup>(c)</sup></u>	<u>2027<sup>(c)</sup></u>	<u>2028<sup>(c)</sup></u>
1. Special Transportation Fund Net Revenues	1,516.6	1,777.7	2,000.9	2,069.4	2,410.6	2,356.3	2,361.9	2,393.0	2,423.5
2. Principal and Interest Requirements of the Outstanding Senior Bonds <sup>(d)</sup>	610.8	664.7	743.7	810.7	862.8	818.7	771.5	766.4	752.5
3. Actual and Projected Debt Service Coverage for the Outstanding Senior Bonds <sup>(e)</sup>	2.5x	2.7x	2.7x	2.6x	2.8x	2.9x	3.1x	3.1x	3.2x
4. Projected Principal and Interest Requirements for Additional Senior Bonds <sup>(f)</sup>	-	-	-	-	-	62.8	163.6	276.5	391.2
5. Actual and Projected Aggregate Debt Service Coverage for Outstanding and Projected Senior Bonds <sup>(g)</sup>	2.5x	2.7x	2.7x	2.6x	2.8x	2.7x	2.5x	2.3x	2.1x
6. Principal and Interest Requirements on the Outstanding Second Lien Bonds <sup>(h)</sup>	40.0	-	-	-	-	-	-	-	-
7. Actual and Projected Debt Service Coverage for all Outstanding Senior Bonds and Outstanding Second Lien Bonds <sup>(i)</sup>	2.3x	2.7x	2.7x	2.6x	2.8x	2.7x	2.5x	2.3x	2.1x

For a discussion of the assumptions and enacted tax, fee and charge adjustments underlying these projections, see “Discussion of Projected Pledged Revenues” herein.

(a) Actual per Comptroller’s Annual Reports, presented to conform to budgetary categories.

(b) Revenues per the Office of the State Comptroller’s Letter dated September 30, 2024, reporting on Fiscal Year 2024 Year-end, unaudited.

(c) Revenues per the November 12, 2024 Consensus Revenue Forecast.

(d) Reflects actual Principal and Interest Requirements on the Senior Bonds then outstanding as paid to the Trustee on a one-sixth interest and one-twelfth principal monthly deposit basis. The difference between debt service in this table and in Table 8 is that certain expenses are included in Table 8 for budgetary purposes, but are not “debt service” for coverage purposes. Reflects redemption of the outstanding 2012 Series A Bonds, the outstanding 2014 Series A and B Bonds, and a portion of the outstanding 2015 Series A Bonds. See “Redemption or Defeasance of Bonds” herein.

(e) Line 1 divided by Line 2.

(f) Assumes issuance of Additional Bonds under the Senior Indenture authorized and to be authorized by Public and Special Acts, with level debt service, a twenty year final maturity and in the principal amounts and at the average net interest costs listed below for each of the following fiscal years: \$1.0 billion at 5.25% for fiscal year 2025; \$1.3 billion at 5.25% for fiscal year 2026; \$1.4 billion at 5.25% for fiscal year 2027; and \$1.4 billion at 5.25% for fiscal year 2028. Assumes no issuance of Notes. Such amounts for Additional Bonds, and Projected Principal and Interest Requirements for Additional Senior Lien Bonds, reflect adjustments made in projected expenditures funded by the Special Transportation Fund. Also assumes a one-time use of \$526.9 million of the balance of the Special Transportation Fund to redeem before maturity the outstanding 2012 Series A Bonds, the outstanding 2014 Series A and B Bonds, and a portion of the outstanding 2015 Series A and B Bonds. See “Legislative Changes” and “Redemption or Defeasance of Bonds” herein.

(g) Line 1 divided by the sum of Lines 2 and 4.

(h) Reflects actual Principal and Interest Requirements on the Second Lien Bonds. As of April 7, 2020, there are no Second Lien Bonds outstanding.

(i) Line 1 divided by the sum of Lines 2, 4 and 6.

SOURCE: Office of Policy and Management and Office of the State Treasurer



## **Legislative Changes**

During the 2024 regular legislative session, the General Assembly passed Public Act 24-151 (the “Bond Act”), which provides for special tax obligation bond authorizations for transportation projects of up to \$1,642,372,000 effective in fiscal year 2025. The Bond Act also provides that up to \$10 million of such special tax obligation bonds may be issued for grants for commercial rail freight lines pursuant to Section 13b-236 of the Connecticut General Statutes, while reducing the authorization of general obligation bonds for commercial rail freight lines programs from up to \$27.5 million to up to \$17.5 million. The Bond Act also provides for general obligation bond authorizations for transportation projects of up to \$2.0 million for urban mass transit.

Section 124 of the Bond Act (the “Surplus Legislation”) authorized, with respect to fiscal year 2024, that after all amounts required by provision of law to be transferred from the Special Transportation Fund for appropriations for fiscal year 2025 have been deducted, the portion of the remaining balance of the Special Transportation Fund exceeding 18% is deemed to be appropriated for the redemption, purchase or defeasance of outstanding Bonds.

## **Redemption or Defeasance of Bonds**

Pursuant to the Surplus Legislation, the State will redeem the \$4,070,000 outstanding principal amount of its Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2012 Series A (the “2012A Bonds”), the \$372,765,000 outstanding principal amount of its Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2014 Series A (the “2014A Bonds”), and the \$17,310,000 outstanding principal amount of its Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2014 Series B (the “2014B Bonds” and together with the 2012A Bonds and the 2014A Bonds, the “Subject Bonds”). On November 5, 2024, the State provided notices of full optional redemption to the holders of the Subject Bonds, which notices provide for redemption of such Subject Bonds on December 5, 2024. See Tables 2, 8, and 9 for the projected impact on the Special Transportation Fund.

Pursuant to the Surplus Legislation, during fiscal year 2025, the State expects to defease certain outstanding maturities of its Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2015 Series A in the aggregate principal amount of approximately \$140 million. See Tables 2, 8, and 9 for the projected impact on the Special Transportation Fund.

## THE DEPARTMENT OF TRANSPORTATION

### The State Transportation System

The State's transportation system includes approximately 21,363 miles of public roads (of which approximately 3,896 miles are maintained by the Department); 5,446 state and locally maintained highway bridges; 327 state-owned railroad bridges; 629 route miles of railroad track; Bradley International Airport, which is New England's second largest airport, and five other state-owned airports together with numerous municipally and privately owned airports; New Haven Line rail commuter service between New Haven and New York City and related points, operated by MTA Metro-North Railroad which provides 284 weekday trains; Hartford Line regional rail service between New Haven and Springfield, Massachusetts, operated by TransitAmerica Services and Alternative Concepts (TASI/ACI) and Amtrak which provides 29 weekday trains; Shore Line East rail service between New London and New Haven and on to Stamford, operated by Amtrak which provides 23 weekday trains; and approximately 1,284 publicly-owned buses and paratransit vehicles.

### Organization and Responsibilities

The Department was established in 1969 and replaced the Connecticut Highway Department. The Department, as of October 7, 2024, has 3,281 employees. The Department's major responsibility is to provide transportation services and facilities to State residents.

The Department is headed by the Commissioner of the Department of Transportation (the "Commissioner"), appointed by and directly responsible to the Governor. The Commissioner's office is comprised of 120 employees who perform communications, internal audits, security, legal services, management and legislative services, consultant selection, equal opportunity and diversity, state traffic administration, strategic organizational planning, staff development, information systems management and other related functions of that office.

The Commissioner exercises direct supervision of all Department activities. As head of the Department, the Commissioner acts as the executive officer of the Governor for achieving the Department's purposes and supervising the Department's activities. The Commissioner, in order to promote economy and efficiency, may organize the Department and any agency therein into such divisions, bureaus, or other units as necessary and may, from time to time, abolish, transfer, or consolidate such divisions, bureaus, or other units within the Department. Among other functions, the Commissioner has the power, duty, and responsibility (i) to provide for the planning and construction of capital facilities that may be required for the development and operation of a safe and efficient transportation system, (ii) to study the operations of existing transportation facilities to determine the need for changes in such facilities, (iii) to formulate and implement plans and programs to improve transportation facilities and services, and (iv) to report to the General Assembly on an annual basis regarding such matters.

Garrett Eucalitto was named Commissioner of the Connecticut Department of Transportation by Governor Ned Lamont in January 2023. He had been the Deputy Commissioner of the Department for three years prior to becoming Commissioner. Previously, Commissioner Eucalitto held various positions, serving as Transportation Program Director at the National Governors Association in Washington, DC. In that capacity, Commissioner Eucalitto was responsible for assisting the nation's 55 governors (states, territories, and commonwealths) on advancing their policy objectives in transportation. Prior to that he was Undersecretary for Comprehensive Planning & Intergovernmental Policy at Connecticut's Office of Policy & Management, where he was responsible for researching, evaluating, and developing transportation, environmental, and regional planning initiatives for Governor Dannel Malloy's administration, up until late 2017. During his time in Connecticut, Commissioner Eucalitto served as Chair of the Advisory Commission on Intergovernmental Relations, helped lead the Transit-Oriented Development Interagency Working Group, and served as a member of the State Water Planning Council, the Connecticut Port Authority Board of Directors, and the Governor's Council on Climate Change.

Karen Kitsis was appointed Deputy Commissioner in June 2023. Ms. Kitsis previously was the Deputy Executive Director for the Office of Capital Project Development at Sound Transit in Seattle, Washington. Prior to taking on this role, her previous positions at Sound Transit included serving as South Corridor Development Director, and as Senior Planning and Project Development Manager. While at Sound Transit, Ms. Kitsis was responsible for overseeing the preliminary engineering and project development of commuter rail, light rail, bus, and bus rapid transit projects totaling over \$10 billion across four of Sound Transit's subareas. She managed the system-wide planning process known as ST3, which resulted in a successful \$54 billion ballot measure. Ms. Kitsis also led the long-range planning division with staff conducting alternatives development, multi-modal corridor-level planning studies, environmental analysis, capital project development, and ridership forecasting. Prior to moving to Washington to work at Sound Transit, Ms. Kitsis worked as Transit Development Officer at Hampton Roads Transit, was a planner at Kimley-Horn in Tallahassee, FL, and she started her career at as a Project Manager at Potomac and Rappahannock Transportation Commission in Woodbridge, Virginia. Ms. Kitsis has a master's degree in Urban Planning from UCLA.

Laoise King was also appointed Deputy Commissioner in June 2023. Ms. King previously served as Chief of Staff for the City of Norwalk Mayor Harry W. Rilling since 2016. Ms. King oversaw all administrative functions of the City or Norwalk at the direction of the Mayor. In addition to day-to-day management, she also provided guidance to elected officials on policy and planning and worked closely with the City's State and Federal delegations to achieve the City's legislative agendas and secure funding for municipal projects. Additionally, Ms. King served in various capacities in local government and non-profit sectors. Most recently, she worked as Vice President of Education Initiatives at United Way of Greater New Haven where she was a member of the senior management team and was responsible for designing, overseeing and managing community investments, partnerships and programs related to education. Ms. King served the City of New Haven as Assistant Corporation Counsel, Deputy Chief of Staff to Mayor John DeStefano and finally as Chief of External Affairs for the New Haven Public Schools. Ms. King also advised Mayor DeStefano on public policy matters, implemented Mayor's Office initiatives and assisted the Chief of Staff in day-to-day operations of the City.

The Department is currently composed of five Bureaus, each of which is directed by a Bureau Chief.

#### *Bureau of Highway Operations*

The Bureau of Highway Operations has 1,556 employees and is responsible for the safe operation and maintenance of the State's highway and bridge system, including snow and ice control, and equipment maintenance and repair.

#### *Bureau of Engineering and Construction*

The Bureau of Engineering and Construction has 1,033 employees and is responsible for the implementation of the capital program for all transportation modes. This Bureau is organized into two offices. The Office of Engineering includes all engineering and design functions, including property acquisition and management. The Office of Construction is responsible for oversight of all capital construction projects statewide and includes a construction material testing division.

#### *Bureau of Finance and Administration*

The Bureau of Finance and Administration has 141 employees. This Bureau provides administrative, service, and support functions, which include budget preparation and control, auditing, purchasing, programming and control of the Department's capital program, and external audit. This Bureau provides the administration and oversight of the Infrastructure Program.

#### *Bureau of Policy and Planning*

The Bureau of Policy and Planning has 126 employees and is responsible for coordination of transportation policy, strategic planning, monitoring federal and state laws and regulations, maintaining all transportation statistics and estimates, project planning and environmental analysis for all modes of state transportation supervised by the Department, and systems analysis. This Bureau has primary input in the determination of the major projects to be accomplished under the Infrastructure Program.

#### *Bureau of Public Transportation*

The Bureau of Public Transportation has 137 employees and is comprised of the Office of Rail, the Office of Transit and Ridesharing, the Office of Program Management, and the Office of System Safety. The Bureau is responsible for all public transportation services in the State, either directly through service provider contracts or in collaboration with the thirteen transit districts. Such services include the New Haven Line, the Hartford Line and Shore Line East services; CT*transit* and CT*fastrak* bus services in eight urban areas; express bus services; urban and rural transit district bus services; Americans with Disabilities Act and dial-a-ride paratransit services; and Connecticut River ferry services. These services, along with the transit district services, provide over 81 million passenger trips per year with a total annual state subsidy of more than \$340 million. In addition, regulatory sub-units within the Bureau execute the Commissioner's regulatory responsibilities relating to the operations of 13 private rail carriers and over 1,040 companies providing taxi, livery and bus services in the State.

#### *Former Bureau of Aviation/Connecticut Airport Authority*

In 2011, the General Assembly passed legislation creating the Connecticut Airport Authority (the "CAA"). Public Act 11-84 established the CAA to develop, improve and operate Bradley International Airport and the State's five other General Aviation Airports (Danielson, Groton/New London, Hartford-Brainard, Waterbury-Oxford and Windham airports).

Public Act 11-84 authorized the transfer of airport-related powers, duties and functions from the Department to the CAA, which transfer was effective as of July 1, 2013.

### *Connecticut Port Authority*

Public Act 14-122, as amended by Public Act 15-1, June Special Session, established the Connecticut Port Authority. The purpose of the Connecticut Port Authority is to coordinate the development of the State's ports and harbors. In 2014, the Commissioner transitioned maritime functions to the Connecticut Port Authority. However, the operation and management of the Connecticut River ferries remains under the direction of the Department.

## **Funding for the Infrastructure Program**

The following is a brief description of the components of the Infrastructure Program for fiscal years 2020-2029. The sources of funding for this period of the program are set forth in Table 10 following this section, "Sources of Funding for the Infrastructure Program." Actual annual funding amounts for the Infrastructure Program components can be expected to vary from the projected amounts because a significant portion of the program is dependent upon the availability of federal funds. The Fixing America's Surface Transportation Act (FAST Act), enacted December 4, 2015, provided federal funding for surface transportation programs for federal fiscal years 2018-2022. The federal figures for fiscal years 2023-2027 are based upon the current federal legislation under the Infrastructure Investment and Jobs Act (IIJA). This legislation includes new programs and increased grant opportunities.

### *Interstate*

The Interstate Program provides for the maintenance and enhancement of the State's portion of the nationwide system of interstate highways. The Interstate Program is projected to cost approximately \$1.44 billion of which \$1.25 billion is expected to be paid by federal funds and the remainder, or \$185 million, is expected to be paid by State funds.

### *Intrastate*

The Intrastate Program provides for improvements to the State's primary and secondary roads. The costs of this program are estimated at \$3.73 billion. A portion of the program is eligible for federal funding, which is currently projected at \$2.99 billion. State funds are expected to pay for \$742 million of the Intrastate Program.

### *State Bridges*

The State Bridge Restoration Program includes the cost of rehabilitating, reconstructing, repairing, or replacing the bridges on the State highway system which have been identified as being in poor or fair condition and in need of repair. The State Bridge Restoration Program is estimated to cost \$2.49 billion. The State's share of such costs is estimated to be \$440 million, with the balance of \$2.05 billion to be met from federal funds.

### *Local Bridges*

The State Local Bridge Program assists municipalities throughout the State in undertaking the rehabilitation, restoration, removal, replacement, and reconstruction of local bridges. To finance the local bridge program, the State has legislated a grants-in-aid program that provides an incentive to municipalities to complete repairs to their bridges. The grants-in-aid program provides grants equal to 50% of total project costs in accordance with Public Act 16-151 for projects receiving commitments to fund on or after July 1, 2016. The grants are prioritized based on the physical condition of the bridge. The program has \$20 million available annually.

### *Transit*

The Transit Capital Program provides funds for the capital needs associated with all bus and rail capital projects administered or approved by the Bureau of Public Transportation. The capital investments are programmed to ensure system safety, maintain the transportation infrastructure, and provide system improvements.

The bus portion of the capital program includes ongoing replacement of older buses on a regular schedule, construction of new or rehabilitation of existing bus maintenance and storage facilities, and renovation and improvement of passenger facilities, including *CTfastrak*.

The rail portion of the Transit Capital Program provides for maintenance and upgrade of the Connecticut-owned New Haven line. The program costs reflect the cost sharing requirements in the agreement between the States of New York and Connecticut which resulted from arbitration rulings. The rail program also includes investments in Shore Line East and the Hartford Line. The total Transit Capital Program is estimated to cost \$6.44 billion of which \$2.47 billion is estimated to be supported by federal funds and \$3.97 billion is estimated to be funded from State bond proceeds.

#### *Aviation*

Through fiscal year 2017, the Aviation Capital Program was under the purview of the Department. Beginning in fiscal year 2018, the Department and CAA accounting functions were fully separated. Aviation bonds are no longer administered by the Department.

#### *Resurfacing*

The Resurfacing Program consists of resurfacing and restoring the State highway system. The Department currently anticipates resurfacing approximately 250 two-lane miles of highway per year. Over the period, the cost of the program is estimated to be \$1.43 billion, of which \$1.42 billion is expected to be paid from bond proceeds, \$10.0 million from other Department budget appropriations, and \$0 from federal funds.

#### *Fix-It-First Bridge and Roadway Program*

The State Fix-It-First Bridge and Roadway Program (the “Fix-It-First Program”) includes the cost of rehabilitating and reconstructing the State’s roads and bridges that need immediate repairs. The Fix-It-First Program was created to supplement the federal highways program, providing state funding that is in addition to the amount required as state match to federal funds. It is estimated that the cost of \$2.85 billion for this program will be funded from State bond proceeds to supplement federally participating improvement programs.

#### *Local Transportation Capital Improvement Program (LOTICIP)*

The State Local Transportation Capital Improvement Program provides State funds to urbanized area town governments in lieu of federal funds otherwise available through the federal transportation legislation. This program provides funding for projects in the State and local system, ranging from roadway reconstruction, bridge repairs, intersection improvements, and signalization. This program streamlines the flow of capital funding to local governments. The Department in turn utilizes the federal funds and deals with cumbersome federal procedures and restrictions. The estimated cost of \$742 million for this program will be entirely funded from State bond proceeds.

#### *Let’s Go CT!*

The “Let’s Go CT!” initiative has provided funding for a multi-modal mix of projects across all regions in the State. Public Act 15-1 of the June Special Session implemented the plan with bond authorizations totaling \$2.6 billion. The Department continues to program and expend the remaining funds until they are fully depleted, of which \$305.5 million remains.

#### *Other*

The Infrastructure Program includes the costs of renovating, repairing, and expanding maintenance garages and other administrative facilities of the Department. The Infrastructure Program also provides funding for STP/Urban Systems, Environmental Compliance, Highway Equipment, and Special Projects (Wrong Way Driver Countermeasures / Community Connectivity / Transportation Rural Infrastructure Program (TRIP) / Town Aid Road (TAR)).

Other components of the Infrastructure Program are not financed by proceeds of special tax obligation bonds and include such expenses as bituminous patching, liquid resurfacing, minor bridge repairs, highway maintenance activities, safety activities, and other minor transportation improvements. The State’s costs of these programs are funded from State budget appropriations for the Department.

The following table sets forth the actual and projected sources of funding, including legislative authorizations for Bonds, for various components of the Infrastructure Program over the ten-year period 2020-2029 and includes projections of amounts to be appropriated as current expenses of the Special Transportation Fund for such purposes:

**TABLE 10**  
**Sources of Funding for the Infrastructure Program<sup>(a)</sup>**  
**(\$ In Millions)**

AUTHORIZATIONS	Fiscal Year Ending June 30										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
INTERSTATE											
BONDS	13.0	13.0	13.0	13.0	50.3	15.4	31.3	12.0	12.0	12.0	185.0
FEDERAL	116.0	116.0	126.0	126.0	284.1	138.6	50.9	54.0	120.0	120.0	1,251.6
INTRASTATE											
BONDS	44.0	44.0	63.0	72.0	86.0	88.0	90.0	85.0	85.0	85.0	742.0
FEDERAL	180.0	180.0	280.0	280.0	359.2	415.3	366.5	249.1	340.0	340.0	2,990.1
STATE BRIDGE											
BONDS	33.0	33.0	33.0	33.0	57.5	58.2	70.6	40.6	40.6	40.6	440.1
FEDERAL	132.0	132.0	220.0	220.0	246.2	263.4	340.4	166.8	162.4	162.4	2,045.6
LOCAL BRIDGE											
BONDS	10.0	10.0	10.0	10.0	20.0	20.0	20.0	20.0	20.0	20.0	160.0
TRANSIT											
BONDS	236.0	236.0	248.1	270.8	662.5	721.7	393.4	405.8	398.8	398.8	3,971.9
FEDERAL	195.4	195.4	249.6	254.5	257.3	261.2	265.1	265.1	265.1	265.1	2,473.8
RESURFACING											
BONDS	106.5	106.5	107.5	107.5	125.0	135.0	175.0	185.0	185.0	185.0	1,418.0
APPROPRIATIONS - PAYGO	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0
FIX-IT-FIRST (BRIDGE & ROAD)											
BONDS	185.0	185.0	139.8	219.8	203.6	243.0	379.6	431.6	431.6	431.6	2,850.6
SAFETY - PAYGO											
APPROPRIATIONS	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.0
STP/URBAN SYSTEMS											
BONDS	16.8	16.8	16.8	16.8	22.0	22.0	27.4	27.5	27.5	27.5	221.0
FEDERAL	76.4	76.4	76.4	76.4	94.4	53.0	137.6	182.0	110.0	110.0	992.6
Other <sup>(b)</sup>	0.0	0.0	0.0	0.0	0.0	0.0	7.0	18.0	0.0	0.0	25.0
PAYGO: OTHER ROAD & BRIDGE											
APPROPRIATIONS	13.2	13.2	16.9	16.9	18.0	18.0	17.6	17.6	20.0	20.0	171.4
FEDERAL	41.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	455.0
LOCAL TRANS CAPITAL IMPR PROG (LOTICIP)											
BONDS	67.0	67.0	67.0	67.0	76.0	78.0	80.0	80.0	80.0	80.0	742.0
LET'S GO CT!											
BONDS	214.0	661.0	305.7	202.4	31.8	166.8	95.5	55.0	31.0	21.5	1,784.7
SPECIAL PROJECTS <sup>(c)</sup>											
BONDS	46.0	46.0	49.0	49.0	105.0	105.0	110.0	110.0	110.0	110.0	840.0
OTHER: DOT FACILITIES, ENVIRONMENTAL, EQUIPMENT											
BONDS	19.4	25.1	77.8	58.7	199.8	116.2	205.6	191.7	191.7	191.7	1,277.7
TOTALS											
BONDS	990.7	1,443.4	1,130.7	1,120.0	1,639.5	1,769.3	1,678.4	1,644.2	1,613.2	1,603.7	14,633.0
APPROPRIATIONS	14.6	14.6	18.3	18.3	19.4	19.4	19.0	19.0	21.4	21.4	185.4
FEDERAL	740.8	745.8	998.0	1,002.9	1,287.2	1,177.5	1,206.5	963.0	1,043.5	1,043.5	10,208.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	7.0	18.0	0.0	0.0	25.0
TOTAL	1,746.1	2,203.8	2,147.0	2,141.2	2,946.1	2,966.2	2,910.9	2,644.2	2,678.1	2,668.6	25,052.1

*Note: Figures may not add due to rounding*

- (a) Through fiscal year 2025, all line items captioned “Bonds” refer to legislative bond authorizations, not bond issuances. For fiscal years 2026-2027, the amounts represent the Department's Capital Budget request, with associated projections through 2029. The Fixing America’s Surface Transportation Act (FAST Act) ended September 20, 2021. The Infrastructure Investment and Jobs Act (IIJA) was enacted November 15, 2021 and reauthorized federal highway, safety, transit and rail programs for five years from federal fiscal years 2022 through 2026. See “Implementation of and Funding for the Infrastructure Program” herein.
- (b) This represents local funds.
- (c) Includes Wrong Way Driver Countermeasures, Community Connectivity, Transportation Rural Infrastructure Program (TRIP), and Automated Work Zone Safety (new).

SOURCE: Department of Transportation

The following table sets forth the amount of special tax obligation bond proceeds used and projected to be required to finance capital program project commitments and the annual amount of special tax obligation bonds issued and estimated to be issued each year for Infrastructure Program expenditures and other expenses through fiscal year 2029.

**TABLE 11**  
**Program Project Commitments and Actual and Projected Annual Bond Issuances<sup>(a)</sup>**  
**(\$ In Millions)**

	<u>Fiscal Year Ending June 30</u>											
	<u>1985 - 2019<sup>(b)</sup></u>	<u>2020<sup>(b)</sup></u>	<u>2021<sup>(b)</sup></u>	<u>2022<sup>(b)</sup></u>	<u>2023<sup>(b)</sup></u>	<u>2024<sup>(b)</sup></u>	<u>2025<sup>(b)</sup></u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Total</u>
Program Project Commitments	15,601.6	990.7	1,443.4	1,130.7	1,120.0	1,639.5	1,769.3	1,678.4	1,644.2	1,613.2	1,603.7	30,234.7
Issuance and Reserve Authority	1,018.9	55.0	55.0	60.0	60.0	65.0	0.0	0.0	0.0	0.0	0.0	1,318.9
Actual and Projected Annual Issuances <sup>(c)(d)</sup>	11,470.2	850.0	875.0	500.0	830.0	875.0	1,000.0	1,300.0	1,400.0	1,400.0	1,400.0	21,900.2

(a) Program Project Commitments are required at the beginning of multi-year projects to ensure funds are available to complete construction. Actual and Projected Annual Issuances can occur years later when construction actually occurs.

(b) Actual authorized program commitments and bonds issued.

(c) Actual and projected annual issuances of special tax obligation bonds do not include any special tax obligation bonds which have or may be issued to refund special tax obligation bonds or general obligation bonds of the State issued for transportation purposes.

(d) After 2029, additional special tax obligation bonds in an amount estimated at \$9.6 billion (which is equal to the Total Program Project Commitments of \$30.2 billion plus the Total Issuance and Reserve Authority of \$1.3 billion minus the Total Actual and Projected Annual Issuances of \$21.9 billion) are expected to be issued to pay the balance of the cost of program commitments and fund reserves, if necessary.

SOURCES: Office of Policy and Management and Department of Transportation

The annual projected issuances of special tax obligation bonds for any future fiscal year may vary from amounts expected to be required to fund program project commitments in each fiscal year. This results primarily from estimates of the timing of the Department's capital cash flow needs.

### Financial Controls

The Infrastructure Program is administered by the Department and is subject to the standard control procedures of the State and the Department.

In accordance with recently approved reauthorization legislation, the Department has developed annual projections of federal aid for the next five years for the Infrastructure Program, consistent with other capital programs, and an annual program for implementing the Infrastructure Program in accordance with the availability of State and federal funds.

The primary capital program-related financial control mechanisms utilized by the Department are the implementation of a budget constrained capital plan, monthly project status review meetings to document project cost estimate and scheduling changes, and project cost controls within the State's integrated financial system (Core-CT) to monitor and limit encumbrances and expenditures against available funds.

The following section outlines the manner in which the Department accounts for State and federal funds to ensure the proper disbursement thereof.

#### *State Funds*

Following the allocation of the State's bond funds by the State Bond Commission and approval by the Governor of allotment thereof, individual project budgets are established in CORE-CT. Purchase orders are then prepared by the operational units of the Department for commitments to outside vendors and automatically checked against available project budgets by CORE-CT.

If a project, or a portion of a project, is to be accomplished with Department staff, the staff is required to record the time spent on each project and to fill out requisitions for materials and equipment used on such project. Central controls are in place and are designed to ensure that payments, other than payroll, are not authorized if the requested amount is in excess of that approved for the project.

If the project is to be designed by an outside consultant, the selection process is in accordance with statutory requirements, and the cost is negotiated by the Department. Except in emergencies, construction contracts are awarded using a sealed bid process. To monitor progress and for quality control, the Department inspects and regularly oversees construction activities and is billed monthly by outside contractors for actual work completed. The Department's Office of Finance must approve all outside invoices and verify billed amounts against negotiated or awarded limits to ensure that payments are accurate and appropriate. The Comptroller, after review and upon a warrant to the Treasurer, then disburses the appropriate funds.

### *Federal Funds*

The Department expects to receive approximately \$10.2 billion in federal funds with respect to the 2020-2029 Infrastructure Program projects. The Federal Transportation legislation was recently reauthorized under the Infrastructure Investment and Jobs Act (IIJA) which provides funding for federal fiscal years 2021-2026, continues legacy programs, creates new programs, increases federal funds, and includes robust competitive grant opportunities.

Much of such federal funds are expected to be received from the Federal Highway Administration (the "FHWA"). Based upon the annual apportionment of federal highway funds, the Department submits project grant agreements to FHWA for authorization. The Department may update estimated project budgets during the life of the project, but requested changes must be approved by FHWA. After FHWA approval of an individual project agreement or modification is granted, a federal-aid receivable account is established by the Comptroller. Once the state and federal funds are approved, the project is moved to Open status in CORE-CT. This status enables the expenditures of funds up to the approved project budget amounts. The Department has an extensive cost accounting system for accumulating expenditures by project. The Department bills the FHWA for the federal share of project costs weekly using the State's integrated CORE-CT financial system to aggregate eligible expenses. Within a few days of such billing, reimbursement is received by the Department through an electronic transfer process.

The Department also expects to receive project capital grants for the Infrastructure Program from the Federal Transit Administration ("FTA") and project capital grants for the improvement of the track and infrastructure from New Haven to Springfield from the Federal Railroad Administration ("FRA"). As with FHWA grants, all capital FTA and FRA requests for reimbursement are also processed using CORE-CT to aggregate eligible expenses.

In addition to processing reimbursement requests, the billing system has built-in controls to assure compliance with federal cost limits, participation rates and other federal requirements. The system can also produce various reports, such as listings of all active projects and detailed summaries of expenditures.

The Division of Internal Audits of the Department monitors the billing system to verify the validity of reimbursement requests. A primary purpose of the billing system audits is to maximize federal cost participation by identifying coding errors or other mistakes that misstate reimbursable costs and by ensuring that corrective action is taken.

## **LITIGATION**

The State, its officers and employees are defendants in numerous lawsuits relating to the operations of the Department. The Attorney General's office has reviewed the status of pending lawsuits in which a financial judgment adverse to the State would be payable from the Special Transportation Fund. Any amounts payable from the Fund to meet such financial judgments are subject to the prior lien of the bondholders granted under the Act and the Indentures. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect the financial condition of the Special Transportation Fund, except that in the cases described below under the headings "Eminent Domain Lawsuits" and "Defective Highway Lawsuits" adverse judgments in a number of such cases could, in the aggregate and in certain circumstances, have a significant fiscal impact. The fiscal impact of adverse judgments in the cases described below under the heading "Other Lawsuits" is not determinable at this time but might be significant. The cases described under "Other Lawsuits" generally do not include any individual case where the fiscal impact of an adverse judgment payable from the Special Transportation Fund is expected to be less than \$10 million. The short-term and long-term effects of COVID-19 and resulting potential litigation flowing from COVID-19 are not yet known and difficult to project at this time. See "COVID-19 OUTBREAK" herein.

### **Eminent Domain Lawsuits**

There are 15 eminent domain appeals affecting real estate pending in the State courts. In each case there is the exposure to a monetary award in excess of the State's original condemnation amount. In budgeting and appropriating funds for the respective Department of Transportation projects, the Department takes into account a reasonable exposure value.



## **Defective Highway Lawsuits**

State statutes permit lawsuits against the Commissioner of Transportation for alleged highway defects. The State carries insurance but has a self-insured retention for these matters. For matters falling within the self-insured retention the State hires defense counsel and for matters covered by insurance, defense counsel are retained by the insurance carrier providing coverage.

There are approximately 85 defective highway lawsuits presently pending in State courts. It is not possible to evaluate each individual case to determine if there is a real exposure over and above the insurance policy limits, nor can such an evaluation be made in the aggregate.

## **Other Lawsuits**

The Attorney General's Office is not aware of any pending lawsuits where the fiscal impact of an adverse judgment payable from the Special Transportation Fund is expected to be more than \$10 million.

## **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 has affected travel, commerce and financial markets 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 Coronavirus Aid, Relief, and Economic Stabilization Act (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. In addition, under the CARES Act, the Department received directly from the Federal Transit Administration ("FTA") grants of \$489 million for the support of operational expenses of statewide public transportation, including bus and rail.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2020 (the "CRRSA Act"), which includes \$900 billion in supplemental appropriations for COVID-19 relief, \$14 billion of which was allocated to support the transit industry during the COVID-19 public health emergency, was signed into law. Under the CRRSA Act, the Department received \$330 million of grants from the FTA for the support of operational expenses of statewide public transportation, including bus and rail. In addition, the Department expects to receive \$125 million of grants from the Federal Highway Administration ("FHWA") for surface transportation projects.

On March 11, 2021, the United States Congress enacted the American Rescue Plan Act of 2021 (the "ARP Act") that provides additional relief to individuals, grants to businesses, and support to state and local governments. The State of Connecticut received approximately \$2.8 billion to respond to the impacts of the COVID-19 pandemic. In addition, the FTA provided \$698 million of grants for the support of the operational and capital expenses of the statewide public transportation system, including bus and rail. Sections 306 and 307 of Public Act 21-2 of the June Special Session of the Connecticut General Assembly outline the legislature's approved allocation of the ARP Act funds awarded to the State. All allocations are subject to the United States Treasury's regulations and guidance regarding allowable uses.

The extent to which COVID-19 or other pandemics will continue to impact the State's operations, its financial condition and the Special Transportation Fund will depend on future developments, which are uncertain and cannot be fully predicted with confidence at this time, including the duration of future variant outbreaks or other pandemics, new information which may emerge concerning the severity of COVID-19 and other pandemics, and the actions to contain COVID-19 or other pandemics or treat its impact, among others. The information in this Official Statement reflects current estimates and projections, which consider the impact of the outbreak to the extent practicable. There can be no assurances that future variant outbreaks or other pandemics, and long-term changes to adapt to an endemic COVID-19, will not materially adversely affect the financial condition of the State. See "Discussion of Projected Pledged Revenues" herein.

## DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

### Continuing Disclosure Agreement

The State entered into the Master Continuing Disclosure Agreement on November 1, 2022, and with respect to the 2024 Bonds, will enter into the Undertaking Certificate, substantially in the form attached as Appendix F to this Official Statement (the “Continuing Disclosure Agreement”), to provide or cause to be provided, in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the “Rule”), (i) certain annual financial information and operating data, (ii) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events, and (iii) timely notice of a failure by the State to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The Underwriters’ obligation to purchase the 2024 Bonds shall be conditioned upon their receiving, at or prior to the delivery of such bonds, an executed copy of the Continuing Disclosure Agreement.

Under the Rule, the State must undertake to provide the required annual financial information and operating data commencing with its fiscal year ending June 30, 2025.

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State, except for a failure to make a timely provision to the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board (the “MSRB”) by February 29, 2024 of its audited financial statements comprising its basic financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the fiscal year ending June 30, 2023 as required under the State’s various continuing disclosure agreements. The State filed a timely notice of this failure. Thereafter, the State filed with the MSRB such audited financial statements and operating results after they became available. Prior to February 29, 2024, the State filed the other annual financial information and operating data required under the State’s various continuing disclosure agreements with the MSRB. The division within the Office of the State Comptroller that prepares financial statements experienced employee retirements and turnover in Fiscal Year 2023, some of them in key roles, and did not maintain a formal task schedule with targeted completion dates to allow supervisors to monitor delays and provide timely assistance. The division has addressed its staffing issues through hiring experienced staff to fill key roles and providing relevant training. In addition, the Office of the State Comptroller was in the process of implementing financial reporting software that did not progress as effectively as expected. The division has completed the implementation of the new reporting software and anticipates a time savings during the next reporting cycle.

In addition, the State has determined it did not timely file an event notice for the incurrence of a financial obligation in connection with the Connecticut Higher Education Supplemental Loan Authority State Supported Revenue Bonds (CHESLA Loan Program) 2020 Series B-AMT and State Supported Revenue Refunding Bonds (CHESLA Loan Program) 2020 Series C NON-AMT in June 2020. The State promptly filed such notice after discovering the omission. In making this disclosure, the State has not concluded and does not admit that this omission is a material failure to comply with its continuing disclosure obligations. The State has modified its disclosure practices to prevent such failure in the future.

Certain prior annual reports of the State and other required reports are available from EMMA or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digit) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The State has entered into continuing disclosure agreements requiring filings to be made with respect to thousands of CUSIP numbers. Most filings by the State through EMMA, such as annual reports, are made using the base 6-digit CUSIP numbers. Although the State endeavors through this process to link each report filed through EMMA to the correct CUSIP number (including those assigned without its knowledge), there can be no guarantee of complete accuracy in this process, given the large number of 9-digit CUSIP numbers assigned to the State’s obligations. The State does not believe an inaccuracy resulting from such CUSIP process is a material failure to comply with its continuing disclosure obligations.

### Absence of Litigation

Upon delivery of the 2024 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the Expected Date of Delivery of the 2024 Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened seeking to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 2024 Bonds, or the levy or collection of the Pledged Revenues or other receipts, funds or moneys pledged for the security of the 2024 Bonds under the Act, the Public and Special Acts and the Senior Indenture, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2024 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the

application of moneys to the payment of the 2024 Bonds. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could materially adversely affect the power of the State to levy, collect and enforce the collection of the Pledged Revenues and other receipts, funds or moneys pledged for the security of the 2024 Bonds under the Act, the Public and Special Acts and the Senior Indenture which has not been disclosed in this Official Statement.

### **Certain Legal Matters**

Legal matters related to the authorization, issuance and delivery of the 2024 Bonds are subject to the approval of Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel. The opinions of Bond Counsel and Co-Bond Counsel will be delivered in substantially the form included in this Official Statement as Appendix E. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut, and Law Offices of Joseph C. Reid, P.A., New York, New York.

### **Certificate of State Officials**

The purchasers of the 2024 Bonds shall receive a certificate, dated the Expected Date of Delivery of the 2024 Bonds, of the State Treasurer, the Secretary of the Office of Policy and Management and the Commissioner of the Department of Transportation, or their duly authorized deputies, stating that the Official Statement, as of its date, and as of the date of the certificate, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that there has been no material adverse change (not in the ordinary course of the operations of the State) in the financial condition of the State from that set forth in or contemplated by the Official Statement.

## **LEGALITY FOR INVESTMENT**

The Act provides that the Bonds shall be legal investments for funds in the hands of all public officers and public bodies of the State and its political subdivisions, all insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit-sharing and retirement funds in the State. Such Bonds may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is now, or may hereafter be, authorized by law.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

American Municipal Tax Exempt Compliance Corporation d/b/a AMTEC of Avon, Connecticut (the “Verification Agent”), will deliver to the State and the Underwriters on or before the date of delivery of the 2024 Series B Bonds its verification report indicating that it has verified the mathematical accuracy of certain computations of the Redemption Price of the Refunded Bonds. The verification report will state that the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to delivery of the 2024 Bonds in order that interest on the 2024 Bonds be excludable from gross income of the owners thereof for federal income tax purposes. Failure to comply with such continuing requirements may cause interest on the 2024 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which noncompliance occurs.

The Tax Regulatory Agreement of the State which will be delivered concurrently with the delivery of the 2024 Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to Section 13b-76 of the Connecticut General Statutes, the State agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that interest on the 2024 Bonds shall be excludable from the gross income of the owners thereof for federal income tax purposes under the Code.

In the opinions of Bond Counsel and Co-Bond Counsel, under existing law, interest on the 2024 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not treated as a preference item for purposes of computing the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations.

In rendering the foregoing opinions, Bond Counsel and Co-Bond Counsel have assumed compliance by the State with the Tax Regulatory Agreement for the 2024 Bonds. For other federal tax information with respect to the 2024 Bonds, see “Original Issue Discount,” “Original Issue Premium” and “Certain Additional Tax Information” below under this “Tax Exemption” section.

Further, in the opinions of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2024 Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of 2024 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2024 Bonds and the disposition of 2024 Bonds. Notwithstanding any past covenants of the State relating to the exclusion of interest on any previously issued special tax obligation bonds from gross income for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes, Public Act 95-2 specifically requires the inclusion of interest on any State obligation, including the 2024 Bonds, in gross income for purposes of the Corporation Business Tax.

### **Original Issue Discount**

With respect to any of the 2024 Bonds where the initial public offering price of such 2024 Bonds is less than the amount payable on those 2024 Bonds at maturity (the “Discount Bonds”), the difference between the initial public offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Discount Bonds of any maturity are sold and the amount payable on such Discount Bonds at maturity constitutes original issue discount. Accrued original issue discount is excludable from gross income for federal income tax purposes if interest on the Discount Bonds is excluded therefrom. Accrued original issue discount on a Discount Bond is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Discount Bond during each day it is owned is added to the adjusted basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such Discount Bonds by such owner. Original issue discount on any Discount Bond is treated as accruing on the basis of economic accrual, computed by a constant semiannual compounding method using the yield to maturity on such Discount Bond, and the adjusted basis of such Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. Owners of the Discount Bonds are advised to consult with their tax advisors with respect to the federal, state and local tax consequences of owning the Discount Bonds.

### **Original Issue Premium**

With respect to any of the 2024 Bonds where the initial public offering price of such 2024 Bonds is greater than the amount payable on those 2024 Bonds at maturity (the “Premium Bonds”), the excess of the price paid by the first owner of a Premium Bond over the principal amount payable at the maturity or the earlier call date, if any, of such Premium Bond constitutes original issue premium. Original issue premium on any Premium Bond is treated as amortizing on the basis of the taxpayer’s yield to maturity using the taxpayer’s adjusted basis and a constant semiannual compounding method. The portion of such premium amortizing over the period the Premium Bond is held by the owner does not reduce taxable income for purposes of either the federal income tax or the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax, but it does reduce the owner’s adjusted basis in the Premium Bond for purposes of determining gain or loss on its disposition. Owners of Premium Bonds are advised to consult with their tax advisors with respect to the federal, state and local tax consequences of owning the Premium Bonds.

### **Certain Additional Tax Information**

The following is a brief discussion of certain federal income tax matters under existing statutes and Bond Counsel and Co-Bond Counsel express no opinion thereon. It does not purport to deal with all aspects of federal taxation that may be relevant to particular Beneficial Owners. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2024 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Ownership of the 2024 Bonds may result in collateral federal income tax consequences to various categories of persons such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals

otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers of the 2024 Bonds should consult their tax advisors regarding the applicability of such consequences.

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2024 Bonds, gain from the sale or other disposition of the 2024 Bonds, the market value of the 2024 Bonds, or the marketability of the 2024 Bonds, or otherwise prevent the owners of the 2024 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. From time to time there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to herein, or adversely affect the market price for, or marketability of, the 2024 Bonds. No assurance can be given with respect to the impact of future legislation on the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax and financial advisors regarding such matters. Bond Counsel and Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

The opinions of Bond Counsel and Co-Bond Counsel are rendered as of their date and Bond Counsel and Co-Bond Counsel assume no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention or any changes in law or the interpretation thereof that may occur after the date of their opinions. Bond Counsel and Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance of the 2024 Bonds may affect the tax status of interest on the 2024 Bonds. No assurance can be given that future legislation, or proposed amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the 2024 Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

Bond Counsel and Co-Bond Counsel express no opinion regarding any state or federal tax consequences of ownership or disposition of the 2024 Bonds not specifically stated herein.

The discussion above does not purport to address all aspects of federal, state or local taxation that may be relevant to a particular owner of the 2024 Bonds. Prospective owners of the 2024 Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state and local tax consequences of owning and disposing of the 2024 Bonds.

## **RATINGS**

With respect to the 2024 Bonds, municipal bond ratings have been assigned by Moody's Investors Service ("Moody's") of "Aa3," by S&P Global Ratings ("S&P") of "AA," by Fitch Ratings ("Fitch") of "AA-" and by Kroll Bond Rating Agency ("Kroll") of "AAA." Each such rating reflects only the views of the respective rating agency, and an explanation of the significance of such rating should be obtained from such rating agency, at the following addresses: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, S&P Global Ratings, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004; and Kroll Bond Rating Agency, 845 3rd Avenue, New York, New York 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The above ratings are not recommendations to buy, sell or hold the 2024 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

## **MUNICIPAL ADVISORS**

The State has appointed Estrada Hinojosa & Company, Inc. and PFM Financial Advisors LLC to serve as co-municipal advisors to assist it in the issuance of the 2024 Bonds.

## UNDERWRITING

The Underwriters have agreed to purchase the 2024 Bonds at a purchase price of \$ \_\_\_\_\_ which is the sum of the purchase price of the 2024 Bonds (representing the principal amount of the 2024 Bonds [plus net original issue premium of \$ \_\_\_\_\_ or less aggregate discount of \$ \_\_\_\_\_] and less the underwriters' discount of \$ \_\_\_\_\_). The 2024 Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2024 Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the State as Underwriters) for the distribution of the 2024 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

## MISCELLANEOUS

The State has furnished the information in this Official Statement.

Information with respect to the Infrastructure Program may be obtained from Garrett Eucalitto, Commissioner of the Department of Transportation of the State of Connecticut, located at 2800 Berlin Turnpike, Newington, Connecticut 06111, (860) 594-3000. Copies of the Indentures and information with respect to the Bonds may be obtained upon request from the Office of the State Treasurer, Attention: Kimberly W. Mooers, Assistant Treasurer for Debt Management, 165 Capitol Avenue, Hartford, Connecticut 06106, (860) 702-3288.

This Official Statement is submitted in connection with the sale of the 2024 Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the State and duly executed and delivered on its behalf by the officials signing below. CliftonLarsonAllen LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix C to this Official Statement, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this Official Statement.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the State are fully set forth in the Indentures in accordance with the Act and this Official Statement is not to be construed as a contract or agreement between the State and the purchasers or owners of any of the 2024 Bonds.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Hon. Erick Russell  
Treasurer of the  
State of Connecticut

By: \_\_\_\_\_  
Hon. Jeffrey R. Beckham  
Secretary of the  
Office of Policy and Management

By: \_\_\_\_\_  
Hon. Garrett Eucalitto  
Commissioner of the  
Department of Transportation

Dated at Hartford, Connecticut  
This \_\_\_ day of December, 2024

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**STATE OF CONNECTICUT**

There follows in this **Appendix A** a brief description of the State of Connecticut (the “State” or “Connecticut”), together with certain information concerning its governmental organization, its economy and a description of certain State financial procedures. The description and information were compiled February 15, 2024 and have not been updated except in limited respects.

**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.

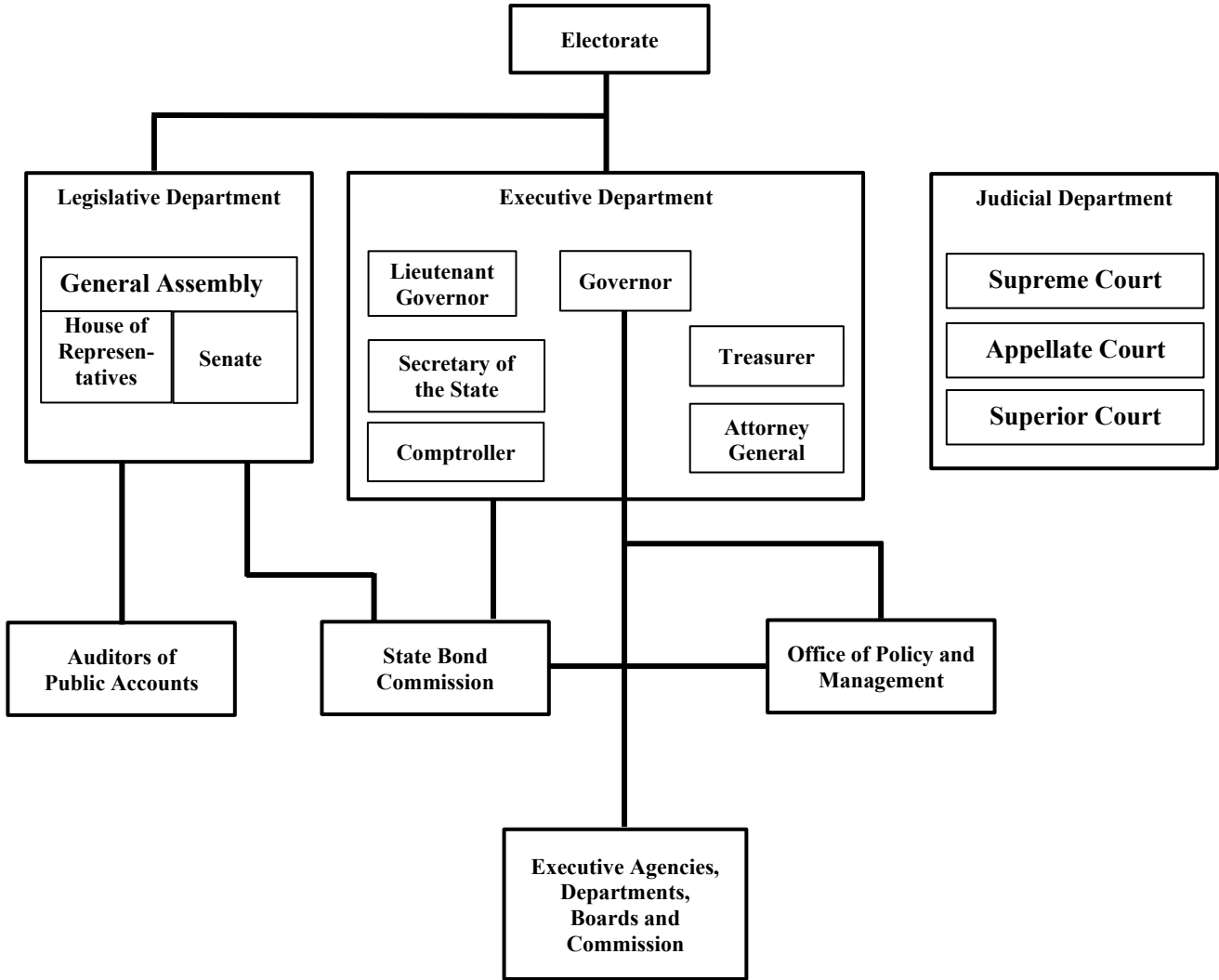
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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<sup>(a)</sup>**  
**By Function of Government**

<u>Function Headings<sup>(b)</sup></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>
<b>Total.....</b>	<b>49,275</b>	<b>49,904</b>	<b>49,039</b>	<b>49,087</b>	<b>48,343</b>

(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<sup>(a)(b)</sup>**  
**By Function of Government and Fund Categories**

<u>Function Headings</u>	<u>General Fund</u>	<u>Special Transportation Fund</u>	<u>Other Appropriated Funds</u>	<u>Special Funds – Non-Appropriated</u>	<u>Federal Funds</u>	<u>TOTALS</u>
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
<b>Total</b>	<b>28,859</b>	<b>3,616</b>	<b>529</b>	<b>12,530</b>	<b>2,809</b>	<b>48,343</b>

(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**

<b><u>Bargaining Unit/Status Group</u></b>	<b><u>Percentage of State</u></b>	<b><u>Contract Status, if any</u></b>
<b><u>Covered by Collective Bargaining</u></b>	<b><u>Employees Represented<sup>(a)</sup></u></b>	
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
UCHC – Faculty	0.09	Contract in place through 6/30/2025
UCHC – Faculty AAUP	0.94	Contract in place through 6/30/2025
UCHC 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
<b>Total Covered by Collective Bargaining</b>	<b>90.84%</b>	
<b><u>Not Covered by Collective Bargaining</u></b>		
Auditors of Public Accounts	0.24	Not Applicable
Other Employees	8.92	Not Applicable
<b>Total Not Covered by Collective Bargaining</b>	<b>9.16%</b>	
<b>Total Full-Time Work Force</b>	<b>100.00%</b>	<b>Contract in place through 6/30/2025</b>

(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<sup>(a)(b)</sup>

#### **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.

## 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 A-6**  
**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 2023 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 *CTtransit* bus services in 8 urbanized areas and *CTfastrak* 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 4<sup>th</sup> 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 46<sup>th</sup> 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 A-7**

**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 A-8**

**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 A-9**  
**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 A-10**  
**Gross State Product**  
**(In Millions)**

<u>Calendar Year</u>	<u>Connecticut</u>		<u>New England<sup>(a)</sup></u>		<u>United States<sup>(b)</sup></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 A-11**

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 A-12**

**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>
<b>Sector</b>								
Manufacturing	\$ 29,561	\$ 27,312	\$ 28,691	\$ 31,694	\$ 33,026	\$ 31,452	\$ 33,356	\$ 37,656
Construction <sup>(a)</sup>	7,513	7,801	7,711	7,873	8,243	7,565	8,353	8,728
Agriculture <sup>(b)</sup>	414	352	384	363	395	337	395	558
Utilities <sup>(c)</sup>	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 <sup>(d)</sup>	71,222	75,772	80,926	81,390	79,642	78,514	80,626	85,138
Services <sup>(e)</sup>	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 A-13**

**Non-agricultural Employment<sup>(a)</sup>  
(In Thousands)**

<b>Calendar Year</b>	<b>Connecticut</b>		<b>New England<sup>(a)</sup></b>		<b>United States<sup>(b)</sup></b>	
	<b>Employment</b>	<b>Percent Growth</b>	<b>Employment</b>	<b>Percent Growth</b>	<b>Employment</b>	<b>Percent Growth</b>
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 A-13a**

**Connecticut Survey Employment Comparisons  
(In Thousands)**

<b>Calendar Year</b>	<b>Establishment Employment</b>	<b>Percent Growth</b>	<b>Residential Employment</b>	<b>Percent Growth</b>
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 A-14**  
**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 <sup>(a)</sup>	774.7	46.5	69,091.4	45.3
Trade <sup>(b)</sup>	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 <sup>(c)</sup>	118.2	7.1	9,042.7	5.9
Information <sup>(d)</sup>	31.2	1.9	3,073.0	2.0
Construction <sup>(e)</sup>	<u>60.9</u>	<u>3.7</u>	<u>7,749.3</u>	<u>5.1</u>
Total <sup>(f)</sup>	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 A-15

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

<b>Calendar Year</b>	<b>Manufacturing</b>	<b>Trade<sup>(a)</sup></b>	<b>Services<sup>(b)</sup></b>	<b>Government</b>	<b>Finance<sup>(c)</sup></b>	<b>Information<sup>(d)</sup></b>	<b>Construction<sup>(e)</sup></b>	<b>Total Non- agricultural Employment<sup>(f)</sup></b>
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 22<sup>nd</sup> 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 A-16**

**Manufacturing Employment  
(In Thousands)**

<b>Calendar Year</b>	<b>Connecticut</b>		<b>New England<sup>(a)</sup></b>		<b>United States<sup>(b)</sup></b>	
	<b>Number</b>	<b>Percent Growth</b>	<b>Number</b>	<b>Percent Growth</b>	<b>Number</b>	<b>Percent Growth</b>
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 A-17**

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

<b>Calendar Year</b>	<b>Transportation Equipment</b>	<b>Fabricated Metals</b>	<b>Computer &amp; Electronics</b>	<b>Machinery</b>	<b>Other<sup>(a)</sup></b>	<b>Total Manufacturing Employment<sup>(b)</sup></b>
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 A-18**

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

	<u>Calendar Year</u>					<u>Percent of 2022 Total</u>	<u>Compound Annual Growth Rate 2018-2022</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		
<b>A. Manufacturing Products</b>							
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>
<b>Total</b>	\$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>B. Gross State Product<sup>(a)</sup></b>	\$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 5<sup>th</sup> in total defense dollars awarded and 1<sup>st</sup> 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 A-19**

**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 <sup>th</sup>	(21.3)%	(5.0)%
2014	13,207	4 <sup>th</sup>	31.7	5.3
2015	12,147	5 <sup>th</sup>	(8.0)	(1.7)
2016	14,132	4 <sup>th</sup>	16.3	11.6
2017	11,647	7 <sup>th</sup>	(17.6)	(4.0)
2018	14,696	6 <sup>th</sup>	26.2	6.7
2019	18,358	5 <sup>th</sup>	24.9	10.4
2020	22,356	4 <sup>th</sup>	21.8	24.0
2021	16,966	4 <sup>th</sup>	(24.1)	(30.1)
2022	17,262	5 <sup>th</sup>	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 A-20**

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

<b>Calendar Year</b>	<b>Connecticut</b>		<b>New England</b>		<b>United States</b>	
	<b>Number</b>	<b>Percent Growth</b>	<b>Number</b>	<b>Percent Growth</b>	<b>Number</b>	<b>Percent Growth</b>
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 A-21**

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

<b>Industry</b>	<b>Calendar Year 2013</b>	<b>Calendar Year 2021</b>	<b>Calendar Year 2022</b>	<b>Percent Change 2021-2022</b>	<b>Percent Change 2013-2022</b>
Construction <sup>(a)</sup>	54.0	59.9	61.4	2.4%	13.6%
Information	32.1	30.1	31.2	3.7	(2.8)
Trade <sup>(b)</sup>	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 <sup>(c)</sup>	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 <sup>(d)</sup>	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 A-22**

**Retail Trade In Connecticut<sup>(a)</sup>  
(In Millions)**

<u>NAICS</u>	<u>Fiscal Year 2018</u>	<u>Percent Of Fiscal Year 2018 Total</u>	<u>Fiscal Year 2019</u>	<u>Percent Of Fiscal Year 2019 Total</u>	<u>Fiscal Year 2020</u>	<u>Percent Of Fiscal Year 2020 Total</u>	<u>Fiscal Year 2021</u>	<u>Percent Of Fiscal Year 2021 Total</u>	<u>Fiscal Year 2022</u>	<u>Percent Of Fiscal Year 2022 Total</u>	<u>Compound Annual Growth Rate 2018-2022</u>
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 <sup>(b)</sup>	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>
<b>Total<sup>(a)</sup></b>	\$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 A-23**

### Unemployment Rate

<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

On a preliminary basis, Connecticut's unemployment rate was estimated at 3.6% for July 2024 compared to a national average of 4.3%. No assurances can be provided that such rates will not change.

## 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:

<b>Budget Discipline</b>	<b><i>Balanced Budget Requirement</i></b>	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.
<b>Financial Controls</b>	<b><i>Spending Cap</i></b>	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.
<b>Budget Discipline</b>	<b><i>Biennial Budget</i></b>	The budget covers a two year period and the power to propose, enact and implement such budget rests with the Governor and General Assembly.
<b>Budget Discipline</b>	<b><i>Line Item Veto</i></b>	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.
<b>Financial Controls</b>	<b><i>Debt Limit</i></b>	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.
<b>Forecasting and Monitoring</b>	<b><i>Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools</i></b>	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.
<b>Financial Controls</b>	<b><i>Rescission Authority and Deficit Mitigation</i></b>	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.
<b>Budget Discipline</b>	<b><i>Budget Reserve Fund</i></b>	There exists both a constitutional and a statutory regime for funding the Budget Reserve Fund.
<b>Financial Controls</b>	<b><i>GAAP Based Budgeting</i></b>	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.
<b>Budget Discipline</b>	<b><i>Bond Covenant</i></b>	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.

**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 four fiscal years and application:

<b>Budget Reserve Fund</b>				
<b>(In Millions)</b>				
	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2024</b>
				<b>(Unaudited)</b>
Budget Reserve Fund Beginning Balance	\$ 3,012.9	\$ 3,112.0	\$ 3,313.4	\$ 3,315.8
Plus Surplus	475.9	1,261.3	555.3	400.9
Plus Volatility Cap	<u>1,241.5</u>	<u>3,047.5</u>	<u>1,321.8</u>	<u>1,321.3</u>
Total	\$ 4,730.3	\$ 7,420.8	\$ 5,190.5	\$ 5,038.0
Budget Reserve Fund Statutory Cap	\$ 3,112.0	\$ 3,313.4	\$ 3,315.8	\$ 4,105.1
Excess to Pension Funds (State Employees' Retirement Fund/Teachers' Retirement Fund)	(1,618.3)	(4,107.4)	(1,874.7)	(933.0)
BRF Net Increase / (Decrease)	\$ 99.1	\$ 201.4	\$ 2.4	\$ 789.3
BRF Balance as a % of Ensuing Fiscal Year Appropriations	15.0%	15.0%	15.0%	18.0%
Application of Excess Budget Reserve Fund:				
State Employees' Retirement Fund	\$ 714.7	\$ 3,203.8	\$ 1,046.7	\$ 513.9
Teachers' Retirement System	<u>903.6</u>	<u>903.6</u>	<u>828.0</u>	<u>419.1</u>
Total	\$ 1,618.3	\$ 4,107.4	\$ 1,874.7	\$ 933.0

**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.



## 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 (“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.

**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 2024 averaged \$10.5 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.

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**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.

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

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

<sup>2</sup> 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.

<sup>3</sup> Global Equity comprised of Domestic Equity Fund, Developed Markets International Stock Fund and Emerging Markets International Stock Fund.

<sup>4</sup> Private Equity refers to the Private Investment Fund.

**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.

## 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 resiliency.

***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.

## OTHER MATTERS

### 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.

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BUDGET APPROPRIATIONS OF THE STATE SPECIAL TRANSPORTATION FUND FOR  
FISCAL YEARS 2023-2024 AND 2024-2025

APPROPRIATIONS	2023-2024	2024-2025
<b>I. DEPARTMENT OF TRANSPORTATION</b>		
A. Personal Services	228,130,866	231,453,386
B. Other Expenses	57,528,900	57,534,586
C. Equipment	1,376,329	1,376,329
D. Minor Capital Projects	449,639	449,639
E. Highway Planning and Research	3,060,131	3,060,131
F. Rail Operations	232,295,358	284,183,528
G. Bus Operations	253,013,487	261,931,227
H. ADA Para-Transit Program	40,449,564	40,449,564
I. Non-ADA Dial-A-Ride Program	576,361	576,361
J. Pay-As-You-Go Transportation Projects	17,972,797	18,028,794
K. Port Authority	400,000	400,000
L. Transportation Asset Management	3,000,000	3,000,000
M. Transportation to Work	2,370,629	2,370,629
N. Town Aid Road Grants - TF	60,000,000	60,000,000
<b>AGENCY TOTAL TRANSPORTATION FUND</b>	<b>900,624,061</b>	<b>964,814,174</b>
<b>II. MOTOR VEHICLE DEPARTMENT</b>		
A. Personal Services	56,937,597	57,600,854
B. Other Expenses	18,881,902	18,957,262
C. Equipment	468,756	468,756
D. Commercial Vehicle Information Systems and Networks Project	324,676	324,676
<b>AGENCY TOTAL</b>	<b>76,612,931</b>	<b>77,351,548</b>
<b>III. GENERAL GOVERNMENT</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
A. Personal Services	730,483	740,945
<b>Agency Total</b>	<b>730,483</b>	<b>740,945</b>
<b>DEPARTMENT OF ADMINISTRATIVE SERVICES</b>		
A. Personal Services	3,042,478	3,090,648
B. State Insurance and Risk Mgmt Operations	13,736,781	14,626,561
C. IT Services	953,999	953,999
<b>Agency Total</b>	<b>17,733,258</b>	<b>18,671,208</b>
<b>IV. CONSERVATION AND DEVELOPMENT</b>		
<b>DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION</b>		
A. Personal Services	3,595,046	3,627,535
B. Other Expenses	708,490	715,006
<b>TOTAL CONSERVATION AND DEVELOPMENT</b>	<b>4,303,536</b>	<b>4,342,541</b>
<b>V. NON-FUNCTIONAL</b>		
<b>DEBT SERVICE - STATE TREASURER</b>		
Debt Service - State Treasurer	887,510,468	951,115,534
<b>RESERVE FOR SALARY ADJUSTMENT</b>		
Reserve for Salary Adjustment	634,300	7,736,356
<b>DEPARTMENT OF ADMINISTRATIVE SERVICES</b>		
Worker's Compensation Claims	6,723,297	6,723,297
<b>APPROPRIATIONS ADMINISTERED BY THE COMPTROLLER</b>		
Unemployment Compensation	360,000	360,000
<b>INSURANCE - GROUP LIFE</b>		
Other Expenses	408,000	414,000
<b>EMPLOYERS SOCIAL SECURITY TAX</b>		
Other Expenses	18,808,470	19,025,570
<b>STATE EMPLOYEES HEALTH SERVICE COST</b>		
Other Expenses	64,773,000	71,541,000
<b>OTHER POST EMPLOYMENT BENEFITS</b>		
Other Expenses	2,973,119	2,989,257
<b>SERS DEFINED CONTRIBUTION MATCH</b>		
Other Expenses	1,245,804	1,538,880
<b>STATE EMPLOYEES RETIREMENT CONTRIBUTIONS - Normal Cost</b>		
Other Expenses	20,485,465	21,096,029
<b>STATE EMPLOYEES RETIREMENT CONTRIBUTIONS - UAL</b>		
Other Expenses	155,690,019	146,129,193
<b>OTHER</b>		
Non-functional - Change to Accruals	784,314	3,800,359
<b>TOTAL NON-FUNCTIONAL</b>	<b>1,160,396,256</b>	<b>1,232,469,475</b>
<b>TOTAL - Special Transportation Fund</b>	<b>2,160,400,525</b>	<b>2,298,389,891</b>
Less: Estimated Lapse	(12,000,000)	(12,000,000)
<b>NET - SPECIAL TRANSPORTATION FUND</b>	<b>2,148,400,525</b>	<b>2,286,389,891</b>

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**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2024**



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**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND  
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## INDEPENDENT AUDITORS' REPORT

Honorable Edward M. Lamont, Jr.,  
Governor of the State of Connecticut  
State of Connecticut Special Transportation Fund  
Hartford, Connecticut

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of each major fund of the Special Transportation Fund (the Fund) of the State of Connecticut (the State), as of and for the year ended June 30, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Fund, as of June 30, 2024, and the respective changes in financial position, and the budgetary comparison for the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Fund 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.

#### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Special Transportation Fund of the State of Connecticut, and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2024, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 accounting principles generally accepted in the United States of America, 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.

***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 GAAS 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 GAAS, 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 Fund'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.

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.

Honorable Edward M. Lamont, Jr.,  
Governor of the State of Connecticut  
State of Connecticut Special Transportation Fund

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
October 25, 2024

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024  
(IN THOUSANDS)**

<b>ASSETS</b>	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
Cash and Cash Equivalents	\$ 869,197	\$ 2,049	\$ 49,400	\$ 920,646
Restricted Investments Held By Trustee	-	1,368,157	-	1,368,157
Receivables:				
Taxes, Net of Allowance for Doubtful Accounts of \$21 for the Special Revenue Fund	288,427	-	-	288,427
Accounts, Net of Allowance for Doubtful Accounts of \$33,981 and \$111 for the Special Revenue Fund and Restricted Grants Fund, Respectively	43,879	-	5,912	49,791
PPP Installment Receivable	45,693	-	-	45,693
Interest	1,221	7,225	-	8,446
Restricted Federal Grants	-	-	196,788	196,788
Due From Other Funds of the State	7,225	-	-	7,225
Material and Supplies	36,381	-	-	36,381
	<u>1,292,023</u>	<u>1,377,431</u>	<u>252,100</u>	<u>2,921,554</u>
<b>Total Assets</b>	<b>\$ 1,292,023</b>	<b>\$ 1,377,431</b>	<b>\$ 252,100</b>	<b>\$ 2,921,554</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 21,278	\$ -	\$ 108,584	\$ 129,862
Wages and Benefits Payable	11,622	-	2,324	13,946
Due to Other Funds of the State	-	7,225	213	7,438
<b>Total Liabilities</b>	<u>32,900</u>	<u>7,225</u>	<u>111,121</u>	<u>151,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Receivables to be Collected in Future Periods	40,969	-	2,564	43,533
Deferred Amounts Related to PPPs	42,109	-	-	42,109
<b>Total Deferred Inflows of Resources</b>	<u>83,078</u>	<u>-</u>	<u>2,564</u>	<u>85,642</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Material and Supplies	36,381	-	-	36,381
Restricted For:				
Transportation Programs	1,139,664	-	-	1,139,664
Debt Service	-	1,370,206	-	1,370,206
Federal Programs	-	-	138,415	138,415
<b>Total Fund Balances</b>	<u>1,176,045</u>	<u>1,370,206</u>	<u>138,415</u>	<u>2,684,666</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 1,292,023</u>	<u>\$ 1,377,431</u>	<u>\$ 252,100</u>	<u>\$ 2,921,554</u>

See accompanying Notes to Financial Statements.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2024**  
**(IN THOUSANDS)**

	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
<b>REVENUES</b>				
Motor Fuel Taxes	\$ 916,023	\$ -	\$ -	\$ 916,023
Sales Taxes	959,697	-	-	959,697
License, Permit, and Fee Revenues	350,635	-	-	350,635
Sales and Other Services	19,835	-	-	19,835
Fines and Rents	22,328	-	-	22,328
Investment Income	39,841	87,786	-	127,627
Intergovernmental Grants	9,321	-	1,304,600	1,313,921
Miscellaneous	19,757	-	48,808	68,565
Total Revenues	<u>2,337,437</u>	<u>87,786</u>	<u>1,353,408</u>	<u>3,778,631</u>
<b>EXPENDITURES</b>				
Current:				
General Government	35,745	-	78	35,823
Regulation and Protection	82,757	-	-	82,757
Conservation and Development	5,275	-	-	5,275
Transportation	1,073,870	-	1,278,385	2,352,255
Debt Service:				
Principal Retirement	-	442,665	-	442,665
Interest and Fiscal Charges	219	360,356	823	361,398
Total Expenditures	<u>1,197,866</u>	<u>803,021</u>	<u>1,279,286</u>	<u>3,280,173</u>
Excess (Deficiency) of Revenues Over Expenditures	1,139,571	(715,235)	74,122	498,458
Other Financing Sources (Uses):				
Refunding Bonds Issued	-	349,005	-	349,005
Premium on Bonds Issued	-	21,677	-	21,677
Payment to Escrow Agent	-	(373,213)	-	(373,213)
Transfers from Other State Funds	88,565	913,032	1,203	1,002,800
Transfers to Other State Funds	(868,250)	(88,565)	-	(956,815)
Total Other Financing Sources (Uses)	<u>(779,685)</u>	<u>821,936</u>	<u>1,203</u>	<u>43,454</u>
<b>NET CHANGES IN FUND BALANCES</b>	359,886	106,701	75,325	541,912
Fund Balances - Beginning of Year	814,497	1,263,505	63,090	2,141,092
Change in Reserve for Inventories	<u>1,662</u>	<u>-</u>	<u>-</u>	<u>1,662</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,176,045</u>	<u>\$ 1,370,206</u>	<u>\$ 138,415</u>	<u>\$ 2,684,666</u>

See accompanying Notes to Financial Statements.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2024  
(IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Budgeted:				
Taxes, Net of Refunds	\$ 1,923,400	\$ 1,896,800	\$ 1,872,533	\$ (24,267)
License, Permit, and Fee Revenues	123,700	141,200	142,213	1,013
Federal Grants	9,200	9,300	9,321	21
Other	313,400	365,100	366,018	918
Refunds of Payments	(3,600)	(11,700)	(11,681)	19
Operating Transfers In	-	-	37,666	37,666
Operating Transfers Out	(13,500)	(5,500)	(5,500)	-
Total Revenues	<u>2,352,600</u>	<u>2,395,200</u>	<u>2,410,570</u>	<u>15,370</u>
<b>EXPENDITURES</b>				
Budgeted:				
General Government	15,465	25,216	24,261	(955)
Regulation and Protection	78,748	79,613	67,767	(11,846)
Conservation and Development	14,113	14,304	4,179	(10,125)
Transportation	854,229	945,164	816,093	(129,071)
Nonfunctional	1,146,795	1,161,294	1,136,492	(24,802)
Total Expenditures	<u>2,109,350</u>	<u>2,225,591</u>	<u>2,048,792</u>	<u>(176,799)</u>
Appropriations Lapsed	<u>135,656</u>	<u>29,631</u>	<u>-</u>	<u>(29,631)</u>
Excess of Revenues Over Expenditures	378,906	199,240	361,778	162,538
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Appropriations Carried Forward	-	-	80,942	80,942
Appropriations Continued to Fiscal Year 2024-2025	-	-	(154,013)	(154,013)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(73,071)</u>	<u>(73,071)</u>
Net Change in Fund Balance	<u>\$ 378,906</u>	<u>\$ 199,240</u>	288,707	<u>\$ 89,467</u>
Budgetary Fund Balance - Beginning of Year			758,675	
Change in Reserve for Continuing Appropriations			<u>73,071</u>	
<b>BUDGETARY FUND BALANCE - END OF YEAR</b>			<u>\$ 1,120,453</u>	

See accompanying Notes to Financial Statements.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Special Transportation Fund (the Fund) of the State of Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB). Following is a summary of significant accounting policies of the Fund.

**Reporting Entity**

The Special Transportation Fund of the State of Connecticut was established pursuant to Public Act 83-30 (the Act) of the June 1983 Special Session of the General Assembly of the State of Connecticut (the State), as amended to date, to account for the transportation related revenues of the State pledged therefor as provided in the Act (the Pledged Revenues) for payment of Special Tax Obligation bonds (the Bonds) issued by the State for transportation infrastructure purposes. Pledged Revenues consist of taxes, fees, charges and other receipts, funds or moneys of the State credited to the Special Transportation Fund and include: motor fuel taxes; oil companies taxes; a portion of the general retail sales and use taxes; the sales and use taxes on motor vehicle sales at dealers; motor vehicle receipts; motor vehicle related licenses, permits and fees; sales taxes imposed on casual sales of motor vehicles; motor vehicle related fines, penalties and other charges and other transportation related revenue sources more particularly defined in the Act, including enacted adjustments in all of the foregoing sources; certain federal subsidy payments relating to certain Taxable Build America Bonds and certain transportation related federal revenues of the State credited to the Special Transportation Fund.

After providing for debt service requirements of the Bonds, the balance of the revenues and other financing sources of the Fund may be used for the payment of debt service on general obligation bonds of the State issued for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of expenditures of the State Department of Transportation, including both the annually budgeted operating expenditures and the State's share of infrastructure improvement program costs not financed separately by other sources.

The Special Revenue Fund is included in the basic financial statements of the State of Connecticut as a major governmental fund, while the Debt Service Fund and Restricted Grants Fund are combined with similar funds of the State. The financial statements of the Special Transportation Fund of the State of Connecticut are intended to present the financial position, and the changes in financial position, of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Special Transportation Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2024 and the changes in the State's financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

The Fund has not presented a management's discussion and analysis (MD&A) in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* because Management believes the focus of an MD&A is on a primary government. The State of Connecticut, the primary government, will provide an MD&A in its annual report that will include analysis of the Fund.

**Recent Legislative Changes**

The financial position and changes in financial position of the Fund are subject to legislative actions enacted by the General Assembly of the State of Connecticut.

During the 2017 Legislative special session, the General Assembly passed Public Act 17-2 (PA 17-2). Pursuant to section 705 of PA 17-2, the General Assembly is prohibited from authorizing Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (99.5% in fiscal year 2020, 99.25% in fiscal year 2021 and declining by 0.25% in each subsequent fiscal year, to 98% in fiscal year 2026 and each fiscal year thereafter) of the estimated revenues included in such fiscal year's budget act, subject to certain exemptions.

During the 2023 Legislative session, the General Assembly passed Public Act 23-205 (PA 23-205), which provides for special tax obligation bond authorizations for transportation projects of up to \$1,557.7 million in fiscal year 2024 and up to \$1,530.8 million in fiscal year 2025. PA 23-205 also provides for general obligation bond authorizations for transportation projects of up to \$2.0 million for urban mass transit, up to \$10.0 million for an intermodal transportation facility in northeastern Connecticut, and up to \$27.5 million for commercial rail freight lines programs, which projects will not be funded by special tax obligation bonds.

During the 2023 regular legislative session, the General Assembly passed Public Act 23-204 (PA 23-204). Section 2 of PA 23-204 provides for the Town Aid Road Grant Program in the amount of \$60 million for fiscal year 2024 to be financed by an appropriation from the Special Transportation Fund. This program was previously funded by both special tax obligation bonds and general obligation bonds.

Pursuant to Sections 438 through 443 of PA 23-204, effective July 1, 2022, the State was to impose a convenience fee (Convenience Fee) for the use of a credit card or debit card for the payment of fees that constitute pledged revenues under Chapters 246 and 247 of the Statutes. In June 2022, the Governor directed state agencies to waive the service fee through the end of the fiscal year 2023. The waiver was subsequently extended to December 31, 2023.



**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Legislative Changes (Continued)**

Section 367 of PA 23-204 provides that the applicable tax rate per gallon of diesel fuel on the sale or use of such fuel during fiscal year 2024 will be 49.2¢ per gallon, which represents no change from fiscal year 2023. This tax rate only applies to fiscal year 2024 and, beginning in fiscal year 2025, the tax rate will be determined as previously enacted.

Section 368 of PA 23-204 provides that under Section 12-587 of the Connecticut General Statutes, beginning fiscal year 2024 the gross earnings from the first sale of aviation fuel is exempt from the Oil Companies Tax.

Section 369 of PA 23-204 provides, for each of fiscal years 2024 and 2025, that the Comptroller will transfer \$8.0 million from the Special Transportation Fund to the Connecticut airport and aviation account established under Section 13b-50c of the Connecticut General Statutes, provided the executive director of the Connecticut Airport Authority enters into a management agreement with the city of Bridgeport for the day-to-day operation and maintenance of the Sikorsky Airport, and also provides written notice to the Comptroller and the chief elected official of the Town of Stratford that such management agreement was executed.

Section 380 of PA 23-204 provides that under Section 12-412(120) of the Connecticut General Statutes opioid antagonists (as defined in Section 17a-673a of the Connecticut General Statutes), such as Narcan, are exempt from the Sales and Use Tax. The estimated revenue loss of this exemption is expected to have a negligible effect on the Special Transportation Fund.

During the 2024 Legislative session, the General Assembly passed Public Act 24-151 (PA 24-151), which increased special tax obligation bond authorizations for transportation projects by an additional \$111.6 million, bringing the total authorizations for transportation projects in fiscal year 2025 up to \$1,642.4 million. PA 24-151 also provides for general obligation bond authorizations for transportation projects of up to \$2.0 million for urban mass transit, and a reduction of \$10 million to \$17.5 million for commercial rail freight lines programs, which projects will not be funded by special tax obligation bonds. The \$10 million reduction for commercial rail freight lines programs was replaced by a \$10 million increase in authorization for special tax obligation bonds that is included in the \$111.6 million previously mentioned.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

**Fund Financial Statements**

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The financial activities of the Special Transportation Fund are accounted for in individual funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. Funds are utilized for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The financial activities of the Special Transportation Fund are reported in the following major governmental funds in the accompanying fund financial statements:

***Special Revenue Fund*** - This fund is used to account for all transportation related taxes, fees and revenues and other receipts collected that are restricted for the payment of debt service requirements of special tax obligation bonds and transportation related general obligation bonds issued by the State for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of budgeted appropriations made by the State Department of Transportation. The State Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State of Connecticut.

***Debt Service Fund*** - This fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on special tax obligation bonds issued by the State for transportation infrastructure purposes.

***Restricted Grants Fund*** - This fund is used to account for transportation related restricted federal and nonfederal grant revenues and expenditures.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the current period except for federal revenues that are considered collectible within one year. Significant revenue sources that are considered to be susceptible to accrual include motor fuel taxes and sales taxes. Revenue recognition policies are as follows:

***Motor Fuel Taxes and Sales Taxes*** - Motor fuel taxes and sales taxes are recognized as revenue in the period when the underlying exchange has occurred and when the resources are available.

***Intergovernmental Grants and Similar Non-Exchange Transactions*** - Intergovernmental grants and similar nonexchange transactions are recognized as revenue in the period when all applicable eligibility requirements imposed by funding sources have been met and when the resources are available. Resources received in advance are reported as unearned revenue.

***Investment Income*** - Investment income from restricted investments held by the trustee in the bond service account and the debt service reserve account, and from other investments is recognized when earned.

***License, Permit, and Fee and Other Revenues*** - License, permit and fee and all other revenues are recognized as revenue when received because they are considered to be measurable and available only when the cash is actually received.

Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures and expenditures related to compensated absences and claims and judgments, which are recorded as expenditures when payment is due.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less when purchased, exclusive of restricted investments held by the trustee.

**Investments**

Investments are measured at fair value, except for investments in certain external investment pools.

Investments in external investments pools consists of amounts invested in the State of Connecticut Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund is an investment pool managed by the State Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs (which approximates fair value), are measured at the net asset value per share as determined by the pool.

**Materials and Supplies**

Material and supplies are reported at cost using either the first-in first-out or average costing methods. Materials and supplies consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported materials and supplies are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund reports unavailable revenue from certain receivables that are expected to be collected in future periods as deferred inflows of resources. The Fund will recognize such amounts as revenues in the period that the amounts become available. In addition, the Fund reports deferred inflows of resources related to public-private partnership (PPP) arrangements installment receivable. The inflow of resources is recognized in a systematic and rational manner over the term of the PPP arrangement.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employees hired on or before June 30, 1978, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his or her accrued sick leave up to a maximum payment equivalent to sixty days.

**Fund Balances**

The Fund may report the following fund balance categories:

**Nonspendable** - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

**Restricted** - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

**Committed** - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State of Connecticut General Assembly.

**Assigned** - Amounts are constrained by the Legislature's intent to be used for specific purposes, but are neither restricted or committed.

**Unassigned** - Residual classification for amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Fund's policy to use committed resources first, then assigned resources and then unassigned resources as they are needed.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 2 BUDGETARY INFORMATION AND LEGAL COMPLIANCE**

By statute, the Governor of the State of Connecticut must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for several funds of the State, including the Special Transportation Fund.

Pursuant to section 705 of the 2017 Budget Act, the General Assembly is prohibited from authorizing Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (99.25% in fiscal year 2021, and declining by 0.25% in each subsequent fiscal year, to 98% in fiscal year 2026 and each fiscal year thereafter) of the estimated revenues included in such fiscal year's budget act, subject to certain exemptions.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the *Annual Report of the State Comptroller Statutory Basis (GAAP Based Budgeting)*. A separate document demonstrating compliance with the legally adopted budget is necessary because the legal level of control is more detailed than reflected in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual. Before an agency can utilize amounts appropriated for a particular purpose, such amounts must be allotted for the specific purpose by the Governor and encumbered by the State Comptroller upon request by the agency. Such amounts can then be expended by the State Treasurer only upon a warrant, draft or order of the State Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over amounts that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5% of the total appropriated fund can be made only with the approval of the General Assembly.

All funds of the State use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent fiscal budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations

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**NOTE 2 BUDGETARY INFORMATION AND LEGAL COMPLIANCE (CONTINUED)**

continued for the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs.

The Special Revenue Fund is the only fund of the Special Transportation Fund for which a budget is legally adopted. The budget is prepared on a “modified cash” basis of accounting under which revenues are recognized when received, except for certain taxes and federal and other restricted grant revenues. Certain tax payments received by the Commissioner of Revenue Services not later than five business days after the last day of July immediately following the end of the fiscal year are subject to statutory accrual. Federal and other restricted grant revenues are recognized when earned. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the final adopted budget is presented in the accompanying statement of revenues, expenditures and changes in fund balances - budget and actual - non-GAAP budgetary basis.

A reconciliation between budgetary amounts and GAAP amounts for the Special Revenue Fund is as follows:

	Special Revenue Fund
Net Change in Fund Balance - Budgetary Basis	\$ 288,707
Increase in Receivables	(2,984)
Increase in Accounts Payable	(696)
PPP Revenue Recognized	3,584
Miscellaneous Adjustments	(1,796)
Increase in Continuing Appropriations	73,071
Net Change in Fund Balance - GAAP Basis	\$ 359,886

**NOTE 3 RESTRICTION OF FUND REVENUES**

Under the terms and provisions of special acts of the General Assembly of the State of Connecticut, the State Bond Commission is empowered to authorize the issuance of special tax obligation bonds in one or more series to fund a portion of the costs of the State’s infrastructure improvement projects. The bonds issued to date are described more fully in Note 7. The bonds are payable solely from, and secured by, a first pledge on the revenues of the Fund pursuant to the Act and the Indenture of Trust dated September 15, 1984, as supplemented, and the Indenture of Trust dated December 1, 1990, as supplemented (the Indentures).

Included in intergovernmental revenues are certain restricted grants. These grants represent amounts received from federal and local governments and other sources specifically to fund their share of certain program costs incurred. These revenues totaled approximately \$1.314 billion for the year ended June 30, 2024 and are not available for debt service.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 4 CASH DEPOSITS - CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State maintains its deposits in qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from their other assets, eligible collateral in an amount equal to 10%, 25%, 100%, or 120% of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The carrying value of the Fund's cash deposits totaled \$38,530 as of June 30, 2024. Because the Fund's cash deposits are commingled with those of other funds of the State, the amount of the Fund's cash deposits subject to custodial credit risk is not readily determinable as of June 30, 2024.

Investments in the State Treasurer's Short-Term Investment Fund (STIF) totaling \$882,116 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure, such amounts are considered investments and are included in the disclosure in Note 5.

**NOTE 5 INVESTMENTS**

As of June 30, 2024, the Fund's investments consist of the following:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 to 5	6 to 10
Short-Term Investment Fund	\$ 1,570,755	\$ 1,570,755	\$ -	\$ -
Municipal Fixed Rate Securities	34,064	641	17,153	16,270
Federal Fixed Rate Securities	643,015	64,871	224,329	353,815
Treasury Notes	2,439			2,439
Total	<u>\$ 2,250,273</u>	<u>\$ 1,636,267</u>	<u>\$ 241,482</u>	<u>\$ 372,524</u>

Because the State Treasurer's Short-Term Investment Fund had a weighted-average maturity of less than 90 days, it has been presented as an investment with a maturity of less than one year.

A reconciliation of the Fund's restricted investments as presented in the accompanying balance sheet as of June 30, 2024 is as follows:

Bond Service Account	\$ 530,257
Debt Service Reserve Account	837,900
Restricted Investments Held by Trustee	<u>\$ 1,368,157</u>

Investments held by the Trustee in the bond service account and the debt service reserve account are restricted by and invested pursuant to the terms of the Indentures.



**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 5 INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

The Fund's investment policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is delineated in the Indentures.

**Credit Risk**

The Fund's investment restrictions are delineated in the Indentures. No investments of the Fund may have a maturity date longer than 10 years. In addition, in accordance with Connecticut General Statutes, allowable investments include 1) obligations, securities and investments set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes and 2) participation certificates in the State Treasurer's Short-Term Investment Fund created under Section 3-27a of the General Statutes.

The Fund's investments in debt securities were rated as follows at June 30, 2024:

Debt Securities	Fair Value	Standard & Poors	Moody's	Fitch
Short-Term Investment Fund	\$ 1,570,755	AAAm	Unrated	Unrated
Municipal Fixed Rate Securities	34,064	AA+ AA	Aa2	Unrated
Federal Fixed Rate Securities	643,015	AA- AAA	Aaa	Unrated
Treasury Notes	2,439	AA+	Unrated	Unrated
Total	<u>\$ 2,250,273</u>			

**Concentrations of Credit Risk**

The Fund places no limit on the amount of investment in any one issuer. As of June 30, 2024, 70% of the Fund's investments were invested in the State Treasurer's Short-Term Investment Fund and Demand Deposits, 16% in Federal Farm Credit Bank Securities, 12% in Federal Home Loan Bank and Mortgage Securities and 2% in Municipal Fixed Rate Securities.

**Fair Value**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Fund has the following recurring fair value measurements as of June 30, 2024:

Investments	June 30, 2024	Level 1	Level 2	Level 3
Municipal Fixed Rate Securities	\$ 34,064	\$ -	\$ 34,064	\$ -
Federal Fixed Rate Securities	643,015	-	643,015	-
Treasury Notes	2,439	-	2,439	-
Total Investments by Fair Value Level	<u>679,518</u>	<u>\$ -</u>	<u>\$ 679,518</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Short-Term Investment Fund	1,570,755			
Total Investments	<u>\$ 2,250,273</u>			

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 6 PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS**

The State, acting by and through the Connecticut Department of Transportation, entered into a public-private partnership arrangement (PPP) with Project Service LLC to operate the 23 Service Areas along roadways of Connecticut. The contract commenced in 2009 and runs through December 2044. The assets underlying the agreement remain assets of the State. The contract requires Minimum Annual Guaranteed Payments and Participation Payments on Gross Receipts and Gallons of Fuel Sold.

Utilizing an incremental borrowing interest rate of 4.97%, the Fund reported net present value receivables and related deferred inflows of resources and PPP revenue, and interest revenues related to public-private partnerships receivable as of June 30, 2024, as follows:

PPP Installment Receivable	Deferred Inflow of Resources	PPP Revenue	PPP Interest Revenue
<u>\$ 45,693</u>	<u>\$ 42,109</u>	<u>\$ 2,005</u>	<u>\$ 2,282</u>

Total principal and interest payments to be received under the public-private partnership agreement is as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 729	\$ 2,271
2026	765	2,235
2027	803	2,197
2028	843	2,157
2029	885	2,115
2030-2034	7,892	9,608
2035-2039	12,820	7,180
2040-2044	19,099	3,400
2045	1,857	92
Total	<u>\$ 45,693</u>	<u>\$ 31,255</u>

Participation payments on gross receipts and gallons of fuel sold for the year ended June 30, 2024 were approximately \$1.8 million.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
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**NOTE 7 SPECIAL TAX OBLIGATION BONDS**

A summary of special tax obligation bonds issued, pursuant to the State Bond Commission's authorization, and the outstanding principal balances as of June 30, 2024 is as follows.

Issue	Interest Rates	Dated Date	Maturing Through Fiscal Year	Amount of Original Issue	Principal Balance at June 30, 2024
2009B Bonds	4.86% - 5.74%	November 10, 2009	2030	\$ 304,030	\$ 200,325
2010B Bonds	4.13% - 5.46%	November 10, 2010	2031	400,430	280,320
2012A Bonds	2.00% - 5.00%	December 21, 2012	2033	502,290	4,070
2013A Bonds	2.00% - 5.00%	December 21, 2013	2034	600,000	-
2014A Bonds	2.00% - 5.00%	October 16, 2014	2035	600,000	402,055
2014B Refunding Bonds	3.00% - 5.00%	October 16, 2014	2026	131,545	33,775
2015A Bonds	3.00% - 5.00%	October 15, 2015	2036	700,000	499,250
2015B Refunding Bonds	2.00% - 5.00%	October 15, 2015	2028	139,770	64,175
2016A Bonds	3.00% - 5.00%	September 28, 2016	2037	800,000	603,810
2016B Refunding Bonds	2.00% - 5.00%	September 28, 2016	2029	68,265	40,875
2018A Bonds	4.00% - 5.00%	February 8, 2018	2038	800,000	632,000
2018B Bonds	5.00%	October 25, 2018	2039	750,000	622,655
2018C Refunding Bonds	3.00% - 5.00%	October 25, 2018	2027	100,105	55,195
2020A Bonds	3.00% - 5.00%	May 29, 2020	2040	850,000	757,635
2021A Bonds	3.00% - 5.00%	May 12, 2021	2041	875,000	799,475
2021B Refunding Bonds	3.00% - 4.00%	May 12, 2021	2029	11,695	1,965
2021C Refunding Bonds	5.00%	October 19, 2021	2032	144,190	98,765
2021D Bonds	1.75% - 5.00%	December 1, 2021	2042	500,000	468,655
2022A Bonds	4.25% - 5.25%	November 7, 2022	2044	830,000	812,605
2022B Refunding Bonds	5.00%	November 7, 2022	2034	313,490	258,400
2023A Bonds	5.00% - 5.25%	October 19, 2023	2044	875,000	875,000
2023B Refunding Bonds	5.00%	October 19, 2023	2035	349,005	349,005
Total					<u>\$ 7,860,010</u>

Proceeds from the sale of special tax obligation bonds were used to: fund the State's Infrastructure Improvement Fund, fund any required deposits to the debt service reserve fund and to pay costs associated with the sale of the bonds. The Infrastructure Improvement Fund was established by the State to account for the net bond proceeds to be used for Transportation Infrastructure Improvement projects and is a separate capital project fund of the State and is not part of the Special Transportation Fund.

Revenues are credited to the Special Transportation Fund and funds are transferred to the Fund's debt service account to the extent required to meet debt service requirements as provided by the Indentures. In addition, the Fund is required to maintain the debt service reserve account at a level equal to the maximum annual principal and interest requirements on the Bonds as defined in the Indentures, for the current or any future fiscal year.

The 2009 Series B Bonds are subject to both make-whole and extraordinary optional redemption, prior to their stated maturity dates at the election of the State, in whole or in part at any time at a redemption price equal to the greater of: 1) the original issue price set forth in the official statement (but not less than 100% of the principal amount); or 2) the sum of the present value of the remaining payments of principal and interest to maturity discounted to the payment date per the provisions set forth in the bond documents at the time of issuance.

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**NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)**

The 2010 Series B Bonds are subject to both make-whole and extraordinary optional redemptions, prior to their stated maturity dates at the election of the State, in whole or in part at any time at a redemption price equal to the greater of: 1) the original issue price set forth in the official statement (but not less than 100% of the principal amount); or 2) the sum of the present value of the remaining payments of principal and interest to maturity discounted to the payment date per the provisions set forth in the bond documents at the time of issuance.

The 2012 Series A Bonds are subject to redemption, at the election of the State at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding.

The 2014 Series A Bonds will be subject to redemption, at the election of the State, on or after September 1, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2024 and thereafter.

The 2014 Series B Refunding Bonds will be subject to redemption, at the election of the State, on or after September 1, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2024 and thereafter.

The 2015 Series A Bonds maturing on or after August 1, 2026 will be subject to redemption, at the election of the State, on or after August 1, 2025 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on August 1, 2025 and thereafter.

The 2015 Refunding Series B Bonds maturing on or after August 1, 2026 will be subject to redemption, at the election of the State, on or after August 1, 2025 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on August 1, 2025 and thereafter.

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**NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)**

The 2016 Series A Bonds maturing on or after September 1, 2027 will be subject to redemption, at the election of the State, on or after September 1, 2026 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2026 and thereafter.

The 2016 Refunding Series B Bonds maturing on or after September 1, 2027 will be subject to redemption, at the election of the State, on or after September 1, 2026 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2026 and thereafter.

The 2018 Series A Bonds maturing on or after January 1, 2029 will be subject to redemption, at the election of the State, on or after January 1, 2028 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on January 1, 2028 and thereafter.

The 2018 Series B Bonds maturing on or after October 1, 2029 will be subject to redemption, at the election of the State, on or after October 1, 2028 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on October 1, 2028 and thereafter.

The 2018 Series C Refunding Bonds are not subject to optional redemption.

The 2020 Series A Bonds maturing on or after May 1, 2031 will be subject to redemption, at the election of the State, on or after May 1, 2030 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on May 1, 2030 and thereafter.

The 2021 Series A Bonds maturing on or after May 1, 2032 will be subject to redemption, at the election of the State, on or after May 1, 2031 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on May 1, 2031 and thereafter.

The 2021 Series B Refunding Bonds are not subject to optional redemption.

The 2021 Series C Refunding Bonds are not subject to optional redemption.

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**NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)**

The 2021 Series D Bonds are subject to optional redemption at the election of the State on or after November 1, 2032.

The 2022 Series A Bonds maturing on or after July 1, 2034 will be subject to redemption, at the election of the State, on or after July 1, 2033 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on July 1, 2033 and thereafter.

The 2022 Series B Refunding Bonds are not subject to optional redemption.

The 2023 Series A Bonds maturing on or after July 1, 2035 will be subject to redemption, at the election of the State, on or after July 1, 2034 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on July 1, 2034 and thereafter.

The 2023 Series B Refunding Bonds are not subject to optional redemption.

The aggregate principal and interest maturities on the bonds (scheduled payments to bondholders) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 463,205	\$ 390,759	\$ 853,964
2026	479,925	355,837	835,762
2027	491,075	331,320	822,395
2028	511,475	305,988	817,463
2029	525,575	279,768	805,343
2030-2034	2,509,015	1,015,313	3,524,328
2035-2039	2,004,280	447,142	2,451,422
2040-2044	875,460	96,163	971,623
Total	<u>\$ 7,860,010</u>	<u>\$ 3,222,290</u>	<u>\$ 11,082,300</u>

**Bonds Authorized But Not Issued**

As of June 30, 2024, the State has \$6.1 billion of special tax obligation bonds that have been authorized by the Legislature and allocated by the State Bond Commission but not issued. These bonds would be payable from the revenues of the Fund if issued.

**Accrued Interest**

As of June 30, 2024, accrued interest on the special tax obligations bonds paid from the Debt Service Fund totaled \$124.7 million and will be recognized as a debt service expenditure when paid.

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**NOTE 8 CHANGES IN LONG-TERM OBLIGATIONS**

Although the Fund does pay certain long-term obligations, these obligations have not been reported in the accompanying fund financial statements but are reported in the State of Connecticut's Annual Comprehensive Financial Report. A summary of changes in long-term obligations of the Fund for the year ended June 30, 2024 is as follows:

Description	Balance, July 1, 2023	Additions	Reductions	Balance, June 30, 2024
Special Tax Obligation Bonds and Refunding Bonds	\$ 7,450,865	\$ 1,224,005	\$ 814,860	\$ 7,860,010
Compensated Absences	49,780	3,591	-	53,371
Claims and Judgements (See Note 9)	7,234	-	4,535	2,699
Total	<u>\$ 7,507,879</u>	<u>\$ 1,227,596</u>	<u>\$ 819,395</u>	<u>\$ 7,916,080</u>

Debt proceeds of \$875,000 related to new bond issue are deposited and reported with Other Funds of the State (Capital Projects Fund) and not included with the Special Transportation Fund.

**2023B Refunding Bonds**

In the current fiscal year, the State of Connecticut issued \$349,005 in special tax obligation refunding bonds with interest rate of 5%. The proceeds were used to advance refund \$372,195 of outstanding 2013 Series A special tax obligation bonds which had interest rates ranging from 3% to 5%. The net proceeds of \$373,213 (including a \$21,677 premium and after payment of \$1,461 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The State completed the advance refunding to reduce total debt service payments by \$26,421 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$21,635.

**NOTE 9 INTERFUND BALANCES**

**Interfund Receivables and Payables Amounts**

A summary of interfund receivables and payables as of June 30, 2024 are as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	Debt Service Fund	\$ 7,225
Other Funds of the State	Restricted Grants Fund	\$ 213

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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**NOTE 9 INTERFUND BALANCES (CONTINUED)**

**Interfund Transfers**

A summary of interfund transfers for the year ended June 30, 2024 is as follows:

Transfer In	Transfer Out	Amount
Special Revenue Fund	Debt Service Fund	\$ 88,565
Debt Service Fund	Special Revenue Fund	\$ 862,750
	Other Funds of the State	50,282
		\$ 913,032
Restricted Grants Fund	Other Funds of the State	\$ 1,203
Other Funds of the State	Special Revenue Fund	\$ 5,500

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) to move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Litigation, Claims, and Assessments**

The State is party to various claims and legal actions brought against it, some of which may ultimately result in settlements or judgments against the State for which amounts may ultimately be paid from the Fund. Any amounts payable from the Fund to meet such settlements or judgments are subject to the prior lien in favor of the Bonds. The State of Connecticut, Office of the Attorney General has determined that it is probable that some of these actions will result in a loss to the State. The estimated liabilities for probable cases against the State for which amounts may ultimately be payable from the Fund totaled approximately \$2.7 million as of June 30, 2024. In addition, there are a number of cases where the outcome is either uncertain or it is reasonably possible that a loss may be incurred for which the estimated exposure can't be determined as of June 30, 2024.

**Arbitrage Rebate Requirements**

Section 148 of the Internal Revenue Code, as enacted by the Tax Reform Act of 1986, requires that 90% of the earnings from the investment of tax-exempt bond proceeds that exceed the yield on tax-exempt bonds be remitted to the U.S. government. In accordance with this regulation, the Fund may be required to rebate a portion of its investment earnings on the proceeds of the Bonds to the federal government. There were no rebate payments made during the year ended June 30, 2024. The potential arbitrage liability as of June 30, 2024 is approximately \$2.08 million.



**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Contractual Commitments**

The State entered into a contractual agreement with H.N.S. Management Company, Inc., doing business as CTTransit, to manage and operate the bus transportation system for the State. The State pays all expenditures of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees, as agreed upon. Upon termination of the agreement, the State shall assume all of the existing obligations of CTTransit, including all pension liabilities described below. Although the Fund has no liability related to these costs, payments may be made by the Fund if so directed by the State.

In addition, the Fund has other contractual commitments for various transportation related construction projects. As of June 30, 2024, the aggregate contractual commitments for such projects totaled approximately \$1.95 billion. Funding of these expenditures is expected to be received from federal and other grants and other revenues to be received by the Fund.

**Pension and Other Postemployment Benefits**

Certain employees of the Fund participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The Fund has no liability for these pension and other postemployment benefit costs other than the annual contributions, pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly of the State of Connecticut as amended to date. In addition, the actuarial study was performed on the SERS as a whole and does not provide separate information for employees of the Fund. Therefore, certain pension and other postemployment benefit disclosures cannot be provided. Information on the total SERS funding status and progress, required contributions and trend information can be found in the State of Connecticut's Annual Comprehensive Financial Report.

The Fund's contribution is determined by applying a State mandated percentage to eligible salaries and wages. The net contributions made by the Fund totaled \$176.2 million for pension benefits and \$3.6 million for other postemployment benefits for the year ended June 30, 2024.

**Federal Awards**

Grant amounts received or receivable by the Special Revenue and Restricted Grants Funds from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 11 INTERFUND ALLOCATIONS**

The Fund is one of many funds within the State of Connecticut financial reporting entity. As a result, certain transactions of the Fund, including operating transfers and certain allocations of expenses among funds, are under the direction of management of the State.

**Allocation of Bank Charges**

The Fund invests in the State Treasurer's Short-Term Investment Fund, which is a money market investment pool administered by the State Treasurer. In addition, the Fund's cash balances are managed by the State of Connecticut, Office of the Treasurer. Bank charges allocated to the Fund totaled \$163.8 thousand for the year ended June 30, 2024.

**NOTE 12 RISK MANAGEMENT AND UNCERTAINTIES**

**Risk Management**

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board (the Board). The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer.

The State is self-insured for general liability risks because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a statute (e.g., per statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract. Amounts allocated and expended by the Fund for general liability, automobile, and property insurance totaled approximately \$20.1 million for the year ended June 30, 2024.

The State is self-insured for liabilities associated with worker compensation claims. Amounts allocated and expended by the Fund for workers compensation insurance totaled approximately \$8.0 million for the year ended June 30, 2024.

**Uncertainties**

**Reliance on Certain Taxes**

A significant portion of the revenues of the Special Transportation Fund are derived from motor fuel taxes, oil companies taxes, and a portion of the general retail sales taxes. Such taxes may be directly affected by economic conditions. Periods of less favorable economic conditions could result in substantially reduced revenues generated from such taxes and could have a material adverse effect on the Special Transportation Fund.



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**EXECUTION COPY**

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**STATE OF CONNECTICUT,  
Issuer**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
Trustee**

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**Amended and Restated Indenture of Trust**

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**Dated as of November 1, 2024**

**Special Tax Obligation Bonds  
Transportation Infrastructure Purposes**

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AMENDED AND RESTATED INDENTURE OF TRUST

SPECIAL TAX OBLIGATION BONDS  
TRANSPORTATION INFRASTRUCTURE PURPOSES  
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EXHIBIT A – AMENDMENTS REQUIRING 60% BONDHOLDER CONSENT

ATTACHMENT A – STATE OF CONNECTICUT CONTRACTING REQUIREMENTS

ATTACHMENT B – NOTICE TO EXECUTIVE BRANCH STATE CONTRACTORS AND PROSPECTIVE STATE CONTRACTORS OF CAMPAIGN CONTRIBUTION AND SOLICITATION LIMITATIONS

THIS AMENDED AND RESTATED INDENTURE OF TRUST (this “Indenture” as hereinafter further defined) is made and entered into as of November 1, 2024, by and between the STATE OF CONNECTICUT (“State”) and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, duly organized, existing and authorized to accept duties and obligations of the character herein set out under and by virtue of the laws of the United States of America, with its principal office located in Connecticut (“Trustee” as hereinafter further defined).

**WITNESSETH:**

**RECITALS**

WHEREAS, this Indenture constitutes a “Supplemental Indenture” pursuant to the Original Indenture and amends and restates that certain Indenture of Trust dated as of September 15, 1984, by and between the State and the Trustee (as successor Trustee), as previously amended and supplemented (collectively, the “Original Indenture”); and

WHEREAS, the State previously issued Prior Bonds (as hereinafter defined) under the Original Indenture, including the following Bonds that remain outstanding: 2009 Series B (Build America Bonds – Direct Pay) dated November 10, 2009; 2010 Series B (Build America Bonds – Direct Pay) dated November 10, 2010; 2012 Series A dated December 21, 2012; 2014 Series A dated October 16, 2014; 2014 Series B (Refunding) dated October 16, 2014; 2015 Series A dated October 15, 2015; 2015 Series B (Refunding) dated October 15, 2015; 2016 Series A dated September 28, 2016; 2016 Series B (Refunding) dated September 28, 2016; 2018 Series A dated February 8, 2018; 2018 Series B dated October 25, 2018; 2018 Series C (Refunding) dated October 25, 2018; 2020 Series A dated May 29, 2020; 2021 Series A dated May 12, 2021; 2021 Series B (Refunding) dated May 12, 2021; 2021 Series C (Refunding) dated October 19, 2021; 2021 Series D dated December 1, 2021; 2022 Series A dated November 7, 2022; 2022 Series B (Refunding) dated November 7, 2022; 2023 Series A dated November 1, 2023; and 2023 Series B (Refunding) dated November 1, 2023; and

WHEREAS, pursuant to the Act (as hereinafter defined), the State is authorized to issue special tax obligation bonds from time to time in one or more series whenever the General Assembly has empowered the State Bond Commission to authorize such bonds for specific transportation projects and uses and has found that such projects and uses are for any of the purposes enumerated in such Act, and the State Bond Commission has found that the authorization of such bonds will be in the best interests of the State; and

WHEREAS, special tax obligation bonds issued pursuant to the Act have been determined by the General Assembly to be issued for valid public purposes and in the exercise of essential governmental functions; and

WHEREAS, pursuant to the Act, the State Bond Commission is empowered to authorize the issuance of special tax obligation bonds in one or more series in aggregate principal amount as authorized by the Act, for specific projects and uses enumerated in the Act, and has found that such projects and uses are for one or more of the purposes enumerated in the Act; and

WHEREAS, the State Bond Commission has found that the authorization of the special tax obligation bonds it has been empowered to authorize pursuant to the Act will be in the best interests of the State; and

WHEREAS, pursuant to the Act, certain revenues of the State credited to the special transportation fund pursuant to the provisions of the Act are subjected to a pledge and lien to pay the Debt Service Requirements (as hereinafter defined) of the Bonds (as hereinafter defined); and

WHEREAS, the Act provides that Debt Service Requirements are secured by a first call upon Pledged Revenues (as hereinafter defined) prior to their use for any other permitted purpose; and

WHEREAS, Public Act 15-5 of the June Special Session created a statutory transportation lock box (the “Statutory Lock Box”) which established the Special Transportation Fund (as hereinafter defined) as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service on the Bonds. 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, Section 19 of Article Third of the Constitution of the State (the “Constitutional Lock Box”) was added after approval by the electors at the general election of November 6, 2018, and effective November 28, 2018, and provides: “The Special Transportation Fund shall remain a perpetual fund. The general assembly shall direct the resources of said fund solely for transportation purposes, including the payment of debt service on obligations of the state incurred for transportation purposes. Sources of funds, moneys and receipts of the state credited, deposited or transferred to said fund by state law on or after the effective date of this amendment shall be credited, deposited or transferred to the Special Transportation Fund, so long as such sources are authorized by statute to be collected or received by the state, or any officer thereof, and the general assembly shall enact no law authorizing the resources of said fund to be expended other than for transportation purposes;” and

WHEREAS, one or more series of bond anticipation notes (hereinafter defined and referred to as the “Notes”) may be issued pursuant to the Act and this Indenture to provide temporary financing for transportation purposes pending the issuance of Additional Bonds (as hereinafter defined); and

WHEREAS, in furtherance of the issuance of the Bonds and Notes and pursuant to the Act the State desires to enter into this Indenture with the Trustee in order to secure the payment of the principal of and the interest and premium, if any, on the Bonds and Notes, and the performance of the covenants and agreements herein contained; and

WHEREAS, all things necessary to make the Bonds and Notes issued under this Indenture, the valid, binding and legal obligations of the State, and to constitute this Indenture a valid assignment and pledge of the revenues pledged to the payment of the principal of and the interest and premium, if any, on the Bonds and Notes and all other amounts due in connection therewith, have been done and performed; and the creation, execution and delivery of this Indenture, and the creation, execution and delivery of the Bonds and Notes subject to the terms hereof, have in all respects been duly authorized:

**NOW, THEREFORE, KNOW ALL  
PERSONS BY THESE PRESENTS:**

**GRANTING CLAUSES**

That the State in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and in order to secure the payment of the Debt Service Requirements on the Bonds and Notes according to their tenor and effect and all other amounts due in connection therewith and the performance and observance by the State of all the covenants expressed or implied herein and in the Bonds and Notes, does hereby grant to the Trustee a first call on Pledged Revenues as they are received by the State and credited to the Special Transportation Fund and does hereby grant, bargain, sell, convey, pledge and assign unto the Trustee, and unto its respective successors in trust, and to its respective assigns, forever, for the securing of the performance of the obligations of the State under this Indenture, a lien upon and security interest in (1) any and all amounts held to the credit of the Special Transportation Fund from time to time, exclusive of amounts held to the credit of such Special Transportation Fund which represent (a) amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the General Statutes (as hereinafter defined), and (b) transportation related federal revenues of the State, and (2) any and all amounts held by the Trustee to the credit of any fund or account created under this Indenture, being hereinafter referred to collectively as the "Trust Estate". Any Reserve Account and any Reserve Account Surety Policy provided at any time in satisfaction of all or a portion of the Debt Service Reserve Requirement and any other security provided for specific Bonds or Reserve Account Bonds, a specific series of Bonds or one or more series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, series of Bonds or one or more series of Bonds and, therefore, shall not be included as security for any Bonds not entitled to such security by the terms of the Supplemental Indenture pursuant to which such Bonds were issued, and moneys and securities held in trust exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under Article XI hereof shall be held solely for the payment of such specific Bonds.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future holders of the Bonds and Notes from time to time issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any Bond or Note over any other, except as set forth in this Indenture, and for enforcement of the payment of the Bonds and Notes, in accordance with their terms, and all other amounts payable hereunder or on the Bonds and Notes, and for the performance of and compliance with the obligations, covenants and conditions of this Indenture;

PROVIDED, HOWEVER, that if the State, its successors or assigns shall well and truly pay, or cause to be paid, the principal or redemption price, if any, of and interest on the Bonds and Notes due or to become due thereon, at the times and in the manner mentioned in the Bonds and Notes according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article XI hereof or shall provide, as permitted hereby, for the payment thereof

by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and any paying agent all amounts of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds and Notes issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the State has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the Bonds and Notes, or any part thereof, as follows (subject, however, to the provisions of Section 2.1 hereof):

## **ARTICLE I DEFINITIONS**

Section 1.1. *Definition of Specific Terms.* For the purpose of this Indenture the following terms shall have the following meanings:

“Accountant” shall mean the accountant or firm of accountants appointed by the State pursuant to Section 7.4 of this Indenture.

“Act” shall mean collectively, Chapter 243 of the General Statutes, Special Act No. 84-52 and any and all other action of the General Assembly, authorizing Bonds to be issued hereunder, as the same may be amended from time to time.

“Additional Bonds” shall mean one or more series of additional Bonds authorized and issued by the State pursuant to this Indenture, provided that the term “Additional Bonds” shall not include Refunding Bonds issued pursuant to Section 2.5 hereof.

“Amortization Requirement” or “Amortization Requirements” for any period (as applied to term bonds issued under the provisions of Sections 2.4 and 2.5 of this Indenture), shall mean the respective amount of principal of term bonds to be amortized in such period with respect to such Bonds as fixed pursuant to a Supplemental Indenture prior to the delivery of such Bonds. Such Amortization Requirement shall be accrued ratably over the period for which such Amortization Requirement was fixed, and the Amortization Requirement accruing on term bonds of any series for any period other than that for which the Amortization Requirement was fixed shall be the total of the Amortization Requirement for term bonds of such series accruing in such period. The aggregate amount of such Amortization Requirements for the term bonds of any series shall be equal to the principal amount of the term bonds of such series. The Amortization Requirements for the term bonds of any series shall begin in such year as determined by the State and shall not end later than the Fiscal Year immediately preceding the maturity of such term bonds.

“Amortized Value” shall have the meaning set forth in Section 6.2 hereof.

“Authorized Officer” shall mean the Treasurer, any Deputy Treasurer, or any person designated to the Trustee by such persons as an Authorized Officer.

“Bond” or “Bonds” shall mean any bond, including Additional Bonds and Refunding Bonds, issued pursuant to this Indenture.

“Bond Service Sub-Account” shall mean the separate account created in the Debt Service Account by the provisions of Section 5.3 of this Indenture.

“Bondholder” or “holder” or “owner” or “registered owner” or words of similar import shall mean, when used with reference to the Bonds, the registered owner of any Bond.

“Business Day” means any day of the year other than (a) a Saturday or Sunday; (b) any day on which banks located in the State or the city in which the Trustee is located are required or authorized by law to remain closed; (c) any legal holiday in the State; (d) any day on which the New York Stock Exchange is closed; or (e) any day on which the Federal Reserve payment system is not operational.

“Cede” shall have the meaning set forth in Section 3.9 hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the Regulations.

“Comptroller” shall mean the Comptroller of the State.

“Conditional Redemption” shall have the meaning set forth in Section 4.3 hereof.

“Constitutional Lock Box” shall have the meaning set forth in the recitals hereto.

“Coverage Requirement” shall mean two (2) times (i) the aggregate Principal and Interest Requirements on Bonds for all Bonds, plus (ii) Interest Requirements on Notes, required to be deposited in such period with the Trustee pursuant to Section 5.1(a)(1) hereof.

“Debt Service Account” shall mean the Special Tax Obligation, Transportation Infrastructure Purposes, Debt Service Account, a separate account created within the Special Transportation Fund by the provisions of Section 5.3 of this Indenture.

“Debt Service Requirements” shall mean, for any period, the sum of (a) the principal and interest accruing during such period with respect to Monthly Payment Bonds, the principal and interest payable during such period with respect to Pay When Due Bonds, the interest payable during such period with respect to Notes and the unrefunded principal payable during such period with respect to Notes; (b) the purchase price of Bonds and Notes which are subject to purchase or redemption at the option of the holder of such Bonds or Notes; (c) the amounts, if any, required during such period to establish or maintain the funds or accounts existing under this Indenture at the respective levels required to be established or maintained as provided in this Indenture; (d) expenses of issuance and administration with respect to Bonds and Notes, as determined by the Treasurer; (e) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to the proceedings authorizing the issuance of Bonds or Notes; and (f) any other costs or expenses deemed by the Treasurer to be necessary or proper to

be paid in connection with the Bonds and Notes, including, without limitation, the cost of any credit facility, including but not limited to a letter of credit or policy of bond insurance, issued by a financial institution pursuant to an agreement approved by the proceedings authorizing the issuance of Bonds or Notes. For purposes of this definition, “payable” shall mean amounts when required to be deposited with the Trustee pursuant to Section 5.1(a)(1) hereof.

“Debt Service Reserve Requirement” shall mean the sum of Series Reserve Requirements.

“Deputy Treasurer” shall mean the Deputy Treasurer of the State.

“DTC” shall have the meaning set forth in Section 3.9 hereof.

“Electronic Means” shall mean the following communication methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee or another method or system specified by the Trustee as available for use in connection with its services under this Indenture.

“Event of Default” shall mean any occurrence or event specified in Article IX of this Indenture.

“Fiscal Year” shall mean the fiscal year of the State, as it may be established by the State from time to time and initially beginning on July 1 and ending June 30 in each year.

“General Assembly” shall mean the General Assembly of the State.

“General Statutes” shall mean the State of Connecticut General Statutes, Revision of 1958, as amended.

“Governmental Obligations” shall mean (a) noncallable, nonredeemable direct obligations of the United States of America, and (b) obligations which the timely payment of the principal of, and interest on, is fully and unconditionally guaranteed by the United States of America.

“Governor” shall mean the Governor of the State.

“Indenture” shall mean this Indenture, and, unless the context shall clearly indicate otherwise, shall include any and all Supplemental Indentures.

“Infrastructure Improvement Fund” shall mean the Infrastructure Improvement Fund of the State, as provided in Section 5.8 of this Indenture.

“Interest Requirements on Notes” for any period, shall mean the sum of (i) the amount required to pay interest on all Notes which is payable in such period; plus (ii) the amount required to pay interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Notes. In computing the interest payable in any future period on any Note bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Note at the time of calculation.

“Investment Securities” shall have the meaning ascribed to such term in Section 6.2 hereof.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the State.

“Monthly Payment Bonds” shall mean Bonds other than Pay When Due Bonds.

“Note” or “Notes” shall mean any note issued in anticipation of Bonds pursuant to Section 2.6 of this Indenture, including any renewals and replacement Notes.

“Note Repayment Account” shall mean the Special Tax Obligation, Transportation Infrastructure Purposes, Note Repayment Account, a separate account within the Special Transportation Fund created by the provisions of Section 5.2 of this Indenture.

“Original Indenture” shall mean that certain Indenture of Trust dated as of September 15, 1984, by and between the State and the Trustee (as successor Trustee), as previously amended and supplemented.

“outstanding” when used with reference to Bonds or Notes, as of any particular date, shall mean all such Bonds and Notes which have been authenticated and delivered hereunder, except:

(i) any Bonds or Notes cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) any Bond or Note (or any portion of either) for the payment or redemption of which cash funds or Governmental Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bond or Note); provided that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(iii) any Bonds in lieu of which other Bonds have been authenticated under Section 3.7 of this Indenture unless held by a bona fide holder in due course; and

(iv) any Bond deemed to have been paid as provided in Section 11.1 of this Indenture.

“Pay When Due Bonds” shall mean any Additional Bonds designated “Pay When Due Bonds” in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

“Paying Agent” shall mean any bank or trust company, as designated from time to time by the State authorized to pay the principal of and premium, if any, or interest on any Bonds or Notes. The term “Paying Agent” may include the Trustee.



“Pledged Revenues” means the taxes, fees, charges and other receipts of the State required to be credited to the Special Transportation Fund pursuant to the Constitution of the State and the Act, as amended from time to time, to the extent permitted by the Constitution of the State, the Act and this Indenture.

“Principal and Interest Requirements on Bonds” for any period, as applied to outstanding Bonds of any series, shall mean the sum of:

(i) the amount of interest accruing on all Monthly Payment Bonds of such series in such period plus the amount of interest Deemed Payable on all Pay When Due Bonds; plus

(ii) the amount of principal accruing in such period with respect to all serial bonds of such series of Monthly Payment Bonds, assuming the principal of any serial bond of such series accrues ratably over the year preceding the maturity of such serial bond, plus the amount of principal Deemed Payable in such period with respect to all serial bonds of such series of Pay When Due Bonds; plus

(iii) the Amortization Requirement accruing for the term bonds of such series of Monthly Payment Bonds, plus the Amortization Requirement Deemed Payable for the term bonds of such series of Pay When Due Bonds, for such period; plus

(iv) any other amortization, payment or accrual of original issue discount or principal with respect to Bonds of such series required to be made for such period pursuant to the proceedings authorizing Bonds of such series; plus

(v) the amount accruing or payable with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal on Bonds.

For purposes of this definition, “Deemed Payable” shall mean the actual payment date for the Pay When Due Bonds, or such earlier date as may be designated as the “Deemed Payable” date in a Supplemental Indenture for all outstanding Pay When Due Bonds, or as may be designated for the series of Pay When Due Bonds being authorized by a Supplemental Indenture.

In computing the Principal and Interest Requirements on Bonds for any period for the Bonds of any series, the Trustee shall assume that an amount of the term bonds (if any) of such series equal to the Amortization Requirement for the term bonds of such series for such period will be retired by purchase or redemption on or before the last day of such period. In computing the interest payable in any future period on any Bond bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Bond at the time of calculation.

“Prior Bonds” shall mean outstanding Bonds issued under the Original Indenture.

“Rebate Fund” shall mean the Rebate Fund of the State, as provided in Section 5.9 of this Indenture.

“Record Date” shall mean any record date or record dates provided for in a Supplemental Indenture.

“Redemption Sub-Account” shall mean the separate sub-account created in the Debt Service Account by the provisions of Section 5.3 of this Indenture.

“Refunding Bonds” shall mean any one or more series of Bonds authorized and issued by the State pursuant to Section 2.5 of this Indenture.

“Registrar and Transfer Agent” shall have the meaning set forth in Section 3.5 hereof.

“Regulations” shall mean any applicable Internal Revenue Service Regulations, promulgated in proposed, temporary or final form. Proposed regulations are “applicable” only if, in the event they are adopted in final form, such regulations would apply to the Bonds or Notes.

“Reserve Account” shall mean the Special Tax Obligation, Transportation Infrastructure Purposes, Reserve Account, a separate account which may be created within the Special Transportation Fund by the provisions of Section 5.7 of this Indenture, which may consist of separate subaccounts for Reserve Account Bonds or a co-mingled account.

“Reserve Account Bonds” shall mean such series of Bonds designated and provided for in a Supplemental Indenture or Supplemental Indentures.

“Reserve Account Surety Policy” shall mean an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Reserve Account created for one or more series of outstanding Bonds in lieu of, or partial substitution for, cash or securities on deposit therein. At the time of issuance of such policy, the entity providing such Reserve Account Surety Policy shall be rated at least in the second highest rating category by Moody’s or S&P, or their successors, respectively, or the equivalent thereto in the case of any other nationally recognized rating agency.

“Reserve Sub-Account” shall have the meaning set forth in Section 5.7(a) hereof.

“Resolution” shall mean collectively the resolutions of the State Bond Commission duly adopted at meetings authorizing issuance of Bonds and this Indenture, as the same may be amended from time to time.

“S&P” shall mean S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the State.

“Securities Depository” shall mean an organization or entity that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such act for the purposes of Section 17A thereof.

“serial bond” shall mean one of the Bonds of a series which shall be stated to mature in annual installments.

“Series Reserve Requirement” shall mean the reserve requirement for Prior Bonds as defined in Section 5.7(d) hereof, and for a series of Additional Bonds shall mean none unless otherwise provided for in the Supplemental Indenture for such series of Additional Bonds. Such requirement may be expressed for a Reserve Sub-Account for the benefit of that series only, or for more than one series of Bonds or Notes.

“Special Transportation Fund” shall mean the Special Transportation Fund of the State created under Section 13b-68 of the General Statutes, and governed by the Act and the Constitution of the State.

“State” shall mean the State of Connecticut.

“State Bond Commission” shall mean that commission established and existing pursuant to subsection (c) of Section 3-20 of the General Statutes, or any successor thereto.

“Statutory Lock Box” shall have the meaning set forth in the recitals hereto.

“STIF” shall mean the Short-Term Investment Fund created and existing under Section 3-27a of the General Statutes, or any successor provision.

“subordinate obligation” or “subordinate obligations” shall mean obligations issued pursuant to Section 2.7 hereof.

“Supplemental Indenture” shall mean any indenture entered into by the Trustee and the State pursuant to and in compliance with the provisions of Article X of this Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X thereof amending or supplementing the provisions of this Indenture as originally executed or as theretofore amended or supplemented.

“term bond” shall mean one of the Bonds of a series which shall be stated to mature on one date and payable from Amortization Requirements.

“Treasurer” shall mean the Treasurer of the State.

“Trustee” shall mean U.S. Bank Trust Company, National Association, and its successor or successors hereinafter appointed in the manner provided in this Indenture.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Indenture, refer to this Indenture, and the term “hereafter” means after, and the term “heretofore” means before, the date of execution of this Indenture. Unless the context shall otherwise indicate, the words “Bond,” “Note,” “owner,” “holder,” and “person” shall include the plural as well as the singular number. Words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons. Any headings preceding the texts of the several Articles

and Sections of this Indenture, and any table of contents appended hereto, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

## **ARTICLE II AUTHORIZATION, ISSUANCE AND DELIVERY OF BONDS; JUNIOR LIEN OBLIGATIONS**

Section 2.1. *Authorization for Issuance of Bonds; Payment Thereof and Security Therefor.* There are hereby established and created pursuant to the Act and under this Indenture special tax obligation bonds (herein defined and referred to as the “Bonds”) of the State, in one or more series and subject to the terms and conditions provided in Sections 2.4 and 2.5 of this Indenture. Except as otherwise provided in the Act, and subject to the provisions of Sections 2.4 and 2.5 of this Indenture, the aggregate principal amount of Bonds which may be issued hereunder and secured hereby and be outstanding at any one time is not limited.

The Bonds, including the principal thereof and interest and premium, if any, thereon, shall be payable solely from the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to this Indenture. The Bonds shall be equally and ratably secured hereunder by the assignments, pledges and charges made or created herein of or on the properties of the Trust Estate for the payment and security of the Bonds and by a co-equal lien thereon, without priority by reason of series, number, date of execution hereof or of the Supplemental Indenture providing for the issuance thereof, date of Bonds, date of sale, date of execution, date of authentication, date of issuance, date of delivery, the Section hereof under which the Bonds are issued or otherwise. The aforesaid lien and charge of the Bonds shall constitute a prior and paramount lien and charge on the Special Transportation Fund and the other receipts, funds and moneys pledged to the payment of the Bonds and from time to time held hereunder, subject only to the provisions of this Indenture permitting the application of moneys in the Special Transportation Fund and such other receipts, funds and moneys for the purposes and on the terms and conditions hereof, over and ahead of any parties, having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice of the foregoing lien and charge and over and ahead of all other indebtedness payable from or secured by the Pledged Revenues and such other receipts, funds and moneys which may hereafter be created or incurred. The pledges, liens, charges and assignments to the Trustee of the Trust Estate made herein and hereby shall be valid and binding from the time of the delivery of and payment for the first series of Bonds issued hereunder and the moneys representing the Pledged Revenues and other receipts, funds or moneys so pledged received by the State shall be subject immediately to the lien of such pledge, upon receipt thereof by the State or the Trustee or a Paying Agent hereunder without any physical delivery thereof or further act.

Bonds and Notes issued pursuant to this Indenture shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to this Indenture, nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such Pledged Revenues or other receipts, funds and moneys pledged therefor pursuant to this Indenture. The issuance of Bonds or Notes pursuant hereto shall not directly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, except for taxes included in the Pledged Revenues, or to make any additional appropriation for

their payment. The Bonds or Notes shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, other than Pledged Revenues or other receipts, funds or moneys pledged therefor as provided in the Act or this Indenture. The substance of such limitation shall be plainly stated on the face of each Bond and Note. Bonds and Notes issued pursuant to this Indenture shall not be subject to any statutory limitation on the indebtedness of the State, and such Bonds, when issued, shall not be included in computing the aggregate indebtedness of the State in respect to and to the extent of any such limitation.

No holder of a Bond or Note shall be required to see that the moneys derived from such Bond or Note are applied to the purpose or purposes for which the Bond or Note is issued. The validity of the Bonds or Notes shall neither be dependent upon nor affected by the validity or regularity of any proceedings or contracts relating to the purposes for which Bonds or Notes are issued nor the use and application of the proceeds of the Bonds or Notes.

Section 2.2. *Reserved.*

Section 2.3. *Reserved.*

Section 2.4. *Issuance of Additional Bonds.* (a) To the extent authorized, Additional Bonds may be issued under and secured by this Indenture, at one time or from time to time. To the extent permitted and authorized by the State, Additional Bonds may be issued to refund other transportation obligations of the State, including, but not limited to, subordinate obligations, general obligation debt, and federal transportation bonds (as such term is defined in Section 13b-78 of the General Statutes). Such Additional Bonds shall be issued under and pursuant to a Supplemental Indenture or Supplemental Indentures and the provisions of Section 10.4 shall have been complied with respect to such Supplemental Indenture or Supplemental Indentures; and such Supplemental Indenture or Supplemental Indentures shall designate such Additional Bonds issued thereunder as Special Tax Obligation Bonds, Transportation Infrastructure Purposes, [insert identifying year] Series [insert identifying letter] (or such other designation as deemed appropriate by an Authorized Officer), and shall specify (1) the authorized principal amount of such series of Additional Bonds; (2) the date, the maturity date or dates (which shall be not later than thirty (30) years from their date, or such longer term as may be allowed under the Act), and the interest payment date or dates of the Additional Bonds of such series; (3) the interest rate or rates per annum, including variable rates, to be borne by the Bonds of such series or the manner of determining such rates; (4) the denominations and manner of numbering the Additional Bonds of such series; (5) the terms and conditions, if any, for the redemption of the Additional Bonds of such series; the premium or premiums, if any, to be paid upon the redemption of the Additional Bonds of such series; (6) if any of the Additional Bonds of such series are term bonds, the Amortization Requirements for the Additional Bonds of such series; (7) if the Additional Bonds of such series are to be payable as to principal, interest and premium, if any, at a place or places in addition to the principal office of the Trustee, the place or places of payment; (8) the provisions for the sale or other disposition of the Additional Bonds of such series and the use, application and investment, if any, of the proceeds of such sale or other disposition; (9) the provisions for the execution, and the manner of authentication, if any, of the Additional Bonds of such series; and (10) any other provisions not inconsistent or in conflict with the provisions of this Indenture deemed necessary or advisable by the State.

(b) In addition, issuance of the Additional Bonds shall be subject to compliance with the following conditions (based on accounting principles then applied by the State for purposes of the financial statements prepared in compliance with Section 7.4 of this Indenture):

(1) Pledged Revenues and other receipts, funds or moneys pledged hereunder, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged hereunder for reserves required by the Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding eighteen (18) calendar months were equal to at least the Coverage Requirement for such period; provided however, that this condition shall be deemed to be satisfied if such test is satisfied after adjusting such Pledged Revenues and other receipts, funds or moneys pledged hereunder only to reflect any increase or increases, or decrease or decreases, in taxes, fees or charges enacted to be in effect at the time of issuance, and the Secretary of the Office of Policy and Management of the State (or any successor agency) shall deliver to the Trustee a certificate demonstrating such coverage;

(2) Pledged Revenues and other receipts, funds or moneys pledged hereunder, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged hereunder for reserves required by the Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding eighteen (18) calendar months divided by such number of full calendar months and multiplied by twelve (12) are equal to at least the Coverage Requirement (such Coverage Requirement to include the Additional Bonds to be issued, and to exclude Interest Requirements on Notes being refunded from the proceeds of such Additional Bonds), for the current and each succeeding Fiscal Year after adjusting such Pledged Revenues and other receipts, funds or moneys pledged hereunder only to reflect any increase or increases, or decrease or decreases, in taxes, fees or charges enacted to be in effect for such current or such succeeding Fiscal Year, and the Secretary of the Office of Policy and Management of the State (or any successor agency) shall deliver to the Trustee a certificate demonstrating such coverage;

(3) The State shall have received a letter from the Accountant (i) substantially to the effect that in connection with their examination of the Special Transportation Fund pursuant to Section 7.4 of this Indenture nothing came to their attention that caused them to believe that the State was not then in compliance with the covenant of Section 2.4(b)(1) of this Indenture and (ii) reporting on the certificates delivered pursuant to Sections 2.4(b)(1) if any, and 2.4(b)(2), without material qualification; and

(4) The State shall have determined that the principal amount of all Bonds, including the Additional Bonds to be issued, will not exceed any limitation imposed by law, and upon such issue the amount to be then held to the credit of the Reserve

Account, giving effect to the deposits to be made of the proceeds of the sale of such Additional Bonds, will be not less than the Debt Service Reserve Requirement.

(c) In addition, issuance of the Additional Bonds shall be conditioned upon the State being then in compliance with Section 5.1 of this Indenture.

(d) The net proceeds of any such Additional Bonds, after any costs of issuance an Authorized Officer shall determine to pay out of such proceeds, shall be applied as follows:

(1) There shall be deposited to the credit of the Note Repayment Account an amount sufficient, when adjusted for investment earnings as provided below, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on all Notes then outstanding and issued in anticipation of the issuance of the Additional Bonds. Any deposit made to the Note Repayment Account pursuant to this subsection shall be adjusted to take into account the income, if any, which may be earned from investment of said deposit between the date of such deposit and the maturity date of the Notes then outstanding and issued in anticipation of the issuance of the Additional Bonds, including any renewals or refundings thereof;

(2) If applicable, there shall be deposited to the credit of the Reserve Account that amount, if any, which when added to the amount then held to the credit of the Reserve Account, will make the total amount held to the credit of the Reserve Account equal to the Debt Service Reserve Requirement;

(3) There shall be deposited with the Treasurer an amount sufficient, when adjusted for investment earnings, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on general obligation bonds of the State issued for transportation purposes for the refunding of which such Additional Bonds were issued;

(4) There shall be made such other deposits or credits, if any, as shall be specified in the Supplemental Indenture providing for the issuance of such series of Additional Bonds;

(5) The balance of said proceeds shall be deposited to the credit of the Infrastructure Improvement Fund of the State.

The amount received as accrued interest shall be deposited to the credit of the Bond Service Sub-Account.

Section 2.5. *Issuance of Refunding Bonds.* (a) Special tax obligation refunding bonds (herein defined and referred to as the “Refunding Bonds”) may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, at any time or times, for the purpose of providing funds for purchasing, redeeming or refunding all or part of the outstanding Bonds of any series, including payment of any redemption premium, if any, thereon and the interest to accrue to the date of purchase, redemption or maturity of such Bonds. Such Refunding Bonds shall be issued by means of a Supplemental Indenture or Supplemental

Indentures which shall become effective upon compliance and in accordance with the provisions of Section 10.4 hereof.

(b) Bonds of any one or more series may be refunded by the same series of Refunding Bonds. The Bonds to be refunded shall be specified in the Supplemental Indenture providing for the issuance of such Refunding Bonds. The principal amount of such Refunding Bonds may include amounts necessary to pay the principal of the Bonds to be refunded, any unpaid interest thereon to the date of redemption thereof, any premium or commission necessary to be paid in connection therewith, and the costs and expenses of issuance of such Refunding Bonds. Each such series of Refunding Bonds shall be designated "Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes [insert identifying year] Series [insert identifying letter], shall be dated, shall bear, interest at such rate or rates, including variable rates, shall consist of serial bonds and/or term bonds in such amounts, shall mature on such date or dates in such amounts and such year or years, not later than thirty (30) years from their date, and have such other terms and conditions, all as may be provided in the Supplemental Indenture providing for the issuance of such Refunding Bonds. In case any of the Refunding Bonds of a series issued under the provisions of this Section shall consist of term bonds, the Amortization Requirements shall be fixed by the Supplemental Indenture providing for the issuance of such Refunding Bonds. Such Refunding Bonds shall be made redeemable at such times and prices (subject to the provisions of Article IV of this Indenture) as may be provided by the Supplemental Indenture providing for the issuance of such Refunding Bonds.

Section 2.6. *Issuance of Bond Anticipation Notes.* Bond anticipation notes (herein defined and referred to as the "Notes") may be issued under and secured by this Indenture, at one time or from time to time, in anticipation of the issuance of Bonds under Section 2.4 of this Indenture, provided that no such Notes shall be issued (i) unless the Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and this Indenture, and (ii) if the aggregate principal amount of all Notes then outstanding and to be issued exceeds two hundred fifty million dollars (\$250,000,000), unless, as of the date of issuance of such Notes, the State could have issued under the terms of this Indenture an equivalent aggregate principal amount of serial bonds, maturing in equal annual installments of principal and interest, the last installment of which shall mature not later than thirty (30) years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Bonds been issued at such time. The date or dates of such Notes, the maturities, denominations, form, details and other particulars of such Notes, including the method, terms and conditions for the issue and sale thereof, shall be determined by the Treasurer in the best interest of the State. Such Notes shall be designated "Special Tax Obligation Bond Anticipation Notes, Transportation Infrastructure Purposes, Issue ..... [inserting number of issue, in numerical order, lowest numbers first] (or such other designation as deemed appropriate by an Authorized Officer). Said Notes shall be special obligations of the State payable solely from the proceeds of Bonds issued under Section 2.4 hereof and, to the extent provided herein or deemed necessary or desirable by the State, from the Special Transportation Fund. Any obligation of the State to pay the unrefunded principal of Notes, including for this purpose any obligation of the State under a reimbursement agreement entered into in connection with a credit facility providing for payment of the unrefunded principal of Notes, shall be subordinate to any obligation of the State to pay Debt Service Requirements with respect to Bonds or any Debt Service



Requirements with respect to Notes other than Debt Service Requirements relating to unrefunded principal of Notes or to obligations under a credit facility for the payment of such unrefunded principal. The State shall not enter into any contract with any Noteholder inconsistent with the terms of this Indenture. The full faith and credit of the State shall not be pledged to the repayment of such Notes and the State shall not be obligated to make appropriations from its General Fund for the repayment of such Notes. Such Notes may be renewed and refunded from time to time as may be determined by the Treasurer. Said Notes may be made redeemable. The proceeds of the sale of any issue of Notes shall be applied as follows:

(a) There shall be deposited to the credit of the Note Repayment Account an amount sufficient when adjusted for investment earnings as provided below, and taking into account any other funds available or to be available for such purpose, to pay when due the principal of and the interest on all Notes then outstanding which are to be renewed or refunded by the present issue. Any deposit made to the Note Repayment Account pursuant to this subsection shall be adjusted to take into account the income, if any, which may be earned from investment of said deposit between the date of deposit and the maturity date of the Notes then outstanding which are to be renewed or refunded.

(b) There shall be made such other deposits or credits, if any, as shall be specified in the proceedings under which such Notes are issued.

(c) The balance of said proceeds shall be deposited to the credit of the Infrastructure Improvement Fund of the State.

Section 2.7. *Junior Lien Obligations.* Nothing contained in this Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the State from issuing bonds, notes, certificates, warrants or other evidences of indebtedness for any use or purpose of the State payable as to principal and interest from the Special Transportation Fund subject and subordinate to the deposits and credits required to be made to the Note Repayment Account, the Debt Service Account or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a call upon the Pledged Revenues and a lien on and pledge of the Special Transportation Fund junior and inferior to the first call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund herein created other receipts, funds or moneys pledged herein for the payment and security of the Bonds and Notes. Such debt may be designated “Subordinate”, “Junior Lien”, “2nd Lien”, “Second Lien”, or such other designation as may be desirable to indicate that such bonds, notes, certificates, warrants or other evidences of indebtedness are junior and inferior to the call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund herein created.

### **ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS**

Section 3.1. *General Terms of Bonds.* The provisions of this Section shall apply to all Additional Bonds or Refunding Bonds, except as and unless otherwise provided in the Supplemental Indenture providing for their issuance. The Bonds to be issued shall be dated, shall be in the minimum denomination of \$1,000 each or any integral multiple thereof (as designated in a Supplemental Indenture for a series of Bonds), shall be numbered or lettered, or both, as shall be

determined by the Trustee, and shall be exchangeable for other Bonds as provided in Section 3.4 of this Indenture.

Payment of the interest on any Bond on any interest payment date shall be made to the person appearing as the registered owner thereof on the registration books of the State kept by the Registrar and Transfer Agent for Bonds of such series, hereinafter provided for, such interest to be paid by check or draft mailed to the registered owner at such registered owner's address as it appears on such registration books, or in the case of global notes, wire transfer of immediately available funds to DTC or otherwise in accordance with the procedures of the applicable depository. The principal of any Bond shall be payable upon the presentation and surrender thereof at the principal office of the Trustee or any Paying Agent.

Section 3.2. *Execution of Bonds; Validity of Signatures Thereon.* Except as or unless otherwise set forth in the Supplemental Indenture providing for their issuance, any Additional Bonds or Refunding Bonds shall be executed in the name of the State by the Governor, the Treasurer or Deputy Treasurer and the Comptroller, either by their manual signatures or electronic signatures, or by facsimiles thereof, and shall be imprinted with a facsimile of the seal of the State or such facsimile as shall be reproduced thereon.

In case any person who shall have signed, registered, attested, authenticated or sealed, as the case may be, any of the Bonds, whether by means of such person's manual signature or a facsimile thereof, shall die or cease to be the person authorized to sign, register, attest, authenticate or seal the Bonds before the Bonds so signed, registered, attested, authenticated or sealed, as the case may be, by such person shall have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued with the same effect as though the person who had so signed, attested, authenticated, registered or sealed such Bonds had not died or ceased to be such authorized person.

Section 3.3. *Authentication of Bonds.* Subject to the provisions of the next succeeding sentence of this paragraph, the Trustee shall, at the order of the State signed by the Treasurer or Deputy Treasurer, authenticate and deliver the Bonds under this Indenture in accordance with the directions of the State contained in such order. Bonds delivered in accordance with the provisions of this Indenture upon transfers, exchanges or redemptions of Bonds shall be authenticated as herein provided when so delivered, and no order of the State nor opinion of counsel nor any other document shall be necessary to authorize such authentication. Only such of the Bonds (including temporary Bonds) as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the Supplemental Indenture providing for their issuance, duly executed by the Trustee, shall be entitled to any right or benefit under this Indenture or be secured hereby, and no Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been executed by the Trustee. Upon the authentication of any Bond the Trustee shall insert the name of the registered owner, the number, principal amount, maturity date, interest date and bond date. It shall not be necessary for the same responsible officer of the Trustee to authenticate all of the Bonds of a series. The bond date shall be the date upon which such Bond is actually authenticated if the date of such actual authentication is an interest payment date or shall be the interest payment date to which interest was paid next preceding the date upon which the Bond is actually authenticated if such Bond is not actually authenticated upon an interest payment date, or shall be the original issue date of the series of Bonds of which such Bond is one if such

Bond is actually authenticated prior to the first date upon which interest is payable upon the series of Bonds of which such Bond is one. Every authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued hereunder and is entitled to the benefits and security of this Indenture and of the trusts hereby created.

In case any of the Bonds shall have been authenticated but not delivered, any successor Trustee hereunder may adopt the certificate of authentication of the original Trustee or of any successor to it as the Trustee hereunder, and deliver the Bonds so authenticated as herein provided. In case any of the Bonds shall not have been authenticated, any successor Trustee may authenticate such Bond as herein provided in its own name. In all such cases such certificate of authentication shall have the same force and effect as provided in the Bonds or in this Indenture with respect to the certificate of authentication of the Trustee.

Section 3.4. *Transfer and Exchange of Bonds.* Any Bond may, in accordance with its terms, be transferred upon the books of registry required to be kept pursuant to the provisions of Section 3.5 hereof by the person in whose name it is registered, in person or by such person's duly authorized agent, and any Bond may be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity of any other authorized denominations, in each case upon surrender of such Bond to the Registrar and Transfer Agent for cancellation, accompanied by delivery of a written instrument of transfer duly executed by the registered owner in person or such registered owner's attorney duly authorized and in form satisfactory to the Registrar and Transfer Agent.

Whenever any Bond shall be surrendered for transfer or exchange, the State shall execute and the Trustee shall authenticate and deliver, at the principal office of the Trustee (or send by registered mail to the owner or new owner thereof at such owner's request and at such owner's risk and expense), in the name of the owner or the transferee or transferees, as applicable, a new duly executed and authenticated Bond or Bonds, of the same series, interest rate and maturity and for a like aggregate principal amount, dated so that there shall result no gain or loss of interest as a result of such transfer or exchange. To the extent of denominations authorized in respect of any such Bond by the terms of this Indenture or any Supplemental Indenture, one such Bond may be transferred or exchanged for several such Bonds of the same series, interest rate, maturity and aggregate principal amount, and several such Bonds may be transferred or exchanged for one or several such Bonds of the same series, interest rate, maturity and aggregate principal amount. All transfers or exchanges pursuant to this Section shall be made without expense to the holder of such Bonds except that the Registrar and Transfer Agent shall require the payment by the holder of the Bond requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer. All Bonds surrendered pursuant to this Section shall be cancelled.

Unless otherwise set forth in the Supplemental Indenture providing for their issuance, no transfers or exchanges of Bonds shall be required to be made during the fifteen (15) days next preceding an interest payment date for such Bonds nor during the forty-five (45) days next preceding the date fixed for redemption of such Bonds.

Section 3.5. *Books of Registry.* At all times while any Bond remains outstanding and unpaid, the State shall keep or cause to be kept books (herein referred to as the "books of registry")

for the registration and transfer of Bonds of each series. The State shall appoint, and from time to time may reappoint or substitute, the principal paying agent, registrar and transfer agent (herein referred to and defined as the "Registrar and Transfer Agent" for Bonds of such series) for each series of Bonds. Upon presentation at its principal office for such purpose the Registrar and Transfer Agent for Bonds of such series, under such reasonable regulations as it may prescribe, shall register or transfer, or cause to be registered or transferred on such books of registry, Bonds as hereinbefore set forth. The books of registry shall at all times be open for inspection by the State or its duly authorized agent or representative.

Section 3.6. *Temporary Bonds.* Pending the preparation of definitive Bonds, interim receipts or certificates (herein referred to as "temporary Bonds") may initially be issued exchangeable for definitive Bonds of the same series when the latter are ready for delivery. Such temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination or denominations as may be determined by the State and may contain such references to any of the provisions of this Indenture as may be appropriate. If temporary Bonds are issued, the State will cause to be furnished duly executed and authenticated definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation at the principal office of the Trustee in exchange for definitive Bonds and without charge for such exchange, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds so surrendered an equal aggregate principal amount of duly executed and authenticated definitive Bonds of authorized denominations and of the same series, interest rate or rates and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds of the same series delivered hereunder.

Section 3.7. *Mutilated, Lost, Stolen or Destroyed Bonds.* In case any Bond (which, for purposes of this Section and Section 3.8, shall include Notes issued pursuant to Section 2.6 of this Indenture) shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced or mutilated as to impair the value thereof to the owner, the State shall execute and the Trustee shall authenticate and deliver at the principal office of the Trustee (or send by registered mail to the owner thereof at such owner's request and at such owner's risk and expense), a new Bond of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for, and upon the surrender for cancellation of, such defaced, mutilated or partly destroyed Bond, or in lieu of, or in substitution for such lost, stolen, or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish to the State and the Trustee evidence or proof satisfactory to each of them of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the State or by the Trustee. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Indenture as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder. Neither the State nor the Trustee nor the Registrar and Transfer Agent nor any other Paying Agent appointed hereunder shall be required to treat both the original Bond and any duplicate Bond as being outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

Notwithstanding the foregoing provisions of this Section as to the issuance of duplicate or replacement Bonds, (i) if any such lost, stolen, destroyed, defaced or mutilated Bond has matured or been called for redemption and the date fixed for the redemption thereof has arrived, at the option of the State, payment of the amount due thereon may be made without the issuance of any duplicate or replacement Bond upon receipt of like evidence, indemnity and security and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the State and the Trustee or either of them may prescribe; (ii) if any such lost, stolen, destroyed, defaced or mutilated Bond shall mature or is of a class or series which shall mature within one year following the date of application for a duplicate Bond, or has been called or will be called, or is of a class or series which has been called or will be called, for redemption within one year knowing such date, instead of issuing a duplicate or replacement Bond the State and the Trustee, upon receiving like evidence, indemnity and security and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the State and the Trustee or either of them may prescribe, may issue or cause to be issued and authenticated a transferable certificate of ownership to the applicant and pay on such certificate the interest and premium, if any, on and the principal amount thereof, on the interest payment dates and the redemption date or maturity date, upon surrender of such certificate, and all such transferable certificates of ownership shall be in such form as may be determined by the State or as otherwise provided by law; and (iii) if the provisions of applicable law shall provide for the payment of lost, stolen, destroyed, mutilated or defaced Bonds in lieu of the issuance of duplicates or certificates of ownership therefor, such lost, stolen, destroyed, mutilated or defaced Bonds may be paid in accordance with the provisions of such laws.

All expenses necessary for the providing of any duplicate Bond or certificate shall be borne by the owner thereof.

Section 3.8. *Disposition and Destruction of Bonds.* All Bonds (as construed in Section 3.7 hereof) surrendered to the Trustee or other Paying Agent for payment shall be cancelled upon such payment by the Trustee or such other Paying Agent, as the case may be.

Whenever in this Indenture provision is made for the cancellation of any Bonds by any Paying Agent other than the Trustee, such Bonds so cancelled shall be delivered to the Trustee or as it may direct. All cancelled Bonds, including those cancelled by the Trustee, shall be delivered to the State or as it may direct. On request of the State, at the time of such surrender, the Trustee shall deliver to the State evidence of cancellation and destruction, if applicable, for the canceled Bonds held by the Trustee. The Trustee shall cancel and may dispose of canceled Bonds in accordance with its standard procedures. If the State shall otherwise acquire any of the Bonds, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

Section 3.9. *Securities Depository Provisions.*

(a) Notwithstanding any other provision herein, the registered owner of all Bonds of a series may be, as designated in a Supplemental Indenture that such Bonds are issued pursuant to this Section 3.9, and, if so designated, shall be, registered in the name of Cede & Co. (“Cede”), as nominee of The Depository Trust Company, New York, New York (together with any substitute Securities Depository appointed pursuant to this

Section 3.9, “DTC”). Payment of the interest on any Bond or Note registered in the name of Cede shall be made in accordance with the provisions of this Indenture to the account of Cede on the interest payment dates for the Bonds at the address indicated for Cede in the books of registry (as defined in Section 3.5 hereof).

(b) The Bonds shall be issued in the form of fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books of the State kept by the Registrar and Transfer Agent, in the name of Cede, as nominee of DTC. With respect to Bonds so registered in the name of Cede, the State, the Trustee, the Registrar and Transfer Agent, and any Paying Agent shall have no responsibility or obligation to any DTC participant or to any beneficial owner of any of such Bonds. Without limiting the immediately preceding sentence, the State, the Trustee, the Registrar and Transfer Agent, and any Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant with respect to any beneficial ownership interest in the Bonds; (ii) the delivery to any DTC participant, beneficial owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any DTC participant, beneficial owner or other person, other than DTC; of any amount with respect to the principal or redemption price of, or interest on, any of the Bonds. The State, the Trustee, the Registrar and Transfer Agent and any Paying Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bonds for all purposes whatsoever, including (but not limited to) (1) payment of the principal or redemption price of, and interest on, the Bonds, (2) giving notices of redemption and other matters with respect to such Bonds, and (3) registering transfers with respect to such Bonds. So long as the Bonds are registered in the name of Cede, the Paying Agent shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to satisfy fully and discharge the State’s obligations with respect to such principal or redemption price, and interest, to the extent of the amount or amounts so paid. Except as provided in subsection (c) of this Section 3.9, no person other than DTC shall receive a Bond evidencing the obligation of the State to make payments of principal or redemption price of, and interest on, any such Bond pursuant to this Indenture. Upon delivery by DTC to the Trustee, the Registrar and Transfer Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word “Cede” in this Indenture shall refer to such new nominee of DTC. Except as provided in subsection (c)(3) of this Section 3.9, and notwithstanding any other provisions of this Indenture, the Bonds may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor Securities Depository or any nominee thereof.

(c)(1) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the State, the Trustee, the Registrar and Transfer Agent, and the Paying Agent, which notice shall certify that DTC has discharged its responsibilities with respect to the Bonds under applicable law.

(2) The State, in its sole discretion and without the consent of any other person, may, by notice to the Trustee, the Registrar and Transfer Agent, terminate the services of DTC with respect to the Bonds if the State determines that the continuation of the system of book-entry-only transfers through DTC is not in the best interests of the beneficial owners of the Bonds or the State; and the State shall, by notice to the Trustee, Registrar and Transfer Agent, terminate the services of DTC with respect to the Bonds upon receipt by the State, the Trustee, the Registrar and Transfer Agent, and the Paying Agent of written notice from DTC to the effect that DTC has received written notice from DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding Bonds to the effect that; (i) DTC is unable to discharge its responsibilities with respect to the Bonds; or (ii) a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar and Transfer Agent in the name of Cede, as nominee of DTC, is not in the best interests of the beneficial owners of the Bonds.

(3) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(2)(ii) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(1) or subsection (c)(2)(i) hereof, the State may, within ninety (90) days thereafter, appoint a substitute Securities Depository which, in the opinion of the State, is willing and able to undertake the functions of DTC hereunder upon reasonable and customary terms. If no such successor can be found within such period, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar and Transfer Agent in the name of Cede, as nominee of DTC. In such event, the State shall execute and the Trustee, upon receipt of an authentication order from the State to the Trustee, shall authenticate Bond certificates as requested by DTC of like principal amount, maturity and series, in authorized denominations to the identifiable beneficial owners in replacement of such beneficial owners' beneficial interest in the Bonds.

(4) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC.

(5) In connection with any notice or other communication to be provided to holders of Bonds registered in the name of Cede pursuant to this Indenture by the State or the Trustee, Registrar and Transfer Agent with respect to any consent or other action to be taken by such Bondholders, the State shall establish a record date for such consent or other action by such Bondholders and give DTC notice of such record date not less than fifteen (15) days in advance of such record date to the extent possible.

#### Section 3.10. *Purchase at Any Time.*

Nothing in this Indenture shall prevent the State from purchasing Bonds, using any allowable amounts available to it, on the open market with or without the involvement of the Trustee and delivering such Bonds to the Trustee for cancellation pursuant to Section 3.8 hereof.

The proceeds of any Bonds purchased pursuant to this Section which are subject to the mandatory sinking fund redemption schedule in any Supplemental Indenture may be credited against future mandatory sinking fund redemption payments in accordance with terms set forth in such Supplemental Indenture. The principal amount of Bonds to be redeemed by mandatory redemption under this Indenture may be reduced by the principal amount of Bonds purchased by the State and delivered to the Trustee for cancellation at least forty-five (45) days prior to their redemption date.

#### **ARTICLE IV REDEMPTION OF BONDS**

Section 4.1. *Redemption of Bonds.* (a) Bonds may be made subject to redemption prior to their stated maturities upon such terms and conditions and at such dates and with such premiums as shall be set forth in a Resolution or a Supplemental Indenture providing for the issuance thereof, and upon the further terms and conditions as are hereinafter set forth in this Article IV.

(b) Term bonds of any series issued pursuant to Section 2.4 of this Indenture may be redeemed on any principal payment date, by lot within a maturity pursuant to Section 4.2 of this Indenture, solely from moneys on deposit to the credit of the Debt Service Account, at the price of par and accrued interest to the date fixed for redemption, to the extent of the Amortization Requirement fixed for the period ending such principal payment date for term bonds of such series and any deficiency in preceding periods in the purchase or redemption of such term bonds pursuant to Section 5.5 of this Indenture.

(c) A redemption of any part of the Bonds issued under the provisions of this Indenture and then outstanding less than the whole thereof shall be subject to the conditions set forth in subsection (c) of Section 5.5 of this Indenture.

Section 4.2. *Selection of Bonds for Redemption.* In the event of the redemption at any time of part only of the Bonds if less than all of the Bonds of any particular series then outstanding are to be redeemed, the Bonds of such series to be redeemed shall be redeemed in such order as is set forth in the Supplemental Indenture providing for the issuance of such series, in each instance in accordance with the applicable procedures of DTC or any successor depository. For the purpose of selection and redemption of Bonds of any series by lot the Trustee shall treat as a separate Bond each portion or portions of the principal amount of each Bond that is equal to the minimum denomination in which Bonds of such series are issuable. Whenever provision is made in this Indenture or any Supplemental Indenture for the selection by lot of Bonds to be redeemed, the Trustee, in any manner which it deems fair, shall select the particular Bonds to be redeemed from among those Bonds which are then subject to redemption and to selection by lot for such redemption, in each instance in accordance with the applicable procedures of DTC or any successor depository. The Trustee shall promptly notify each Paying Agent for the Bonds of the series of Bonds of which such Bond to be redeemed is one, in writing, of the Bonds so selected for redemption.

Section 4.3. *Notice of Redemption.* Upon at least five (5) Business Days' notice and direction from the State to the Trustee (unless such notice period is waived by the Trustee), the Trustee shall provide notice of redemption of Bonds by mail not less than twenty (20) days (thirty (30) days for Prior Bonds) nor more than sixty (60) days prior to the redemption date, by



first class mail, to the registered owner of such Bond at such registered owner's address as it appears on the books of registry or at such address as such registered owner may have filed with the Trustee for that purpose (or, for so long as Cede is the registered owner, delivered electronically to DTC or otherwise in accordance with the applicable procedures of any successor depository), provided that, neither failure to deliver such notice to the registered owner of any Bond nor any defect in any notice so delivered, shall affect the sufficiency of the proceedings for the redemption of any of such Bonds. With respect to Bonds in book-entry form, if the Trustee sends notice of redemption to the Securities Depository, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence.

Each notice of redemption shall state: (i) the title of the Bonds to be redeemed, the series designation (if any) thereof, the redemption date, the place or places of redemption and the redemption premium, if any, payable upon such redemption; (ii) if less than all the Bonds of a particular-series are to be redeemed, the distinctive numbers of the Bonds to be redeemed; (iii) that the interest on the Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue from and after such redemption date; (iv) that on such date there will become due and payable on each such Bond the principal amount thereof to be redeemed (together with the then applicable redemption premium, if any) and the interest accrued on such principal amount to the redemption date; and (v) if less than the entire principal amount of a Bond is to be redeemed, that such Bond must be surrendered to the Trustee in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond or Bonds equaling in principal amount that portion of the principal amount not to be redeemed of the Bond to be surrendered. If a redemption is a Conditional Redemption, the notice shall so state.

The notice may provide (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date, or (2) that the State retains the right to rescind (or delay to a new scheduled redemption date) such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded (or delayed). Any Conditional Redemption may be rescinded (or delayed and a new scheduled redemption date substituted) in whole or in part at any time prior to the redemption date if the State delivers written notice to the Trustee instructing the Trustee to rescind (or delay and provide notice of the new redemption date) the redemption notice. The Trustee shall give prompt notice of such rescission (or delay to a new scheduled redemption date) to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the State to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give notice to the Securities Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

Notice of redemption of Bonds shall be given by the Trustee in the name and for and on behalf of the State.

Section 4.4. *Partial Redemption of Bond.* In the event that part only of the principal amount of a Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bond to the State. Upon surrender of such Bond, the State shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the State, a new duly executed Bond or Bonds, of authorized principal amounts equal in aggregate principal amount to, and of the same series, maturity and interest rate as, the unredeemed portion of the Bond surrendered.

Section 4.5. *Effect of Redemption.* If a Bond is subject by its terms to prior redemption and has been duly called for redemption and notice of the redemption thereof has been duly given as hereinbefore provided and if moneys for the payment of such Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price or together with the then applicable redemption premium, if any, and the interest to accrue to the redemption date on such Bond (or the principal amount thereof to be redeemed) are held (or the purpose of such payment by the Trustee or other Paying Agent for the series of Bonds of which such Bond is one, then such Bond (or the principal amount thereof to be redeemed) so called for redemption shall, on the redemption date designated in such notice, become due and payable, and interest on such Bond (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue.

Section 4.6. *Cancellation of Surrendered or Redeemed Bonds.* All Bonds surrendered or redeemed pursuant to the provisions of this Article shall be cancelled.

## **ARTICLE V ESTABLISHMENT AND OPERATION OF SPECIAL FUNDS AND ACCOUNTS**

Section 5.1. *Special Transportation Fund.* The Statutory Lock Box, effective as of June 29, 2015, established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service on the Bonds, and all sources of moneys required by State law to be credited to the Special Transportation Fund must continue to be credited to such fund to the extent the State collects or receives such moneys. Additionally, the Constitutional Lock Box became effective November 28, 2018, following approval by the electors at the general election of November 6, 2018, and provides: “*The Special Transportation Fund shall remain a perpetual fund. The general assembly shall direct the resources of said fund solely for transportation purposes, including the payment of debt service on obligations of the state incurred for transportation purposes. Sources of funds, moneys and receipts of the state credited, deposited or transferred to said fund by state law on or after the effective date of this amendment shall be credited, deposited or transferred to the Special Transportation Fund, so long as such sources are authorized by statute to be collected or received by the state, or any officer thereof, and the general assembly shall enact no law authorizing the resources of said fund to be expended other than for transportation purposes.*”

(a) On or before the last Business Day of each month in which Bonds are outstanding, the State shall withdraw from moneys held by it to the credit of the Special Transportation Fund, and deposit with the Trustee to the credit of the following accounts or sub-accounts in the following amounts and in the following order:

(1) to the credit of the Bond Service Sub-Account, Note Repayment Account and Redemption Sub-Account, respectively, such amounts thereof, if any (or the entire amount so withdrawn if less than the required amount, in which case such amount shall be allocated among the purposes set forth in this subsection (a)(1) on a pro rata basis), as may be required (i) to make the amount then held to the credit of the Bond Service Sub-Account equal to the amount of the Principal and Interest Requirements on Bonds accruing through the dates in the next ensuing month, plus the amount accruing or payable with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal on Bonds, plus one-twelfth (1/12) of the Principal and Interest Requirements on Prior Bonds for the next ensuing twelve (12) months; (ii) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest on Notes payable through the end of the next ensuing month and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Notes; and (iii) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any, accruing through the respective payment dates of the Monthly Payment Bonds in the next ensuing month, plus the aggregate Amortization Requirements, if any, due through the respective payment dates of the Pay When Due Bonds in the next ensuing month, for each of the term bonds then outstanding (plus a ratable portion of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for mandatory redemption); provided, however, that if the amount so deposited to the credit of the Redemption Sub-Account in any Fiscal Year shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any Fiscal Year shall be added to the amount otherwise required to be deposited in each Fiscal Year thereafter until such time as such deficiency shall have been made up;

(2) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subsection (1) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain each Reserve Sub-Account at each respective Series Reserve Requirement.

(b) In computing the interest to become due and payable in any period on any Bonds or Notes bearing interest at variable rates, the interest shall be calculated on the basis of the interest rate actually borne by such Note or Bond at the time of any required deposit.

(c) To the extent not required from time to time for the foregoing purposes, amounts held to the credit of the Special Transportation Fund may be used by the State for any proper purpose, including deposits to the Unrefunded Note Sub-Account from time to time.

(d) No Bondholder shall be entitled under the Act or the Indenture to require the State to deposit in the Special Transportation Fund any transportation related federal

revenues other than operating subsidies, any such right with respect to capital grants being expressly waived hereby.

Section 5.2. *Note Repayment Account.* There is hereby created and established within the Special Transportation Fund a special trust account to be held by the Trustee and to be designated “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Note Repayment Account” (herein defined and referred to as the “Note Repayment Account”). Proceeds of Bonds issued pursuant to Section 2.4 of this Indenture, proceeds of renewal or replacement Notes issued pursuant to Section 2.6 hereof, and deposits pursuant to Section 5.1(a), shall be deposited by the Trustee to the credit of the Note Repayment Account in the amounts specified in Sections 2.4(c)(1), 2.6(a) and 5.1(a) of this Indenture, respectively. Moneys held to the credit of the Note Repayment Account shall be used by the Trustee for the purpose of paying the interest on outstanding Notes, interest pursuant to any reimbursement agreement entered into with respect to a credit facility for the payment of principal of Notes, and principal on refunded Notes. Upon deposit to the credit of the Note Repayment Account pursuant to Sections 2.4(c)(1) and 2.6(a), the principal of Notes in respect of which such deposit is made shall be deemed refunded, and until such a deposit is made to the credit of the Note Repayment Account in respect of a Note the principal of such Note shall be deemed for purposes of this Indenture to be unrefunded. Any moneys remaining in the Note Repayment Account after the last maturity date of such outstanding Notes in excess of the amount of principal due and payable thereon shall be transferred to the credit of the Special Transportation Fund. Anything herein to the contrary notwithstanding, all proceeds realized from the investment of moneys held to the credit of the Note Repayment Account shall remain therein.

Section 5.3. *Debt Service Account.* There is hereby created and established within the Special Transportation Fund a special trust account to be designated “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Debt Service Account” (herein defined and referred to as the “Debt Service Account”). If directed by an Authorized Officer, there shall be created and established within the Debt Service Account three separate sub-accounts to be known as the “Bond Service Sub-Account”, the “Redemption Sub-Account” and the “Unrefunded Note Sub-Account.” Subject to the terms and conditions set forth in this Indenture, moneys held to the credit of the Bond Service Sub-Account, the Redemption Sub-Account and the Unrefunded Note Sub-Account shall be held in trust and disbursed by the Trustee for (a) the payment of the interest on the Bonds as such interest becomes due; (b) the payment of the principal on the Bonds at their respective maturities; (c) the payment of the purchase or redemption price of the Bonds before maturity; (d) the payment of the unrefunded principal on Notes at their respective maturities; or (e) the payment of principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Bonds, and such moneys are hereby pledged to and charged with the payment mentioned in this Section.

Section 5.4. *Bond Service Sub-Account.* The Trustee shall from time to time as required, withdraw from the Bond Service Sub-Account and, if necessary, from the Reserve Account and the Unrefunded Note Sub-Account, and deposit in trust with the Paying Agent sufficient moneys for paying the principal of and the interest on the Bonds as the same shall become due, and shall pay principal and interest pursuant to any reimbursement agreement entered into with respect to payment of principal of Bonds. To the extent necessary to comply with Section 7.6 of this Indenture, the Bond Service Sub-Account shall be depleted, and in order to comply with this

requirement, the Trustee shall from time to time withdraw such moneys as may be necessary from the Bond Service Sub-Account and deposit said moneys to the credit of the Special Transportation Fund. Accrued interest deposited in the Bond Service Sub-Account on the sale of Bonds may be used by the Trustee to pay costs of issuance on such Bonds as directed by the Treasurer.

Section 5.5. *Redemption Sub-Account.* Moneys held to the credit of the Redemption Sub-Account shall be applied to the retirement of Bonds issued under the provisions of this Indenture as follows:

(a) Subject to the provisions of subsection (c) of this Section, the Trustee shall endeavor to purchase Bonds secured hereby and then outstanding, whether or not such Bonds shall be subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to the interest rate and price, such price (including any brokerage and other charges) not to exceed the principal of such Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Bonds under the provisions of Article IV of this Indenture if such Bonds should be called for redemption on such date from moneys in the Debt Service Account. The Trustee shall pay the interest accrued on such Bonds to the date of delivery thereof from the Bond Service Sub-Account and the purchase price from the Redemption Sub-Account but no such purchase shall be made within the period of forty-five (45) days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of this Indenture except from moneys in excess of the amounts set aside or deposited for the redemption of Bonds.

(b) Subject to the provisions of subsection (c) of this Section, the Trustee shall call for redemption on each interest payment date on which Bonds are subject to redemption from moneys in the Debt Service Account such amount of Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Redemption Sub-Account as nearly as may be; provided, however, that, except at the direction of the State, not less than One Hundred Thousand Dollars (\$100,000) in principal amount of Bonds shall be called for redemption at any one time. Such redemption shall be made pursuant to Article IV of this Indenture.

(c) Moneys in the Redemption Sub-Account shall be applied to the purchase or redemption of Bonds in the following order:

(1) term bonds of each series, if any, issued under the provisions of Section 2.4 or Section 2.5 of this Indenture, in such order of maturity as the State shall determine, to the extent of the Amortization Requirement, if any, fixed for the then current period for such term bonds and any deficiency in preceding periods in the purchase or redemption of such term bonds under the provisions of this subdivision; provided, however, that if none of the term bonds of a series shall be subject to redemption from moneys in the Debt Service Account and if the Trustee shall at any time be unable to exhaust the moneys applicable to the Bonds of such series in the purchase of such Bonds under the provisions of subsection (a) of this Section, such moneys or the balance of such moneys, as the case may be, shall be retained, and, as soon as feasible, applied to the retirement of the Bonds of such series;

- (2) to the purchase of any Bonds secured thereby and then outstanding whether or not such Bonds shall be subject to redemption, in accordance with the provisions of subsection (a) of this Section;
- (3) to the redemption of the term bonds of each series in proportion (as nearly as practicable) to the aggregate principal amount of the Bonds of such series originally issued; and
- (4) after the retirement of all term bonds, to the redemption of the serial bonds issued under the provisions of this Indenture in the manner provided herein or in the Supplemental Indenture providing for the issuance of such serial bonds, and to the extent that serial bonds of different series mature on the same date, in proportion (as nearly as practicable) to the principal amount of each series maturing on such date.

Upon the retirement of any Bonds by purchase or redemption, the Trustee shall file with the Treasurer a statement briefly describing such Bonds, and setting forth the date of their purchase or redemption, the amount of the purchase price or the redemption price of such Bonds, and the amount paid as interest thereon.

All expenses incurred by the State in connection with the purchase or redemption of Bonds shall be paid by the State from the Special Transportation Fund.

Notwithstanding the foregoing provisions of this Section 5.5, the State may direct the Trustee to create a segregated sub-account within the Redemption Sub-Account for the purposes set forth in Section 11.1 hereof. Such direction shall include, but not be limited to, the Bonds secured by, investment of and reinvestment of the segregated sub-account and the interest earnings thereon, and directions regarding redemption of Bonds prior to maturity and transfer to such segregated sub-account the allocable amounts from the Bond Service Sub-Account for the Bonds secured by the segregated sub-account and the amount of any excess in the Reserve Account. Any amounts remaining in a sub-account five (5) Business Days after redemption of all Bonds secured by the sub-account shall be transferred by the Trustee, without further direction, to the State for deposit by the State to the Special Transportation Fund or a bond proceeds construction fund.

Section 5.6. *Unrefunded Note Sub-Account.* The State shall withdraw from moneys held by it to the credit of the Special Transportation Fund and deposit with the Trustee to the credit of the Unrefunded Note Sub-Account any and all amounts required from time to time to pay unrefunded principal of Notes becoming due and payable; provided, however, that no such withdrawal and credit shall be made unless all amounts required to be deposited pursuant to Section 5.1 or Section 5.2 shall have been so deposited. Moneys held to the credit of the Unrefunded Note Sub-Account shall be used by the Trustee for the purpose of paying the unrefunded principal on outstanding Notes becoming due and payable from time to time; provided, however, that no such application shall be made unless all amounts required to be deposited pursuant to Section 5.1 or Section 5.2 shall have been so deposited. Any moneys remaining in the Unrefunded Note Sub-Account after the last maturity date of outstanding Notes shall be transferred by the Trustee to the credit of the Special Transportation Fund.

Section 5.7. *Reserve Account.* There is hereby created and established within the Special Transportation Fund a special trust account to be designated “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Account” (herein defined and referred to as the “Reserve Account”).

(a) At the option of the State, and at the time of issuance of any series of Bonds pursuant to a Supplemental Indenture, the State may create and establish within the Reserve Account of the Special Transportation Fund a special trust account to be designated “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Sub-Account [series designation]” in the Reserve Account (a “Reserve Sub-Account”). The State will, by such Supplemental Indenture, specify the Series Reserve Requirement, provide for the manner of funding and replenishing of such Reserve Sub-Account and establish such other terms with respect to such Reserve Sub-Account as the State may deem to be appropriate, including providing a Reserve Account Surety Policy in lieu thereof. Such Reserve Sub-Account may be held for the benefit of only one or more than one series of Bonds, and not for all Bonds.

(b) Subject to subsection (a) above, moneys held to the credit of the Reserve Account shall be used for the purpose of paying the principal and interest on Bonds and meeting the Amortization Requirements for any term bonds whenever and to the extent that the moneys held to the credit of the Bond Service Sub-Account and the Redemption Sub-Account, respectively, shall be insufficient for such purposes. To the extent that moneys held to the credit of the Reserve Account exceed the Debt Service Reserve Requirement, at the written direction of the State, the Trustee shall withdraw such excess from the Reserve Account and deposit it with the State to the credit of the Special Transportation Fund or, if directed by the State in writing, to another fund held by the Trustee pursuant to this Indenture, or to an escrow agreement for any Bonds or Notes. If there exists a deficiency in any Reserve Sub-Account, any transfers pursuant to this subsection (b) shall be first applied pro-rata to such deficient Reserve Sub-Account(s).

(c) In lieu of any deposit required to be made to the Reserve Account by the terms of any provision of the Indenture, the State shall be entitled to substitute a Reserve Account Surety Policy in favor of the Trustee.

(d) With respect to the Prior Bonds, the account designated the Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Sub-Account shall be renamed “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Sub-Account Prior Bonds” and each sub-account designated the Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Sub-Account [series designation] shall be renamed “Special Tax Obligation Bonds, Transportation Infrastructure Purposes, Reserve Sub-Account Prior Bonds [series designation]” for the benefit of only the Prior Bonds (the “Reserve Sub-Account Prior Bonds”). The Series Reserve Requirement for the Reserve Sub-Account Prior Bonds shall be an amount equal to the maximum Principal and Interest Requirements on Bonds for Prior Bonds for the current or any succeeding Fiscal Year on account of all Prior Bonds then outstanding in compliance with the Code.

Section 5.8. *Infrastructure Improvement Fund.* There is hereby created and established a fund of the State to be designated the “Infrastructure Improvement Fund” to be held and administered by the State. Deposits shall be made to the credit of the Infrastructure Improvement Fund as required by the provisions of Sections 2.4 and 2.6 of this Indenture. The moneys so deposited to the credit of the Infrastructure Improvement Fund shall be applied by the State to the purposes for which the Bonds giving rise to such deposits were issued, as provided by applicable law and pending such application shall not be subject to any lien or pledge in favor of the holders of the Bonds.

Section 5.9. *Rebate Fund.* There is hereby created and established a fund of the State to be designated the “Rebate Fund” to be held and administered by the Trustee. Deposits shall be made to the credit of the Rebate Fund as determined by the State in order to provide for rebate liability on obligations of the Special Transportation Fund. At the direction of the State to the Trustee, amounts shall be withdrawn from the account and paid by the State (or by the Trustee at the direction of the State) using Internal Revenue Service Form 8038-T supplied by the State, or such other form as the Internal Revenue Service may have designated for the payment of rebate. The State may also provide direction to the Trustee to deposit into the Special Transportation Fund any amounts in the Rebate Fund in excess of rebate liabilities.

Section 5.10. *Accounts.* Notwithstanding any other provision of this Indenture, the State may establish, at any time, by written direction to the Trustee or through a Supplemental Indenture, any further sub-accounts within any funds, accounts or sub-accounts established hereunder, as deemed necessary. The Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Indenture. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable. Except as provided for in Section 6.2 hereof, the State shall be responsible for making calculations called for under this Indenture, including but not limited to, determination of any required reserve amount, any redemption price or other amounts payable on the Bonds. The State shall make the calculations in good faith and, absent manifest error, its calculations will be final and binding on the Bondholders. The State shall provide a schedule of its calculations to the Trustee when requested by the Trustee, and the Trustee shall be entitled to rely conclusively on the accuracy of the State’s calculations without independent verification.

## **ARTICLE VI DEPOSITORIES OF MONEYS; SECURITY FOR DEPOSITS; INVESTMENT OF FUNDS**

Section 6.1. *Custody and Investment of Moneys.* All moneys held by the State under the provisions of this Indenture shall be deposited in the name of the State in one or more funds and accounts with such depository or depositories as the Treasurer shall designate, or an account with STIF, except that the Note Repayment Account, the Debt Service Account and the Reserve Account (and all sub-accounts in such accounts) shall be held only by the Trustee. All moneys deposited under the provisions of this Indenture with any depository, or held in a special trust fund



prior to payment to the Trustee as aforesaid, shall be trust funds under the terms hereof and shall not to the full extent permitted by law be subject to any lien or attachment by any creditor of the State. Such moneys shall be held in trust and applied in accordance with the terms of this Indenture.

Moneys on deposit in the Note Repayment Account, the Debt Service Account, and the Reserve Account and the sub-accounts in such accounts shall be invested and reinvested by the Trustee, at the direction of the State, to the extent reasonable and practicable in Investment Securities (as hereinbelow defined) maturing in the amounts and at the times is determined by the State so that the payment required to be made from such funds and accounts may be made when due. In the absence of any direction from the State, the Trustee shall invest and reinvest moneys on deposit in the Note Repayment Account, the Debt Service Account, the Reserve Account and the sub-accounts in such accounts in Investment Securities maturing in such amounts and at such times as the Trustee determines so that payments required to be made from such funds and accounts may be made when due.

The Trustee shall, in the statement required of the Trustee by Section 8.4 of this Indenture, set forth the Investment Securities held separately in, and the earnings realized on investment for, each fund and account held by it hereunder.

Section 6.2. *Investment Securities.* As used in this Indenture, the term “Investment Securities” shall include:

- (i) such obligations, securities and investments as are set forth in subsection (f) of Section 3-20 of the General Statutes; and/or
- (ii) participation certificates in STIF.

Investments in all funds and accounts will be valued by the Trustee at book value, market value or face value, whichever is lowest (inclusive of accrued interest paid to purchase such investment), except that investments in the Reserve Account shall be valued at par if purchased at par or at Amortized Value if purchased at other than par. “Amortized Value”, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.

Section 6.3. *Limitations Regarding Investments; State to Sell Investment Securities.* (a) Moneys on deposit to the credit of the Note Repayment Account, the Bond Service Sub-Account, the Redemption Sub-Account and the Unrefunded Note Sub-Account may be invested and reinvested in Investment Securities maturing not later than the date when the moneys held to the credit of said funds and accounts shall be needed for the purposes intended.

- (b) Moneys on deposit to the credit of the Reserve Account may be invested and reinvested in Investment Securities maturing on or before the earlier to occur of (i) the

tenth (10th) anniversary of the date of any such investment or (ii) the final maturity date of all Bonds outstanding at the time any such investment is made.

(c) The Trustee shall be authorized to sell or present for redemption any Investment Securities when necessary to make the payments to be made from the funds and, accounts created hereby, and in so selling or presenting for redemption any such Investment Securities shall obtain the best return practicable. Neither the State, the Trustee, nor any of their officers or employees shall be liable or responsible for any loss resulting from any investment made pursuant to this Article VI.

Section 6.4. *Investments Part of Funds and Accounts.* Except as otherwise provided in this Indenture, (a) Investment Securities shall be deemed at all times to be a part of the fund or account out of which they were purchased; (b) any profit realized from such investment shall be credited to such funds or accounts; (c) any loss resulting from such investment shall be charged to such funds or accounts; (d) the interest accruing thereon, other than the interest accruing on amounts credited to the Note Repayment Account, shall be deposited by the Trustee to the credit of the Special Transportation Fund; and (e) the interest accruing on amounts credited to the Note Repayment Account shall be credited to such Account. Investments in STIF that have interest paid directly to the Special Transportation Fund shall be deemed to be deposited by the Trustee to the credit of the Special Transportation Fund. Statements provided by the Trustee to the State will not reflect transactions of interest earnings of STIF paid directly to the Special Transportation Fund, and the Trustee will not otherwise be required to monitor or report such interest earnings.

## **ARTICLE VII PARTICULAR COVENANTS**

*Particular Covenants.* The State hereby covenants with the purchasers and holders of all Bonds issued pursuant to this Indenture as follows:

Section 7.1. *Covenant as to Amount of Pledged Revenues.* The State shall impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements, in such amounts as may be necessary to pay such Debt Service Requirements in each year in which Bonds or Notes are outstanding and further, the State (1) will not limit or alter the duties imposed on the Treasurer and other officers of the State by the Act and by the proceedings authorizing the issuance of Bonds with respect to application of Pledged Revenues or other receipts, funds or moneys pledged for the payment of Debt Service Requirements as provided herein and in the Act; (2) will not issue any bonds, notes or other evidences of indebtedness, other than the Bonds or Notes, having any rights arising out of the Act or secured by any pledge of, or other lien or charge on, the Pledged Revenues or other receipts, funds or moneys pledged for the payment of Bonds or Notes; (3) will not create or cause to be created any lien or charge on such pledged amounts, other than a lien or pledge created thereon pursuant to the Act, provided nothing in this subsection shall prevent the State from issuing evidences of indebtedness (A) which are secured by a pledge or lien which is and shall on the face thereof be expressly subordinate and junior in all respects to every lien and pledge created by or pursuant to the Act; or (B) for which the full faith and credit of the State is pledged and which are not expressly secured by any specific lien or charge on such pledged amounts; or (C) which are secured by a pledge of or lien on moneys or funds derived on or after such date as every pledge or

lien thereon created by or pursuant to the Act and this Indenture shall be discharged and satisfied; (4) will carry out and perform, or cause to be carried out and performed, each and every promise, covenant, agreement or contract made or entered into by the State or on its behalf with the holders of any Bonds or Notes; (5) will not in any way impair the rights, exemptions or remedies of such holders; and (6) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the taxes, fees, charges and other receipts constituting the Pledged Revenues as may be necessary to produce sufficient revenues to fulfill the terms of the proceedings authorizing the issuance of the Bonds, including Pledged Revenues coverage requirements set forth in Section 2.4 hereof, and provided nothing herein shall preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or to substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing Fiscal Year, as evidenced by the proposed or adopted budget of the State with respect to the Special Transportation Fund, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund including accumulated deficits, if any, Debt Service Requirements, and any Pledged Revenues coverage requirements set forth in Section 2.4 hereof.

Without limiting the provisions of the next preceding paragraph of this Section, the State covenants to provide Pledged Revenues and other receipts, funds or moneys pledged hereunder in each Fiscal Year beginning in the first full Fiscal Year after the issuance of Bonds or Notes, after deducting payments out of such revenues for reserves required hereunder, computed as of the final Business Day of such Fiscal Year, in an amount at least equal to the Coverage Requirement in such Fiscal Year.

Section 7.2. *First Call on Pledged Revenues.* (a) Unless at such time any and all amounts required to be paid from the Special Transportation Fund to the Trustee or any Bondholder pursuant to the terms of this Indenture shall have been made, the State shall not make any payments from the Special Transportation Fund on account of any obligation whatsoever other than the Bonds and Notes, except from amounts held to the credit of the Special Transportation Fund which represent amounts borrowed by the Treasurer in anticipation of revenues pursuant to Section 3-16 of the General Statutes, or from transportation related federal revenues of the State. If at any time any such amounts required to be paid to the Trustee have not been so paid, the Trustee shall be entitled to notify the Treasurer that such amounts are accrued and unpaid, whereupon any Pledged Revenues received by the State and credited to the Special Transportation Fund shall be paid by the Treasurer forthwith to the Trustee, and shall not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full.

(b) The State shall at all times do and perform all acts and things permitted by law and necessary to assure that the Pledged Revenues received by the State and credited to the Special Transportation Fund shall be applied first to the payment of Debt Service Requirements, including, but not limited to, procedures for immediate segregation of Pledged Revenues, upon collection, from other cash receipts of the State, if and to the extent requested by the Trustee or required by any Supplemental Indenture.

Section 7.3. *To Pay Principal of and Premium and Interest on Bonds.* The State will duly and punctually pay, or cause to be paid, but solely from the Pledged Revenues and other receipts, funds or moneys pledged hereunder, the principal of and interest and premium, if any, on

each and every Note and Bond at the place, on the dates and in the manner provided herein and in such Notes and Bonds according to the true intent and meaning hereof and thereof.

Section 7.4. *Books and Accounts; Audits.* The State shall maintain and keep (or cause to be maintained and kept) proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Special Transportation Fund and the Infrastructure Improvement Fund. Such accounts shall show the amount of Pledged Revenues available for the purposes of this Indenture and the application of such Pledged Revenues and amounts in the Infrastructure Improvement Fund to the purposes specified in this Indenture and the Act.

The State shall prepare balance sheets and statements of revenues, expenditures and changes in fund balances for each of the above specified funds. The State shall cause the Special Transportation Fund to be audited by an independent certified public accountant or a firm of independent certified public accountants of recognized standing (herein referred to as the "Accountant"), appointed by the State but who is in fact independent and not under the control of the State, with such restrictions on audit procedures performed by such Accountant with respect to operating expenses and program costs of the Department of Transportation as the State may request, provided the State shall cause such operating expenses and program costs to be subject to the customary audit procedures of the State Auditor. Such Accountant shall be selected with special reference to such Accountant's general knowledge, skill and experience in auditing books and accounts. Such audit shall be made annually and the audit report of the Accountant shall be delivered to the State within one hundred twenty (120) days after the close of each Fiscal Year. An electronic copy of each such annual audit shall be open for public inspection, and shall be provided to any holder of Bonds filing with the Treasurer a request for the same. The Trustee shall cooperate fully with the Accountant selected pursuant to this Section in completing the audit provided for herein, and shall make available all books and accounts in its possession pertaining to the Bonds for this purpose.

At the time of delivery of each audit report, the Accountant shall also deliver to the Trustee and the State a letter substantially to the effect that in connection with their examination of the Special Transportation Fund nothing came to their attention that caused them to believe that the State was not then in compliance with the covenant contained in the second paragraph of Section 7.1 of this Indenture.

Section 7.5. *Prosecution and Defense of Suits.* The State shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against any Bondholder by a person other than the State upon any claim arising out of the receipt, application or disbursement of any of the Pledged Revenues or any other moneys received, applied or disbursed under this Indenture, or involving the rights of any Bondholder under this Indenture and shall indemnify and save harmless all Bondholders against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement or involving the Pledged Revenues; provided, however, that any Bondholder at such Bondholder's election may appear in and defend any suit, action or proceeding. Notwithstanding any contrary provision hereof, the covenant contained in this Section 7.5 shall remain in full force and effect, even though the Bonds are no longer outstanding hereunder and all indebtedness and obligations secured hereby may have

been fully paid and satisfied and the lien, pledge and charge of this indenture may have been released and discharged.

Section 7.6. *Assurances As To Exemption From Federal Taxation of Interest on Bonds.*

(a) The State shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Notes and the Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(b) The State shall not permit at any time any of the proceeds of the Notes or the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Note or Bond to be an “arbitrage bond” for the purposes of Section 103(c) of the Code.

(c) Notwithstanding the foregoing, the State hereby reserves the right to elect to issue Notes and Bonds the interest on which is not exempt from Federal income taxation, if such election is made prior to the issuance of such Notes and Bonds, and the covenants contained in this Section shall not apply to such Notes and Bonds.

(d) The State may direct the Trustee to create sub-accounts of any account or sub-account. Such sub-account shall belong to the respective parent account as if it were in the parent account, except as may be necessary or desirable for Code and Regulations purposes.

Section 7.7. *Performance of All Obligations and Covenants Under this Indenture.* The State shall comply with and perform, or cause to be complied with and performed, all acts, things, covenants, agreements, obligations, duties and provisions, express or implied, required to be done or performed by or on its behalf under this Indenture, any Supplemental Indenture and the Bonds, in accordance with the terms hereof and thereof.

Section 7.8. *To Maintain Paying Agents.* The State will at all times keep in those cities in which a Paying Agent or Paying Agents appointed in this Indenture are located, an office or agency (which may be the office in each such respective city of such Paying Agent in such city appointed in this Indenture) at which Bonds may be presented for payment.

Section 7.9. *Taxation.* Interest paid on the Bonds and Notes issued hereunder shall be free from taxation to the extent provided by law.

## **ARTICLE VIII CONCERNING THE TRUSTEE AND THE PAYING AGENTS**

Section 8.1. *Qualification of Trustee.* The Trustee and any successor Trustee appointed hereunder shall at all times during the term of this Indenture be a bank or trust company having the powers of a trust company within or without the State of Connecticut, with capital stock, surplus and undivided profits aggregating in excess of Fifty Million Dollars (\$50,000,000). If the Trustee publishes reports of conditions at least annually pursuant to law or pursuant to the requirements of a supervising or examining authority of the United States of America or any state, then for the purposes of determining its qualifications hereunder, the capital stock, surplus and

undivided profits of the Trustee at any time shall be deemed to be its capital stock, surplus and undivided profits as set forth in the most recent report of condition so published. The Trustee shall have only such duties and obligations as are expressly provided for by this Indenture, and no other duties or obligations shall be implied.

Section 8.2. *Resignation or Removal of Trustee; Successor.*

(a) The Trustee may be removed at any time by an instrument or concurrent instrument in writing, signed by the holders of not less than a majority in principal amount of the Bonds then outstanding and filed with the Treasurer. A copy of each such instrument shall be delivered promptly by the State to the Trustee. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the State or the holders of not less than five percent (5%) in aggregate principal amount of the Bonds then outstanding hereunder. The Trustee may resign as Trustee hereunder at any time by giving not less than sixty (60) days' notice to the Treasurer and by mailing a notice of resignation within ten (10) days after giving such notice in the manner in which notices of redemption of Bonds are to be mailed pursuant to Section 4.3 hereof.

(b) If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or if the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall become vacant. If the position of Trustee shall become vacant, the Treasurer shall appoint a Trustee to fill such vacancy. The Treasurer shall provide written notice of any such appointment by it made to Bondholders in the manner in which notices of redemption are to be provided pursuant to Section 4.3 hereof. Any successor Trustee shall meet the qualifications of subsection (a) of Section 8.1 of this Indenture. Such successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the State, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance shall become fully vested with all rights, powers, trusts, duties and obligations of its predecessor in trust hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. The successor Trustee shall have no responsibility for the acts of the predecessor Trustee.

Any organization or entity into which the Trustee or any successor Trustee hereunder may be merged or converted or with which it may be consolidated, or any organization or entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any organization or entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee under this Indenture without the execution or filing of any paper or any further action on the part of the parties hereto, anything herein to the contrary notwithstanding; provided such successor organization or entity meets the qualifications required by subsection (a) of Section 8.1 of this Indenture.

Section 8.3. *Liability of Trustee.* (a) The Trustee shall not be responsible or have any liability for any act of the State or of any other Trustee. The Trustee shall not be responsible in any manner whatsoever for the correctness of recitals, statements and representations in this Indenture or in the Bonds, all of which are made by the State solely. The Trustee makes no representation as to the validity of this Indenture or the Bonds issued hereunder, and the Trustee shall not incur any liability or responsibility in respect to such matters.

(b) Prior to an Event of Default as defined in Section 9.1 hereof of which the Trustee as Trustee hereunder has actual knowledge, and after the curing or waiving of all such Events of Default, the Trustee (1) shall not be liable except for the performance of such duties as are specifically set out in this Indenture to be performed by the Trustee in the absence of, or without regard to, an Event of Default; and (2) may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, in the absence of bad faith on the part of the Trustee, upon certificates or opinions conforming to the requirements of this Indenture. In case of an Event of Default as defined in Section 9.1 hereof of which the Trustee has actual knowledge, the Trustee shall exercise such rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct except that the Trustee shall at all times be protected from liability for any error of judgment made in good faith by a responsible officer or officers unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall be protected when acting in good faith and upon advice of counsel who may be counsel to the State.

Section 8.4. *Statement of Trustee of Accounts and Other Matters.* Not more than sixty (60) days after the close of each Fiscal Year the Trustee hereunder shall furnish the State and any Bondholder filing with the Trustee a written request for a copy, a statement setting forth (to the extent applicable) in respect to such Fiscal Year; (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to the terms of this Indenture; (b) the amount held by the Trustee at the end of such Fiscal Year to the credit of each fund and account provided for in this Indenture; (c) a brief description of all obligations held by the Trustee as an investment of moneys in any fund or account hereunder as of the end of such Fiscal Year; (d) the principal amount of Bonds purchased by the Trustee during such Fiscal Year from moneys available therefor in any fund or account pursuant to the provisions of this Indenture and the respective purchase price of such Bonds; (e) in the case of the Trustee, the principal amount of Bonds redeemed or retired during such Fiscal Year and the redemption prices thereof, if any; and (f) any other information which the State may reasonably request. Not more than fifteen (15) days after the close of each calendar month the Trustee shall furnish to the State an unaudited statement setting forth (to the extent applicable) in respect of such calendar month the information required by clauses (a) through (f) of the preceding sentence to be included in the Trustee's statement in respect of each Fiscal Year. The State acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the State the right to receive individual confirmations of security transactions at no additional cost and as they occur, the State specifically waives receipt of such confirmations to the extent permitted by law. As

provided above, the Trustee will furnish the State monthly cash transaction statements that include, among other information, detail for all investment transactions made by the Trustee hereunder, which information shall be provided in the form of the Trustee's routine statements or by access through its electronic portal.

Section 8.5. *Trustee to Maintain List of Bondholders; Certain Duties of Trustee With Respect Thereto.* In addition to the requirements of Section 3.5 hereof, the Trustee shall maintain and keep a list of the names and addresses of the holders of the Bonds (a) furnished to it by any Paying Agent hereunder pursuant to provisions of Section 8.7 hereof; (b) received by it in the capacity as a Paying Agent (if so acting) under this Indenture; and (c) filed with it pursuant to the provisions of the next sentence hereof. Any holder of Bonds may file such holder's name and address and a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds with the Trustee for inclusion upon such list. The Trustee may (a) destroy any list furnished to it pursuant to the provisions of Section 8.7 hereof upon receipt of a new list so furnished; (b) destroy any information received by it as a Paying Agent (if so acting) hereunder upon delivering to itself as the Trustee not earlier than forty-five (45) days after any interest payment date of the Bonds a list containing the names and addresses of the holders of Bonds obtained from such information since the delivery of the next previous list, if any, and (c) destroy any list delivered to itself as the Trustee hereunder which was compiled from information received by it as Paying Agent (if so acting) hereunder upon receipt of a new list so delivered. At reasonable times and under reasonable regulations established by the Trustee, such list may be inspected and copied by the State or by the holders or owners (or a designated representative thereof) of twenty percent (20%) or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 8.6. *Trustee May File Proofs of Claims and Other Papers and Documents.* The Trustee hereunder may file such proofs of claims and other papers or documents as may be necessary or advisable in order to have claims of such Trustee and of the holders of the Bonds allowed in any judicial proceedings relative to the State or its creditors or properties.

Section 8.7. *Paying Agents; Paying Agents to Hold Moneys in Trust and to Furnish List of Bondholders.* All Bonds shall be payable at the principal office of the Trustee as principal Paying Agent therefor. The State will from time to time give written notice to the Trustee of the location of each Paying Agent if the appointment thereof was made by the State without prior knowledge of the Trustee.

Each Paying Agent shall hold in trust for the benefit of the holders of the Bonds and the Trustee all amounts held by such Paying Agent for the payment of the principal of and interest on the Bonds and shall give to the Trustee notice of any default by the State in the making of any such payment. Anything in this paragraph to the contrary notwithstanding, the State may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, cause to be paid to the Trustee all amounts held in trust by any Paying Agent hereunder as required by this paragraph, such amounts to be held by the Trustee upon the trusts herein contained, and such Paying Agent shall thereupon be released from all further liability with respect to such amounts.



Each Paying Agent shall furnish to the Trustee at such times as the Trustee may request in writing, within thirty (30) days after receipt by the Paying Agent of such request, a list or lists in such form as the Trustee may reasonably require containing all information in the possession or control of such Paying Agent as to the names and addresses of the holders of the Bonds obtained by such Paying Agent since the date as of which the next previous list, if any, was furnished by such Paying Agent to the Trustee. Any such list may be dated as of a date not more than fifteen (15) days prior to the time such information is furnished or caused to be furnished and need not include information received after such date.

Section 8.8. *Trustee and Paying Agents May Buy, Hold, Sell or Deal in Bonds and Other Indebtedness of State.* Except to the extent prohibited by law, the Trustee and its directors, officers, employees or agents, and each Paying Agent and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under the provisions of this Indenture and may join in any action which any holder of a Bond may be entitled to take, with like effect as if the Trustee or Paying Agent were not a trustee or a Paying Agent, as the case may be, under this Indenture. Except to the extent prohibited by law, the Trustee or any Paying Agent may in good faith hold any other form of indebtedness of the State; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the State; make disbursements for the State; and enter into any commercial or business arrangement with the State.

Section 8.9. *Reimbursement of Trustee and Paying Agents Hereunder for Fees, Expenses and Charges.* The Trustee shall be entitled to reasonable fees and reimbursement by the State for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under this Indenture, including those of its attorneys, agents and employees, and the State shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the State for all expenses and charges reasonably incurred by it in the performance of its duties hereunder. Such reasonable fees and reimbursements shall be deemed to be Debt Service Requirements for all purposes hereunder and entitled to the benefit of the security granted hereunder.

Section 8.10. *Compliance Certificates and Opinions.* Upon request of the Trustee, prior to taking or refraining from action under this Indenture, the Trustee may request that the State furnish to the Trustee (a) a certificate of an Authorized Officer providing (i) the provisions of this Indenture relating to such action or inaction, (ii) a statement that such Authorized Officer has made an examination or investigation necessary to determine whether such action or inaction is in compliance with such provisions and the covenants of this Indenture, and (iii) that such action or inaction is in compliance with such provisions and covenants of this Indenture; and/or (b) an opinion of counsel (which counsel may be counsel to the State) regarding items (a)(i) through (iii). The Trustee shall be entitled to rely on such certificate or opinion.

**ARTICLE IX**  
**EVENTS OF DEFAULT; REMEDIES UPON OCCURRENCE THEREOF**

Section 9.1. *Events of Default.* Each of the following is hereby defined as and declared to be and shall constitute an “Event of Default”, if

(a) payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption; or

(b) payment of any installment of interest on Bonds shall not be made when the same shall become due and payable or within thirty (30) days thereafter; or

(c) the State shall default in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Bonds, this Indenture or any Supplemental Indenture on the part of the State to be performed, other than contained in Section 5.1 of this Indenture and such default shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the State by the Trustee or by the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety (90) day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; and provided further, that no failure to observe the covenant of Section 7.1 of this Indenture shall constitute an Event of Default unless within one year after written notice by the Trustee of such failure the State shall not have enacted legislation such that the conditions contained in Sections 2.4(b)(1) and 2.4(b)(2) hereof could have been satisfied if Additional Bonds were then to be issued; or

(d) the State shall be adjudged insolvent by a court of competent jurisdiction; or

(e) any proceedings shall be instituted with the consent or acquiescence of the State for the purpose of effecting a composition between the State and its creditors and if the claim of such creditors is in any circumstance payable from the Pledged Revenues or any other moneys or assets pledged and charged in this Indenture, or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(f) the State shall for any reason be rendered incapable of fulfilling its obligations hereunder.

Section 9.2. *Actions by Trustee Upon Event of Default.* (a) Upon the happening and continuance of any Event of Default specified in Section 9.1 of this Indenture, then in every such case, in addition to any other remedies herein provided for, the Trustee for and on behalf of the holders of the Bonds (A) shall have the same rights hereunder which are possessed by any of the holders of the Bonds; (B) shall be authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of not less than ten percent (10%) in aggregate

principal amount of the Bonds then outstanding, shall, pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; and (D) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and of the holders of the Bonds allowed in any judicial proceeding relative to the State, or its creditors, its property, or the Bonds.

(b) All rights of action under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name and as trustee of an express trust without the necessity of joining as plaintiffs or defendants any holders of the Bonds and any recovery of judgment shall be for the equal benefit of the holders of the Bonds.

(c) In the enforcement of any remedy under this Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts, then or during any Event of Default becoming, and at any time remaining, due from the State and unpaid for principal, premium, interest or otherwise under any of the provisions of this Indenture or of the Bonds, with interest on overdue payments if such interest then is permitted by the laws of the State of Connecticut, at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the State, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable, Any such judgment shall be recovered by the Trustee in its own name and as trustee of an express trust.

(d) In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case the State, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

(e) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the holders of the Bonds is intended to be exclusive of any other remedy now or thereafter existing at law or in equity or by statute, and each and every remedy shall be cumulative and in addition to any other remedy given hereunder to the Trustee or to the holders of the Bonds. Every such right, power and remedy given hereunder or by law or in equity or by statute may be exercised from time to time as often as may be deemed expedient.

(f) No delay or omission of the Trustee or of any holder of a Bond to exercise any right or power accruing upon default or an Event of Default occurring and continuing under this Indenture shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein.

(g) No holder of any of the Bonds shall have any right in any manner whatever to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all of the holders of the Bonds.

(h) Before taking any remedial action under subsection (a) of this Section 9.2, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful default of the Trustee by reason of any action so taken.

Section 9.3. *Disposition of Moneys in Event of Insufficiencies in Funds and Accounts.*

(a) If at any time the moneys in the Bond Service Sub-Account, the Redemption Sub-Account, or the Reserve Account, shall not be sufficient to pay the interest or principal or premium, if any, or the redemption price of the Bonds as the same become due and payable (whether at maturity or upon proceedings for the redemption thereof or otherwise), the moneys in such accounts, together with any other moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article IX or otherwise, shall be applied as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

Second: to the payment to the persons entitled thereto of unpaid principal which shall have become due, in the order of the dates such principal became due, with interest upon such principal from the respective dates upon which such principal became due, and, if the amount available shall not be sufficient to pay in full the principal due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

Third: to the payment of the interest and premium, if any, on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of this Indenture.

(b) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid, with interest on such principal as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any

discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) Whenever moneys are to be applied by the Trustee pursuant to the provisions of subsection (a) of this Section 9.3: (i) such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; (ii) the deposit of such moneys, in trust for the proper purpose, shall constitute proper application by the Trustee; and (iii) the Trustee shall incur no liability whatsoever to the State, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

## **ARTICLE X AMENDING AND SUPPLEMENTING OF INDENTURE**

Section 10.1. *Amending and Supplementing of Indenture Without Consent of Bondholders.* The Trustee and the State, from time to time and at any time and without the consent or concurrence of any holder of any Bond, may enter into indentures amendatory hereof or supplemental hereto (herein defined and referred to as “Supplemental Indentures”): (i) for the purpose of providing for the issuance of Additional Bonds and Refunding Bonds pursuant to the provisions of Article II hereof; (ii) to make any changes or modifications hereof or amendments, additions or deletions hereto which may be required to permit this Indenture to be qualified under the Trust Indenture Act of 1939, as amended; (iii) to provide for the issuance of Bonds or any series of Bonds in book-entry form, in coupon form or registered as to principal only; and (iv) if the provisions of such Supplemental Indenture shall not adversely affect the rights of the holders of the Bonds then outstanding, for any one or more of the following purposes:

1. To make any changes or corrections in this Indenture to the extent the State and the Trustee shall have been advised by counsel to the State that the same are technical wording corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in this Indenture, or to insert in this Indenture such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable; or
2. To add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds; or

3. To surrender any right, power or privilege reserved to or conferred upon the State by the terms of this Indenture; or
4. To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this indenture; or
5. To grant to or confer upon the holders of the Notes and the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Trustee for the benefit of the holders of the Notes and the Bonds any additional rights, duties, remedies, power or authority; or
6. To prescribe further limitations and restrictions upon the issuance of Additional Bonds and the incurring of indebtedness by the State payable from the Pledged Revenues; or
7. To modify in any other respect any of the provisions of this Indenture, provided that such modifications shall have no adverse effect as to any Bond or Bonds which are then outstanding.

Except for Supplemental Indentures providing for the issuance of Additional Bonds and Refunding Bonds pursuant hereto or required to permit this Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or providing for the issuance of Bonds or any series of Bonds in book-entry form, in coupon form or registered as to principal only the State and the Trustee shall not enter into any Supplemental Indenture authorized by the foregoing provisions of this Section unless in the opinion of counsel (which opinion may be combined with the opinion required by Section 10.4 hereof) the adoption of each Supplemental Indenture is permitted by the foregoing provisions of this Section, the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of the Bonds then outstanding, and, except for a Supplemental Indenture adopted pursuant to subsection 7 above, the provisions of such Supplemental Indenture are not contrary to or inconsistent with the covenants or agreements of the State contained in this Indenture as originally executed by the State and the Trustee or as amended or supplemented with the consent of the holders of the Bonds.

Section 10.2. *Amendment of Indenture With Consent of Bondholders.* With the consent of the holders of not less than sixty percent (60%) of the Bonds then outstanding in aggregate principal amount, the State and the Trustee, from time to time and at any time, may enter into indentures amendatory hereof or supplemental hereto (herein also defined and referred to as “Supplemental Indentures”), for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of this Indenture, or modifying or amending the rights and obligations of the State and the Trustee hereunder, or modifying in any manner the rights of the holders of the Bonds then outstanding; provided, however, that without the specific consent of the holder of each such Bond which would be affected thereby, no such Supplemental Indenture amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon

or the redemption premium payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such Supplemental Indenture amending or supplementing the provisions of this Indenture; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; (4) authorize the creation of any pledge or prior call on the moneys and other assets of the Trust Estate or any lien or charge thereon prior, superior or equal to the pledge of and lien and charge thereon created herein for the payment of the Bonds; or (5) deprive any holder of the Bonds of the security afforded by this Indenture. A modification or amendment of the provisions of Article V hereof with respect to the funds and accounts created hereby shall not be deemed a change in the terms of payment of the Bonds; provided, however, that no such modification or amendment shall, except upon the consent of the holders of all Bonds then outstanding affected thereby, reduce the amount or amounts required by Section 5.1 hereof to be deposited into the Debt Service Account for credit to the Bond Service Sub-Account and Redemption Sub-Account therein or the application of such amounts in accordance with the provisions of Section 5.5 hereof or the amount or amounts required by Section 5.1 hereof to be deposited into the Reserve Account or reduce the priority of such deposits. (Nothing herein contained, however, shall be construed as making necessary the approval of the holders of the Bonds of the adoption of any Supplemental Indenture authorized by the provisions of Section 10.1 hereof).

It shall not be necessary that the consents of the holders of the Bonds approve the particular form or wording of the proposed amendment or supplement or of the Supplemental Indenture effecting such amendment or supplement, but it shall be sufficient if such consents approve the substance of the proposed amendment or supplement. After the holders of the required percentage of Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Trustee shall mail a copy of such notice, postage prepaid (1) to each registered owner of Bonds then outstanding, at such registered owner's address, if any, appearing upon the books of registry maintained pursuant to Section 3.5 hereof, and (2) to each holder of any Bond whose name then appears upon the list maintained pursuant to Section 8.5 hereof, but failure to mail copies of such notice to any of such owners or holders shall not affect the validity of the Supplemental Indenture effecting such amendments or supplements or the consents thereto. (Nothing in this Section contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Indenture authorized by Section 10.1 hereof.) A record, consisting of the papers required by this Section, shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Indenture or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the publication of the notice required by this Section.

Section 10.3. *Notation Upon Bonds; New Bonds Issued Upon Amendments.* Bonds delivered after the effective date of any action taken as provided in this Article may bear a notation as to such action, by endorsement or otherwise and in form approved by the Trustee. In that case, upon demand of the holder of any Bond outstanding at such effective date and the presentation of such holder's Bond for the purpose of notation at the office of the Trustee or other Paying Agent, or Registrar and Transfer Agent hereunder for such Bond and at such additional offices as the State may select and designate for that purpose, a suitable notation shall be made on such Bond. If the State shall so determine, new Bonds so modified as in the opinion of the State to conform to the amendments or supplements made pursuant to this Article, shall be prepared, executed and

delivered, and upon demand of the holder of any Bond then outstanding shall be exchanged without cost to such holder, for Bonds then outstanding, upon surrender of such outstanding Bonds.

Section 10.4. *Effectiveness of Supplemental Indentures.* Upon the execution pursuant to this Article and applicable law by the State and the Trustee of any Supplemental Indenture amending or supplementing the provisions of this Indenture and the delivery to the Trustee of an opinion of counsel to the State that such Supplemental Indenture is in due form, has been duly adopted in accordance with the provisions hereof and applicable law and that the provisions thereof are valid and binding upon the State (upon which opinion the Trustee, subject to the provisions of Section 9.3 hereof, shall be fully protected in relying), or upon such later date after delivery of such Supplemental Indenture and opinion to the Trustee as may be specified in such Supplemental Indenture, (i) this Indenture and the Bonds shall be modified and amended in accordance with such Supplemental Indenture; (ii) the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the State, the Trustee and the holders of the Bonds shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments; and (iii) all of the terms and conditions of any such Supplemental Indenture shall be a part of the terms and conditions of the Bonds and of this Indenture for any and all purposes.

Section 10.5. *Deemed Consent.* A Supplemental Indenture providing for the issuance of Bonds may include a provision that upon the issuance of such Bonds, the holders of the Bonds shall be deemed to have filed their consent with the Trustee to an amendment, or amendments, adopted pursuant to Section 10.2 hereof.

## **ARTICLE XI DEFEASANCE; MONEYS HELD FOR PAYMENT OF DEFEASED BONDS**

Section 11.1. *Discharge of Liens and Pledges; Bonds No Longer Outstanding and Deemed to be Paid Hereunder.* The obligations of the State under this Indenture and the liens, pledges, charges, trusts and assignments, covenants and agreements of the State herein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding hereunder and shall be deemed to have been paid for all purposes of Section 11.2 hereof,

(i) when such Bond shall have been cancelled, or shall have been surrendered for cancellation and is subject to cancellation, or shall have been purchased by the Trustee from moneys in the Debt Service Account held by it under this Indenture, or other moneys provided and used pursuant to Section 3.10 hereof; or

(ii) as to any Bond not cancelled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and the applicable redemption premium, if any (or the applicable redemption price) on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee or Paying Agents for such Bond, in trust, and irrevocably appropriated and set aside (which may include deposit into a segregated sub-



account within the Redemption Sub-Account) exclusively for such payment, either (1) moneys sufficient to make such payment, or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the State deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents for the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and such Paying Agents; provided, however, that nothing in this Section shall require or be deemed to require the State to redeem term bonds in accordance with any optional fund installment schedule specified in this Indenture or any Supplemental Indenture authorizing the issuance of Bonds.

At such time as a Bond shall be deemed to be no longer outstanding hereunder, as aforesaid, such Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or otherwise) and, except for the purpose of any payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of this Indenture.

Any such moneys so deposited with the Trustee or other Paying Agent as provided in this Section may at the direction of the State also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee and the Paying Agents pursuant to this Section which is not required for the payment of the principal of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be paid to the State, and deposited in the Special Transportation Fund as and when realized and collected for use and application as are other moneys deposited in that Fund.

Notwithstanding any provision of any other Section of this Indenture which may be contrary to the provisions of this Section, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of the principal of the Bonds (and interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bond (including interest and premium thereon, if any, or redemption price thereof) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

The State may at any time surrender to the Trustee for cancellation by it any Bonds previously executed and delivered, which the State may have acquired in any manner whatsoever, and such Bonds upon such surrender for cancellation shall be deemed to be paid and no longer outstanding hereunder.

Section 11.2. *Release of Indenture; Termination of Right, Title and Interest of Trustee.* When all the Bonds shall be deemed to be paid in accordance with the provisions of Section 11.1 hereof, then and in that case all right, title and interest of the Trustee under this Indenture shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the State, shall release this Indenture and shall execute such documents to evidence such release as may be reasonably required by the State, and shall turn over to the State any surplus moneys and balances remaining in any of the funds and accounts created in or held under this Indenture, other than

moneys and Governmental Obligations held by it pursuant to the second-to-last paragraph of Section 11.1 hereof or the provisions of Section 11.3 hereof for the redemption, payment or prepayment of Bonds or coupons; otherwise, this Indenture shall be, continue and remain in full force and effect.

Section 11.3. *Bonds Not Presented for Payment When Due; Moneys Held for the Bonds After Due Date of Bonds.* Subject to the provisions of the next sentence of this paragraph, if any Note or Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof or otherwise, and if moneys or Governmental Obligations shall at such due date be held by the Trustee or a Paying Agent therefor in trust for that purpose sufficient and available to pay the principal and the premium, if any of such Bond, together with all interest due on such principal to the due date thereof or to the date fixed for redemption thereof, as the case may be, all liability of the State for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee or such Paying Agent to hold such moneys or Governmental Obligations, without liability to such Bondholder for interest thereon, in trust for the benefit of the holder of such Note or Bond, as the case may be, who thereafter shall be restricted exclusively to such moneys or Governmental Obligations for any claim of whatever nature on such Bondholder's part on or with respect to such Note or Bond including any claim for the payment thereof. Any such moneys or Governmental Obligations held by the Trustee or any Paying Agent remaining unclaimed by the holders of such Notes and Bonds for six (6) years after the principal of the respective Bonds with respect to which such moneys or Governmental Obligations have been so set aside has become due and payable (whether at maturity or upon redemption or prepayment or otherwise) shall upon the written request of the State be paid to the State, against its written receipt therefor, and the holders of such Bonds shall thereafter be entitled to look only to the State for payment thereof, such payment to the State, the Trustee or such other Paying Agents may, at the expense of the State, publish in the same newspaper or newspapers in which notices of redemption are to be published pursuant to the notice, in such form as may be deemed appropriate by such Paying Agents, listing the Notes and Bonds so payable and not presented and stating that such moneys remain unclaimed and that after a date set forth therein any balance thereof then remaining will be returned to the State.

## **ARTICLE XII FURTHER AMENDMENTS**

Section 12.1. *Amendments Requiring 60% Bondholder Consent.* This Indenture is hereby amended as set forth in Exhibit A, subject to and effective at such time as an Authorized Officer shall certify to the Trustee that holders of at least sixty percent (60%) of any affected or all series of Bonds then outstanding in aggregate principal amount shall have consented to such amendments, either pursuant to the terms of the Supplemental Indenture pursuant to which Bonds were issued or separately.

Section 12.2. *Restatement of Indenture.* The State may, but is not required to, restate this Indenture to reflect the amendments that have become effective pursuant to Section 12.1, without further authorization or consent by any party other than the Trustee. Exhibit A sets forth the form of the amendments, and the certified approved amendment may be modified for clerical and administrative correction and clarification, and for such other changes as may be deemed necessary to effect the substance of the amendments. The Trustee is hereby directed to and authorized to

execute and deliver any such restatement of the Indenture upon the request of the State and without further authorization or consent of any party, including the consent of bondholders.

Section 12.3. *Amendments Optional.* Notwithstanding any Bondholder consent that may have been obtained from time to time, either pursuant to the terms of any Supplemental Indenture pursuant to which Bonds were issued or separately, the State may in its discretion choose not to proceed with any amendment set forth in Exhibit A by not certifying consent to such amendment, or by the providing with the certification a restated indenture with certain amendment(s) omitted.

### **ARTICLE XIII MISCELLANEOUS**

Section 13.1. *Benefits of Indenture Limited to State, Trustee and Bondholders.* With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Notes or the Bonds is intended or should be construed to confer upon or give to any person other than the State, the Trustee and the holders of the Notes and Bonds, any legal or equitable right, remedy or claim under or by reason of or in respect to this Indenture or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Indenture and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the State, the Trustee and the holders from time to time of the Notes and Bonds as herein and therein provided.

Section 13.2. *Indenture a Contract; Indenture Binding upon Successors or Assigns of State.* In consideration of the acceptance of Refunding Bonds and Additional Bonds by those who shall hold the same from time to time, each of the obligations, duties, limitations and restraints imposed upon the State by this Indenture shall be deemed to be a covenant between the State and the Trustee and every holder of the Bonds, and this Indenture and every provision and covenant hereof shall be deemed to be and shall constitute a contract between the State and the Trustee and the holders from time to time of Refunding Bonds and Additional Bonds.

All terms, provisions, conditions, covenants, warranties and agreements contained in this Indenture shall be binding upon the successors and assigns of the State, and shall inure to the benefit of the Trustee, its successors or substitutes in trust and assigns, and the holders of the Bonds.

Section 13.3. *Bonds, Other Obligations and Liabilities of State Payable Solely Out of Certain Moneys; No Individual Liability Other Than for Breach of Trust.* All expenses and obligations, and all debts, damages, judgments, decrees or liabilities, incurred by any agent, servant or employee of the State, in the execution of the purposes of this Indenture, shall be solely chargeable to and payable out of the Pledged Revenues and other moneys and assets of the State pledged and charged hereunder, and out of the moneys held by the Trustee under Article V hereof to the extent provided therein. In no event shall any officer, board member, director, agent or employee of the State in any manner be individually or personally liable (i) for the payment of the interest or principal or premium, if any, or redemption price on any of the Notes or the Bonds, or (ii) for any damage, or for breach of contract or obligations, caused by, arising from, incident to or growing out of the execution of this Indenture, nor shall any such persons be liable for the acts

or omissions of each other, or of any other agent, servant or employee of the State, or of any successor thereto; provided, however, that the foregoing (a) shall not apply to any breach of trust by any such person, and (b) shall not relieve any such person from the performance of any duty provided or required hereby or by law.

Section 13.4. *Cost of Furnishing Data by Trustee or State.* Whenever provision is made in this Indenture for the furnishing to Bondholders upon request of, any report, list, certificate, opinion or other document by the Trustee or the State, the cost of duplicating such report, list, certificate, opinion or other document shall be paid by such Bondholders.

Section 13.5. *Evidence of State Action.* Except as is specifically provided elsewhere in this Indenture, any determination, direction, certification or action to be made by the State hereunder may be evidenced to the Trustee by a certification to that effect by an Authorized Officer.

Section 13.6. *Notices to Bondholders.* Except as is otherwise provided in this Indenture, any provision in this Indenture for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid (a) to each registered owner of any of the Bonds then outstanding at such registered owner's address, if any, appearing upon the books of registry kept pursuant to Section 3.5 hereof; (b) to each owner of any of such Bonds payable to bearer who shall have filed with the Trustee an address for notices; and (c) to each owner of any of the Bonds whose name and address appears upon the list maintained pursuant to Section 8.5 hereof.

Section 13.7. *Notices to the State and the Trustee.* Wherever in this Indenture notice or direction is required to be given to or request is required to be made of the State or the Trustee, the same shall be complied with by a letter of instrument in writing (which may include an executed pdf attached to electronic mail) delivered (i) in person; (ii) by registered mail, return receipt requested, with sufficient postage affixed; (iii) by overnight delivery service; or (iv) by Electronic Means, addressed as follows:

If to the State:

State Treasurer  
165 Capitol Avenue  
Hartford, CT 06106  
E-mail: state.treasurer@ct.gov

If the Trustee:

U.S. Bank Trust Company, National Association  
Corporate Trust Department  
CityPlace I  
185 Asylum Street, 27th Floor  
Hartford, CT 06103

or at such other addresses as the State or the Trustee, respectively, may have designated by written notice to the Trustee (or to any successor trustee, addressed to it at its principal office) or the State, respectively.

Any notice or direction sent by mail shall be deemed to have been given or made upon the deposit of the letter or instrument containing such notice or direction into a mailbox or similar receptacle maintained by or under the custody or control of the United States Postal Service.

The Trustee shall have the right to accept and act upon any notice, instruction, or other communication, including any funds transfer instruction (each, a “Notice” for purposes of this paragraph), received pursuant to this Indenture by Electronic Means and shall not have any duty to confirm that the person sending such Notice is, in fact, a person authorized to do so. Electronic signatures believed by the Trustee to comply with the ESIGN Act of 2000 or other applicable law (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other digital signature provider identified by any other party hereto and acceptable to Trustee) shall be deemed original signatures for all purposes. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Notices to the Trustee, including without limitation the risk of the Trustee acting on an unauthorized Notice and the risk of interception or misuse by third parties.

Section 13.8. *Waiver of Notice.* Whenever in this Indenture the giving of notice by mail, publication or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.9. *Holidays.* If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture and no interest shall accrue on the payment so deferred during the intervening period.

Section 13.10. *Partial Invalidity.* If any one or more of the covenants or agreements or portions thereof provided in this Indenture on the part of the State or the Trustee or of any Paying Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Indenture and the invalidity thereof shall in no way affect the validity of the other provisions of this Indenture or of the Bonds, but the holders of the Bonds shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid is applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or

circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever.

Section 13.11. *Law and Place of Enforcement of this Indenture.* This Indenture shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut and all suits and actions arising out of this Indenture shall be instituted in a court of competent jurisdiction in such State.

Section 13.12. *Indenture May be Executed in Counterparts.* This Indenture may be executed by the manual signatures, electronic signatures, or by facsimiles thereof of the parties hereto in any number of counterparts, each of which when so executed and delivered shall constitute an original, but all of which, when taken together, shall constitute but one and the same instrument, and shall become effective when copies hereof shall be delivered to each of the parties hereto, which copies, when taken together, bear the signatures of each of the parties hereto.

Section 13.13. *Consent of Holders.* Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution.

(b) The Trustee may establish a record date for the purpose of identifying Bondholders entitled to issue any such consent, request, direction, approval or instrument.

Section 13.14. *State of Connecticut Contracting Requirements.* Attachment A and Attachment B to this Indenture are incorporated into and made part of this Indenture as if fully set forth herein.

(The next page is the signature page.)

IN WITNESS WHEREOF, the State of Connecticut has caused this Indenture dated as of the date first written above to be signed by its Governor, Treasurer and Comptroller, and sealed the same with its seal attested by its Secretary of State, and U.S. Bank Trust Company, National Association for itself, its successor or successors, has caused this Indenture to be signed by its duly authorized officers and has by its execution hereof signified its acceptance of the trust hereby created and imposed.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Ned Lamont, Governor

[SEAL]

By: \_\_\_\_\_  
Erick Russell, Treasurer

By: \_\_\_\_\_  
Sean Scanlon, Comptroller

ATTEST:

By: \_\_\_\_\_  
Stephanie Thomas, Secretary of State

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Duly Authorized

ATTEST:

By: \_\_\_\_\_  
Duly Authorized

## EXHIBIT A

### AMENDMENTS REQUIRING 60% BONDHOLDER CONSENT

Subject to Section 12.1 of the Indenture the following amendments to the Indenture are hereby adopted. In this Exhibit A, blue double-underlined text represents text added and red crossed-out text represents text deleted.

Section 1. The GRANTING CLAUSES in the Indenture are hereby amended as follows:

That the State in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and in order to secure the payment of the Debt Service Requirements on the Bonds and Notes according to their tenor and effect and all other amounts due in connection therewith, including the obligations to make payments to the provider of any Credit Facility, Liquidity Facility or Qualified Swap, and the performance and observance by the State of all the covenants expressed or implied herein and in the Bonds and Notes and in any Credit Facility, Liquidity Facility or Qualified Swap, does hereby grant to the Trustee a first call on Pledged Revenues (as hereinafter defined) as they are received by the State and credited to the Special Transportation Fund (as hereinafter defined) and does hereby grant, bargain, sell, convey, pledge and assign unto the Trustee, and unto its respective successors in trust, and to their respective assigns, forever, for the securing of the performance of the obligations of the State under this Indenture, a lien upon and security interest in (1) any and all amounts held to the credit of the Special Transportation Fund from time to time, exclusive of amounts held to the credit of such Special Transportation Fund which represent (a) amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the General Statutes (as hereinafter defined), and (b) transportation related federal revenues of the State, and (2) any and all amounts held by the Trustee to the credit of any fund or account created under this Indenture, being hereinafter referred to collectively as the "Trust Estate". Any Reserve Account and any Reserve Account Surety Policy provided at any time in satisfaction of all or a portion of the Debt Service Reserve Requirement and any other security provided for specific Bonds or Reserve Account Bonds, a specific series of Bonds or one or more series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, series of Bonds or one or more series of Bonds and, therefore, shall not be included as security for any Bonds not entitled to such security by the terms of the Supplemental Indenture pursuant to which such Bonds were issued, and moneys and securities held in trust exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under Article XI hereof shall be held solely for the payment of such specific Bonds.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future holders of the Bonds and Notes from time to time issued under and secured by this Indenture, the provider of any Credit Facility, the provider of any Liquidity Facility and the provider of any Qualified Swap, without privilege, priority or distinction as to the lien or otherwise of any Bond, ~~or~~ Note or Credit Facility,



Liquidity Facility or Qualified Swap over any other, except as set forth in this Indenture, and for enforcement of the payment of the Bonds and Notes, in accordance with their terms, and all other amounts payable hereunder or on the Bonds and Notes and reimbursement or other obligations under any reimbursement or other agreement entered into with respect to such Credit Facility, Liquidity Facility or Qualified Swap, and for the performance of and compliance with the obligations, covenants and conditions of this Indenture;

PROVIDED, HOWEVER, that if the State, its successors or assigns shall well and truly pay, or cause to be paid, the principal or redemption price, if any, of and interest on the Bonds and Notes due or to become due thereon, at the times and in the manner mentioned in the Bonds and Notes according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article XI hereof or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture, any Credit Facility, Liquidity Facility and Qualified Swap to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee, the provider of any Credit Facility, Liquidity Facility or Qualified Swap and any paying agent all amounts of money due or to become due in accordance with the terms and provisions hereof and thereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds and Notes issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the State has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the Bonds and Notes, or any part thereof, as follows (subject, however, to the provisions of Section 2.1 hereof):

Section 2. The following definitions are deleted from or added to Section 1.1:

~~“Amortized Value” shall have the meaning set forth in Section 6.2 hereof.~~

“Balloon Indebtedness” shall mean, any maturity of Bonds or portion thereof which has been designated in the Supplemental Indenture authorizing the issuance of the Bonds as Balloon Indebtedness. Provided, however, that for a specific Bond, the Base Interest Rate applicable to that Bond may be limited by the terms of the Bond.

“Base Interest Rate” shall mean a rate quoted from The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index as published in The Bond Buyer at any time during the thirty (30) days prior to a date of calculation, or if that index is no longer published, another similar index selected by the State, or if the State fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Bonds of a corresponding term issued under this Indenture on any date within thirty (30) days prior to the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is excluded from gross income for federal income tax purposes.

“Capitalized Interest” shall mean the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other moneys that are deposited with the Trustee in the Debt Service Account as shall be described in a Supplemental Indenture upon issuance of a series of Bonds to be used to pay interest on such series of Bonds.

“Consultant” shall mean any independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, municipal advisory or investment banking firm, or other expert recognized to be well qualified for work of the character required and retained by the State to perform acts and carry out the duties provided for such consultant in this Indenture.

“Credit Facility” shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Account Surety Policy or other financial instrument (the costs of which constitute Debt Service Requirements) which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal, interest and/or the purchase price on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the State fails to do so.

“Credit Provider” shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“Designated Debt” shall mean a specific indebtedness, designated by the State, in which such debt shall be offset with a Swap, such specific indebtedness to include all or any part of a series of Bonds.

“Enhanced Bonds” shall have the meaning set forth in Section 2.8 hereof.

“Force Majeure” shall mean, without limitation, the following: (i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or (ii) any other cause, circumstance or event not reasonably within the control of the State.

“Liquidity Facility” shall mean a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

“Liquidity Provider” shall mean the party, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“Qualified Swap” shall mean any Swap (a) whose Designated Debt is all or part of a particular series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60-day period preceding the date on which the calculation of

Principal and Interest Requirements on Bonds is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the State as a Qualified Swap with respect to such Bonds.

“Qualified Swap Provider” shall mean a financial institution whose senior long term unsecured debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior unsecured long term debt obligations are rated at least as high by at least two nationally recognized rating agencies as “A1”, in the case of Moody’s, “A+”, in the case of S&P, or the equivalent thereto in the case of any other nationally recognized rating agency.

“Regularly Scheduled Swap Payments” shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap. For the avoidance of doubt, collateralization for a Swap and termination payments for a Swap are not included in the definition of “Regularly Scheduled Swap Payments” without the consent of a majority of the Bondholders of the applicable outstanding Bonds.

“Repayment Obligations” shall mean an obligation arising under a written agreement of the State and a Credit Provider pursuant to which the State agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds or an obligation arising under a written agreement of the State and a Liquidity Provider pursuant to which the State agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase any Bonds.

“Swap” shall mean any financial arrangement between the State and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

“Swap Provider” shall mean a party to a Swap with the State.

“Swap Termination Payment” shall mean an amount payable by the State or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“Synthetic Fixed Rate Debt” means indebtedness issued by the State which (a) is combined, as Designated Debt, with a Qualified Swap and creates a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an

arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“Synthetic Variable Rate Debt” means indebtedness issued by the State which is combined, as Designated Debt, with a Qualified Swap and creates a substantially variable rate maturity or maturities for a term not exceeding such maturity or maturities.

“Variable Rate Indebtedness” shall mean any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity. Variable Rate Indebtedness shall also include Synthetic Variable Rate Debt.

Section 3. The following definitions in Section 1.1 are hereby amended as follows:

“Bondholder” or “holder” or “owner” or “registered owner” or words of similar import shall mean, when used with reference to the Bonds, the registered owner of any Bond, and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of Section 2.8 hereof.

“Debt Service Requirements” shall mean, for any period, the sum of (a) the principal and interest accruing during such period with respect to Monthly Payment Bonds, the principal and interest payable during such period with respect to Pay When Due Bonds, the interest payable during such period with respect to Notes and the unrefunded principal payable during such period with respect to Notes; (b) the purchase price of Bonds and Notes which are subject to purchase or redemption at the option of the holder of such Bond or Note; (c) the amounts, if any, required during such period to establish or maintain the funds or accounts existing under this Indenture at the respective levels required to be established or maintained as provided in this Indenture; (d) expenses of issuance and administration with respect to Bonds and Notes, as determined by the Treasurer; (e) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to the proceedings authorizing the issuance of Bonds or Notes; and (f) any other costs or expenses deemed by the Treasurer to be necessary or proper to be paid in connection with the Bonds and Notes, including, without limitation, the cost of any ~~credit facility, including but not limited to a letter of credit or policy of bond insurance~~ Credit Facility or Liquidity Facility, issued by a financial institution pursuant to an agreement approved by the proceedings authorizing the issuance of Bonds or Notes. For purposes of this definition, “payable” shall mean amounts when required to be deposited with the Trustee pursuant to Section 5.1(a)(1) hereof.

“outstanding” when used with reference to Bonds or Notes, as of any particular date, shall mean all such Bonds and Notes which have been authenticated and delivered hereunder, except:

- (i) any Bonds or Notes cancelled after purchase in the open market or because of payment at or redemption prior to maturity;
- (ii) any Bond or Note (or any portion of either) for the payment or redemption of which cash funds or Governmental Obligations or any combination thereof shall have been

theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bond or Note); provided that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(iii) any Bonds in lieu of which other Bonds have been authenticated under Section 3.7 of this Indenture unless held by a bona fide holder in due course; ~~and~~

(iv) Repayment Obligations deemed to be Bonds under Section 2.8 hereof to the extent such Repayment Obligations arose under the terms of a Liquidity Facility and are secured by a pledge of outstanding Bonds acquired by the Liquidity Provider; and

~~(iv)~~(v) any Bond deemed to have been paid as provided in Section 11.1 of this Indenture.

“Principal and Interest Requirements on Bonds” for any period, as applied to outstanding Bonds of any series, shall mean the sum of:

(i) the amount of interest accruing on all Monthly Payment Bonds of such series in such period plus the amount of interest payable on all Pay When Due Bonds, provided, however, that interest accruing or payable on the Bonds shall be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year; plus

(ii) the amount of principal accruing in such period with respect to all serial bonds of such series of Monthly Payment Bonds, assuming the principal of any serial bond of such series accrues ratably over the year preceding the maturity of such serial bond, plus the amount of principal payable in such period with respect to all serial bonds of such series of Pay When Due Bonds; plus

(iii) the Amortization Requirement accruing for the term bonds of such series of Monthly Payment Bonds, plus the Amortization Requirement payable for the term bonds of such series of Pay When Due Bonds, for such period; plus

(iv) if all or any portion or portions of an outstanding series of Bonds constitute Balloon Indebtedness, then, for purposes of determining Principal and Interest Requirements on Bonds, each maturity which constitutes Balloon Indebtedness, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (v) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than thirty (30) years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than thirty (30) years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation shall be the Base Interest Rate; with respect to any series of Bonds, only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in such other provision of this definition as shall be applicable and, with respect to any series of Bonds, or that portion

of a series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in (i) and (ii) above or such other provision of this definition as shall be applicable; plus

(v) any maturity of Bonds which constitutes Balloon Indebtedness as described in provision (iv) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of Principal and Interest Requirements on Bonds is made, shall be assumed to be refinanced on such maturity date, unless the Trustee is informed in writing by the State at least one year prior to maturity that the maturity of Balloon Indebtedness shall be treated as a serial bond pursuant to subsection (ii); plus

(vi) if any outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (vii)(b) to the extent it applies (except to the extent subsection (iv) or (v) relating to Balloon Indebtedness or subsection (vii)(a) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Bonds shall be the Base Interest Rate; plus

(vii) (a) for purposes of computing the Principal and Interest Requirements on Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the State elects such rate, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the State fails to elect such rate, then it shall be deemed to be the Base Interest Rate; plus

(b) for purposes of computing the Principal and Interest Requirements on Bonds with respect to which a Swap has been entered into whereby the State has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included in the calculation of Principal and Interest Requirements on Bonds, and the interest rate with respect to such Bonds shall, if the State elects such rate, be the sum of that rate as determined in accordance with subsection (vi) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider; plus

(viii) for debt service on Repayment Obligations, to the extent such obligations constitute Bonds under Section 2.8 hereof, the amount calculated as provided in Section 2.8 hereof; plus

(ix)~~(iv)~~ any other amortization, payment or accrual of original issue discount or principal with respect to Bonds of such series required to be made for such period pursuant to the proceedings authorizing Bonds of such series; plus

(x)~~(v)~~ the amount accruing or payable with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a ~~credit facility~~ Credit Facility or Liquidity Facility providing for payment of the principal on Bonds.

In computing the Principal and Interest Requirements on Bonds for any period for the Bonds of any series, the Trustee shall assume that an amount of the term bonds (if any) of such series equal to the Amortization Requirement for the term bonds of such series for such period will be retired by purchase or redemption on or before the last day of such period. ~~In computing the interest payable in any future period on any Bond bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Bond at the time of calculation.~~ If any amount is or has been included for any period under clause (iv) above, such amount shall not be included under clause (i), (ii) or (iii) above for any subsequent period. For purposes of this definition, “payable” shall mean when payable by the State to the Trustee.

“subordinate obligation” or “subordinate obligations” shall mean obligations issued pursuant to Sections 2.7, 2.8 or 2.9 hereof.

Section 4. The second paragraph of Section 2.1 of the Indenture is hereby amended as follows:

The Bonds, including the principal thereof and interest and premium, if any, thereon, shall be payable solely from the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to this Indenture. The Bonds shall be equally and ratably secured hereunder by the assignments, pledges and charges made or created herein of or on the properties of the Trust Estate for the payment and security of the Bonds and amounts due in connection with any Credit Facility, any Liquidity Facility and any Qualified Swap and by a co-equal lien thereon, without priority by reason of series, number, date of execution hereof or of the Supplemental Indenture providing for the issuance thereof, date of Bonds, date of sale, date of execution, date of authentication, date of issuance, date of delivery, the Section hereof under which the Bonds are issued or otherwise; except that any payments by a provider of a Qualified Swap shall be received by the Trustee and held in trust for the benefit of the series of Bonds in respect of which such Qualified Swap is entered into. The aforesaid lien and charge of the Bonds shall constitute a prior and paramount lien and charge on the Special Transportation Fund and the other receipts, funds and moneys pledged to the payment of the Bonds and from time to time held hereunder, subject only to the provisions of this Indenture permitting the application of moneys in the Special Transportation Fund and such other receipts, funds and moneys for the purposes and on the terms and conditions hereof, over and ahead of any parties, having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice of the foregoing lien and charge and over and ahead of all other indebtedness payable from or secured by the Pledged Revenues and such other receipts, funds and moneys which may hereafter be created or incurred. The pledges, liens, charges and assignments to the Trustee of the Trust Estate made herein and hereby shall be valid and binding from the time of the delivery of and payment for the first series of Bonds issued hereunder and the moneys representing the Pledged Revenues and other receipts, funds or moneys so pledged received by the State shall be subject immediately to the lien of such pledge, upon receipt thereof by the State or the Trustee or a Paying Agent hereunder without any physical delivery thereof or further act.

Section 5. Section 2.4(a) of the Indenture is hereby amended as follows:

(a) To the extent authorized, Additional Bonds may be issued under and secured by this Indenture, at one time or from time to time. To the extent permitted and authorized by the State, Additional Bonds may be issued to refund other transportation obligations of the State, including, but not limited to, subordinate obligations, general obligation debt, and federal transportation bonds (as such term is defined in Section 13b-78 of the General Statutes). Such Additional Bonds shall be issued under and pursuant to a Supplemental Indenture or Supplemental Indentures and the provisions of Section 10.4 shall have been complied with respect to such Supplemental Indenture or Supplemental Indentures; and such Supplemental Indenture or Supplemental Indentures shall designate such Additional Bonds issued thereunder as Special Tax Obligation Bonds, Transportation Infrastructure Purposes, [insert identifying year] Series [insert identifying letter] (or such other designation as deemed appropriate by an Authorized Officer), and shall specify (1) the authorized principal amount of such series of Additional Bonds; (2) the date, the maturity date or dates (which shall be not later than thirty (30) years from their date, or such longer term as may be allowed under the Act), and the interest payment date or dates of the Additional Bonds of such series; (3) the interest rate or rates per annum, including variable rates, to be borne by the Bonds of such series or the manner of determining such rates; (4) the denominations and manner of numbering the Additional Bonds of such series; (5) the terms and conditions, if any, for the redemption of the Additional Bonds of such series; the premium or premiums, if any, to be paid upon the redemption of the Additional Bonds of such series; (6) if any of the Additional Bonds of such series are term bonds, the Amortization Requirements for the Additional Bonds of such series; (7) if the Additional Bonds of such series are to be payable as to principal, interest and premium, if any, at a place or places in addition to the principal office of the Trustee, the place or places of payment; (8) the provisions for the sale or other disposition of the Additional Bonds of such series and the use, application and investment, if any, of the proceeds of such sale or other disposition; (9) the provisions for the execution, and the manner of authentication, if any, of the Additional Bonds of such series; (10) if any of the Additional Bonds constitute Variable Rate Indebtedness or Balloon Indebtedness, the terms and conditions for such Additional Bonds; and ~~(10)~~ 11 any other provisions not inconsistent or in conflict with the provisions of this Indenture deemed necessary or advisable by the State.

Section 6. Section 2.4(b)(1) is deleted and Sections 2.4(b)(2) through (4) are hereby renumbered, as amended as follows:

~~(1) Pledged Revenues and other receipts, funds or moneys pledged hereunder, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged hereunder for reserves required by the Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding eighteen (18) calendar months were equal to at least the Coverage Requirement for such period; provided however, that this condition shall be deemed to be satisfied if such test is satisfied after adjusting such Pledged Revenues and other receipts, funds or moneys pledged hereunder only to reflect any increase or increases, or decrease or~~



~~decreases, in taxes, fees or charges enacted to be in effect at the time of issuance, and the Secretary of the Office of Policy and Management of the State (or any successor agency) shall deliver to the Trustee a certificate demonstrating such coverage;~~

~~(1)~~(2) Pledged Revenues and other receipts, funds or moneys pledged hereunder, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged hereunder for reserves required by the Indenture, actually paid into the Special Transportation Fund for any period of twelve (12) consecutive calendar months of the immediately preceding ~~twenty-four~~ (24)~~eighteen~~ (18) calendar months divided by such number of full calendar months and multiplied by twelve (12) are equal to at least the Coverage Requirement (such Coverage Requirement to include the Additional Bonds to be issued, and to exclude Interest Requirements on Notes being refunded from the proceeds of such Additional Bonds), for the current and each succeeding Fiscal Year after adjusting such Pledged Revenues and other receipts, funds or moneys pledged hereunder only to reflect any increase or increases, or decrease or decreases, in taxes, fees or charges enacted to be in effect for such current or such succeeding Fiscal Year, and the Secretary of the Office of Policy and Management of the State (or any successor agency) shall deliver to the Trustee a certificate demonstrating such coverage;

~~(2)~~(3) The State shall have received a letter from the Accountant ~~(i) substantially to the effect that in connection with their examination of the Special Transportation Fund pursuant to Section 7.4 of this Indenture nothing came to their attention that caused them to believe that the State was not then in compliance with the covenant of Section 2.4(b)(1) of this Indenture and (ii) reporting on the certificates delivered pursuant to Sections 2.4(b)(1) if any, and 2.4(b)(2),~~ without material qualification; and

~~(3)~~(4) The State shall have determined that the principal amount of all Bonds, including the Additional Bonds to be issued, will not exceed any limitation imposed by law, and upon such issue the amount to be then held to the credit of the Reserve Account, giving effect to the deposits to be made of the proceeds of the sale of such Additional Bonds, will be not less than the Debt Service Reserve Requirement.

Section 7. The first sentence of Section 2.6 of the Indenture is hereby amended as follows:

Bond anticipation notes (herein defined and referred to as the “Notes”) may be issued under and secured by this Indenture, at one time or from time to time, in anticipation of the issuance of Bonds under Section 2.4 of this Indenture, provided that no such Notes shall be issued (i) unless the Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and this Indenture, and (ii) if the aggregate principal amount of all Notes then outstanding and to be issued exceeds two hundred fifty million dollars (\$250,000,000), unless, as of the date of issuance of such Notes, the State could have issued under the terms of this Indenture an equivalent aggregate principal amount of Balloon Indebtedness~~serial bonds, maturing in equal~~

~~annual installments of principal and interest, the last installment of which shall mature not later than thirty years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Bonds been issued at such time.~~

Section 8. The following Section 2.8 is hereby added to the Indenture:

Section 2.8. *Repayment Obligations Afforded Status of Bonds.* If a Credit Provider or Liquidity Provider makes payment of principal, interest and redemption premium, if any, on a Bond or advances funds to purchase or provide for the purchase of Bonds (“Enhanced Bonds”) and is entitled to reimbursement thereof, pursuant to a separate written agreement with the State, but is not reimbursed, the State’s Repayment Obligations under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under this Article II, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 2.2 through 2.6 of this Article II; provided, however, notwithstanding the stated terms of the Repayment Obligations, the payment terms of the Bond held by the Credit Provider or Liquidity Provider hereunder shall be as follows (unless otherwise provided in the written agreement with the State or a Supplemental Indenture pursuant to which the Bonds are issued): (a) interest shall be due and payable semiannually and (b) principal shall be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or; (ii)(A) if shorter, a term extending to the maturity date of the Enhanced Bonds or (B) if longer, the final maturity of the Repayment Obligations under the written agreement, and providing substantially level annual debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligations as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence shall bear interest in accordance with the terms of the Repayment Obligations. Any amount which comes due on the Repayment Obligations by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be a subordinate obligation of the State and senior to any obligation issued pursuant to Section 2.7 hereof. This provision shall not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligations are to be afforded the status of Bonds under this Indenture.

Section 9. The following Section 2.9 is hereby added to the Indenture:

Section 2.9. *Obligations Under Qualified Swap.*

(a) The obligation of the State to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a series of Bonds may be on a parity with the obligation of the State to make payments with respect to such series of Bonds and other Bonds under this Indenture, except as otherwise provided herein or in a Supplemental Indenture. The State may provide in any Supplemental Indenture that Regularly Scheduled Swap

Payments under a Qualified Swap shall be secured by a pledge of or lien on Pledged Revenues on a parity with the Bonds of such series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such series remaining outstanding. The Trustee shall take all action consistent with the other provisions hereof as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the State with respect thereto subject to the security and indemnity rights set forth below. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in this Indenture or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in subsection (a) above are due and payable by the State under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a subordinate obligation hereunder and senior to any obligation issued pursuant to Section 2.7 hereof.

Section 10. Section 5.1(a)(1) of the Indenture is hereby amended as follows:

to the credit of the Bond Service Sub-Account, Note Repayment Account and Redemption Sub-Account, respectively, such amounts thereof, if any (or the entire amount so withdrawn if less than the required amount, in which case such amount shall be allocated among the purposes set forth in this subsection (a)(1) on a pro rata basis), as may be required (i) to make the amount then held to the credit of the Bond Service Sub-Account equal to the amount of the Principal and Interest Requirements on Bonds accruing through the dates in the next ensuing month, plus the amount accruing or payable with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a ~~credit facility~~Credit Facility or Liquidity Facility providing for payment of the principal on Bonds, plus one-twelfth (1/12) of the Principal and Interest Requirements on Prior Bonds for the next ensuing twelve (12) months; (ii) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest on Notes payable through the end of the next ensuing month and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Notes; and (iii) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any, accruing through the respective payment dates of the Monthly Payment Bonds in the next ensuing month, plus the aggregate Amortization Requirements, if any, due through the respective payment dates of the Pay When Due Bonds in the next ensuing month, for each of the term bonds then outstanding (plus a ratable portion of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for mandatory redemption); provided, however, that if the amount so deposited to the credit of the Redemption Sub-Account in any Fiscal Year shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in

any Fiscal Year shall be added to the amount otherwise required to be deposited in each Fiscal Year thereafter until such time as such deficiency shall have been made up;

Section 11. The third sentence of Section 5.3 of the Indenture is hereby amended and the fourth sentence added as follows:

Subject to the terms and conditions set forth in this Indenture, moneys held to the credit of the Bond Service Sub-Account, the Redemption Sub-Account and the Unrefunded Note Sub-Account shall be held in trust and disbursed by the Trustee for (a) the payment of the interest on the Bonds as such interest becomes due; (b) the payment of the principal on the Bonds at their respective maturities; (c) the payment of the purchase or redemption price of the Bonds before maturity; (d) the payment of the unrefunded principal on Notes at their respective maturities; or (e) the payment of principal and interest pursuant to any reimbursement agreement entered into with respect to a Credit Facility or Liquidity Facility ~~credit facility~~ providing for payment of the principal of Bonds, and such moneys are hereby pledged to and charged with the payment mentioned in this Section. Notwithstanding the foregoing, the State may, in a Supplemental Indenture authorizing a series of Bonds, make provisions with respect to Capitalized Interest related to such series of Bonds for which Capitalized Interest has been designated.

Section 12. The first sentence of Section 5.4 of the Indenture is hereby amended as follows:

The Trustee shall from time to time as required, withdraw from the Bond Service Sub-Account (including any Capitalized Interest designated for a certain series of Bonds) and, if necessary, from the Reserve Account and the Unrefunded Note Sub-Account, and deposit in trust with the Paying Agent sufficient moneys for paying the principal of and the interest on the Bonds as the same shall become due, and shall pay principal and interest pursuant to any reimbursement agreement entered into with respect to payment of principal of Bonds.

Section 13. The last paragraph of Section 6.2 of the Indenture is hereby amended as follows:

Investments in all funds and accounts will be valued by the Trustee at book value, market value or face value, whichever is lowest (inclusive of accrued interest paid to purchase such investment), except that investments in the Reserve Account shall be valued at book value including accrued interest paid to purchase such investment ~~par if purchased at par or at Amortized Value if purchased at other than par. "Amortized Value", when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.~~

Section 14. The first sentence of Section 7.2(a) of the Indenture is hereby amended as follows:

Unless at such time any and all amounts required to be paid from the Special Transportation Fund to the Trustee, provider of a Credit Facility, Liquidity Facility or Qualified Swap, or any Bondholder pursuant to the terms of this Indenture shall have been made, the State shall not make any payments from the Special Transportation Fund on account of any obligation whatsoever other than the Bonds and Notes, except from amounts held to the credit of the Special Transportation Fund which represent amounts borrowed by the Treasurer in anticipation of revenues pursuant to Section 3-16 of the General Statutes, or from transportation related federal revenues of the State.

Section 15. Sections 8.2(a) and (b) of the Indenture are hereby amended as follows:

(a) The Trustee may be removed at any time by an instrument or concurrent instrument in writing, signed by the holders of not less than a majority in principal amount of the Bonds then outstanding and filed with the Treasurer. A copy of each such instrument shall be delivered promptly by the State to the Trustee. The Trustee also may be removed by the State (i) at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with any provision of this Indenture with respect to the duties and obligations of the Trustee, or (ii) at any time, provided that no Event of Default has occurred and is continuing, with sixty (60) day's prior written notice to the Trustee. The Trustee may resign as Trustee hereunder at any time by giving not less than sixty (60) days' prior written notice to the Treasurer ~~by any court of competent jurisdiction upon the application of the State or the holders of not less than five percent (5%) in aggregate principal amount of the Bonds then outstanding hereunder. The Trustee may resign as Trustee hereunder at any time by giving not less than sixty (60) days' notice to the Treasurer and by mailing a notice of resignation within ten (10) days after giving such notice in the manner in which notices of redemption of Bonds are to be mailed pursuant to Section 4.3 hereof.~~

(b) If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or if the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall become vacant. If the position of Trustee shall become vacant, the Treasurer shall, as soon as practicable, appoint a Trustee to fill such vacancy. The Treasurer shall provide written notice of any such appointment by it made to Bondholders in the manner in which notices of redemption are to be provided pursuant to Section 4.3 hereof. Any successor Trustee shall meet the qualifications of subsection (a) of Section 8.1 of this Indenture. Such successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the State, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance shall become fully vested with all rights, powers, trusts, duties and obligations of its predecessor in trust hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. The successor Trustee shall have no responsibility for the acts of the predecessor Trustee.

Section 16. The following subsections and paragraph are added following Section 8.3(b) of the Indenture:

(c) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services.

(d) The rights, privileges, protections, immunities and benefits given to the Trustee under this Indenture, including, without limitation, its right to be indemnified, if any, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder and under the Bonds, and each agent, custodian or other person employed to act under this Indenture.

(e) The Trustee shall not be deemed to have actual knowledge of any default or Event of Default (other than an Event of Default constituting the failure to pay the interest on, or the principal of, the Bonds if the Trustee also serves as the Paying Agent for such Bonds) until the Trustee shall have received written notification in the manner set forth in this Indenture or a responsible officer of the Trustee shall have obtained actual knowledge.

The Trustee shall not, by any provision of this Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Bondholders or Liquidity Provider, unless such Bondholders or any Liquidity Provider shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 17. Section 9.1(c) of the Indenture is hereby amended as follows:

(c) the State shall default in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Bonds, this Indenture or any Supplemental Indenture on the part of the State to be performed, other than contained in Section 5.1 of this Indenture and such default shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the State by the Trustee or by the holders of not less than ~~a majority~~twenty percent (20%) in principal amount of the Bonds then outstanding; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety (90) day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; and provided further, that no failure to observe the covenant of Section 7.1 of this Indenture shall constitute an Event of Default unless within one year after written notice by the Trustee (or by the holders of not less than a majority in principal amount of

the Bonds then outstanding) of such failure the State shall not have enacted legislation such that the conditions contained in Sections 2.4(b)(1) ~~and 2.4(b)(2)~~ hereof could have been satisfied if Additional Bonds were then to be issued; and provided further, that notwithstanding the foregoing in this subsection (c), if, by reason of Force Majeure, the State is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under this subsection (c), the State shall not be deemed in default during the continuance of such inability; however, the State shall promptly give notice to the Trustee and any Liquidity Provider or Credit Provider of the existence of an event of Force Majeure and the State shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion; or

Section 18. Section 9.2(a) of the Indenture is hereby amended as follows:

(a) Upon the happening and continuance of any Event of Default specified in Section 9.1 of this Indenture, then in every such case, in addition to any other remedies herein provided for, the Trustee for and on behalf of the holders of the Bonds (A) shall have the same rights hereunder which are possessed by any of the holders of the Bonds; (B) shall be authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of not less than a majority ~~ten percent (10%)~~ in aggregate principal amount of the Bonds then outstanding, shall, pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; and (D) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and of the holders of the Bonds allowed in any judicial proceeding relative to the State, or its creditors, its property, or the Bonds.

Section 19. The opening clause to the first sentence of Section 9.3(a) of the Indenture is hereby amended as follows:

(a) If at any time the moneys in the Bond Service Sub-Account, the Redemption Sub-Account, or the Reserve Account, shall not be sufficient to pay the interest or principal or premium, if any, or the redemption price of the Bonds as the same become due and payable (whether at maturity or upon proceedings for the redemption thereof or otherwise), the moneys in such accounts, together with any other moneys then available or thereafter becoming available for such purpose (which shall not include moneys provided through a Credit Facility or Liquidity Facility, which moneys shall be restricted to the specific use for which such moneys were provided), whether through the exercise of the remedies provided for in this Article IX or otherwise, shall be applied as follows:

Section 20. The following Section 9.4 is added to the Indenture:

Section 9.4. Waiver of Defaults. (a) The holders of a majority in aggregate principal amount of the outstanding Bonds may, by written notice to the Trustee and subject to the requirements of Section 9.2(h), waive any existing default or Event of Default and its consequences, except an Event of Default under Section 9.1(a) or (b). Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No

waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

(b) Notwithstanding any provision of this Indenture, in no event shall any person, other than all of the affected Bondholders, have the ability to waive any default or Event of Default under this Indenture if such event results or may result, in the opinion of counsel to the State, in interest on any of the Bonds becoming includable in gross income for federal income tax purposes.

Section 21. Section 13.1 of the Indenture is hereby amended as follows:

Section 13.1. *Benefits of Indenture Limited to State, Trustee, Providers of Credit Facilities, Liquidity Facilities and Qualified Swaps, and Bondholders.* With the exception of rights or benefits herein or in a Credit Facility, Liquidity Facility or Qualified Swap expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Notes or the Bonds is intended or should be construed to confer upon or give to any person other than the State, the Trustee and the holders of the Notes and Bonds, and the providers of any Credit Facility, Liquidity Facility or Qualified Swap, any legal or equitable right, remedy or claim under or by reason of or in respect to this Indenture or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Indenture and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the State, the Trustee and the holders from time to time of the Notes and Bonds and providers of any Credit Facility, Liquidity Facility or Qualified Swap as herein and therein provided.



**ATTACHMENT A**

[STATE OF CONNECTICUT CONTRACTING REQUIREMENTS]

**ATTACHMENT B**

[STATE OF CONNECTICUT CONTRACTING REQUIREMENTS]

FORM OF OPINION

[Date of Closing]

Honorable Erick Russell  
Treasurer, State of Connecticut  
Hartford, Connecticut

We have acted as bond counsel to our client, the State of Connecticut (the “State”), in connection with the issuance of its \$1,000,000,000 State of Connecticut Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2024 Series A (the “2024 Series A Bonds”) and its \$\_\_\_\_\_ State of Connecticut Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2024 Series B (the “2024 Series B Bonds,” together with the 2024 Series A Bonds, the “2024 Bonds”). We have examined (i) the Constitution and laws of the State of Connecticut, including Public Act No. 84-254 of the February 1984 Session of the General Assembly, as amended (the “Act”), (ii) the Amended and Restated Indenture of Trust, by and between the State and U.S. Bank Trust Company, National Association, as Trustee, dated as of November 1, 2024, as supplemented by the First Supplement to Amended and Restated Indenture of Trust, by and between the State and the Trustee, dated as of the date hereof (collectively, the “Senior Indenture”), (iii) the Tax Regulatory Agreement of the State dated the date hereof (the “Tax Regulatory Agreement”), and (iv) a record of proceedings relative to the issuance of the 2024 Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Senior Indenture.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged and we have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2024 Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement and certain matters which are the subject of a supplemental opinion provided by us to the State).

From such examination we are of the opinion that:

1. The Act is valid, and the State has the legal right and power to authorize, and has duly authorized, executed and delivered the Senior Indenture, and the Senior Indenture is a legal, valid and binding obligation of the State enforceable in accordance with its terms.
2. The 2024 Bonds have been duly authorized and issued under the Constitution and laws of the State, particularly the Act, and under proceedings duly had and taken in conformity therewith.
3. The 2024 Bonds are valid and binding special obligations of the State payable from the Pledged Revenues and other receipts, funds or moneys pledged therefor under the Act and the Senior Indenture and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Senior Indenture.
4. The 2024 Bonds are secured in the manner and to the extent set forth in the Act and the Senior Indenture. Pursuant to the Act, the Senior Indenture creates a valid first call upon Pledged Revenues and lien upon any and all amounts held to the credit of the Special Transportation Fund from time to time, to the extent set forth in the Senior Indenture, including moneys and securities held by the Trustee in the Debt Service Account established thereunder, which the Senior Indenture purports to create, subject only to the provisions of the Senior Indenture permitting the application thereunder for or to the purposes and on

the terms and conditions set forth in the Senior Indenture. Such first call and lien are valid and binding against all parties having claims of any kind in tort, contract or otherwise against the State (including holders of general obligation debt of the State). All amounts necessary for the punctual payment of the Debt Service Requirements (as defined in the Act) with respect to the 2024 Bonds are validly deemed to be appropriated by the Act from the Pledged Revenues and other receipts, funds or moneys pledged therefor and the Treasurer is required under the Act to pay such Debt Service Requirements as the same shall accrue, but only from such sources. Such payment by the Treasurer does not require further legislative approval.

5. The State is not obligated to pay the principal of, and interest and premium, if any, on the 2024 Bonds except from Pledged Revenues and other receipts, funds or moneys pledged therefor under the Act and the Senior Indenture, and the full faith and credit of the State or any political subdivision thereof is not pledged to the payment of the principal of and interest and premium, if any, on the 2024 Bonds.

6. Pursuant to the Act, the Senior Indenture validly incorporates the valid and enforceable covenants of the State to impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements in such amounts as may be necessary to pay such requirements in each year and not to limit or alter the duties imposed on the Treasurer or other officers of the State by the Act and the Senior Indenture with respect to the application of such Pledged Revenues and other such pledged receipts, funds or moneys.

7. Pursuant to the Act, the covenant of the State contained in the Senior Indenture to provide Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture in an amount at least equal to two times the aggregate Principal and Interest Requirements on Bonds and Interest Requirements on Notes in each Fiscal Year is valid and enforceable. Such covenant is subject to the right of the State to exercise its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or to substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing Fiscal Year as evidenced by the proposed or adopted budget of the State with respect to the Special Transportation Fund, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund including accumulated deficits, if any, Debt Service Requirements, and any Pledged Revenue coverage requirement set forth in Section 2.4 of the Senior Indenture.

8. Under existing law, interest on the 2024 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and will not be treated as a preference item for purposes of computing the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations.

9. Under existing law, interest on the 2024 Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trust and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2024 Bonds in order that interest on the 2024 Bonds be excludable from the gross income of the owners thereof for federal income tax purposes under the Code. The State has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest on the 2024 Bonds shall be excludable from the gross income of the owners thereof for federal income tax purposes under the Code.

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the 2024 Bonds, we have relied upon and assumed, without undertaking to verify the same by independent investigation, (i) the material accuracy of the representations, statements of intention and reasonable

expectations, and certifications of fact contained in the Tax Regulatory Agreement and (ii) compliance by the State with covenants set forth in the Tax Regulatory Agreement as to such matters.

In rendering this opinion, we further advise you that the enforceability of rights and remedies with respect to the 2024 Bonds may be limited by insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted and by equitable principles and the exercise of judicial discretion, whether considered at law or in equity, and by the reserved police powers of the State; no opinion is expressed as to the availability of a right in equity to specific performance on any covenant requiring legislative action with respect to taxes not presently enacted when an adequate remedy at law for damages is available or another such limitation exists and is applied.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion regarding other federal or state tax consequences caused by ownership of, or receipt of interest on, the 2024 Bonds.

We have examined the bond (or bonds, as may be the case) of each maturity and, in our opinion, the form of said bond or bonds, and its or their execution, are regular and proper.

Respectfully submitted,

**[INTENTIONALLY LEFT BLANK]**

## FORM OF CONTINUING DISCLOSURE AGREEMENT

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the “State”) will agree, pursuant to a Continuing Disclosure Agreement for the 2024 Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the 2024 Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the 2024 Bonds.*

**Master Continuing Disclosure Agreement**

This Master Continuing Disclosure Agreement (“Agreement”) is made as of the 1st day of November, 2022 by the State of Connecticut (the “State”), acting by its undersigned officer, duly authorized, in connection with the issuance of debt from time to time by the State, for the benefit of the beneficial owners from time to time of Bonds (as hereinafter defined), and U.S. Bank Trust Company, National Association, as Trustee for the Bonds (the “Trustee”, and for purpose of Attachment A hereto, “contractor” or “Contractor”) under the Indenture (as hereinafter defined). It is intended that this Agreement shall be in effect for an issue of Bonds by the execution of an Undertaking Certificate (as hereinafter defined) in connection with such issue.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information and operating data as described in the Description of the Undertaking specified in the Undertaking Certificate for each issue of Bonds. The descriptions of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which they relate have been materially changed or discontinued, a new Description of the Undertaking may be executed describing the information to be provided.

“Addendum Describing Enumerated Events” means an addendum, the initial form of which is shown in Exhibit A, that is associated with an issue of Bonds pursuant to an Undertaking Certificate. A different addendum may be delivered from time to time and associated with future issues of Bonds.

“Bonds” means each issue of special tax obligations of the State issued pursuant to the Indenture in connection with which the State has executed and delivered an Undertaking Certificate to the Trustee.

“Description of the Undertaking” means a description, the initial form of which is shown in Exhibit B, that is associated with an issue of Bonds pursuant to an Undertaking Certificate. A different description may be delivered from time to time and associated with future issues of Bonds.

“Enumerated Event” means an enumerated event as described in the Addendum Describing Enumerated Events specified in the Undertaking Certificate for an issue of Bonds.

“Indenture” means the Indenture of Trust entered into by the State and the Trustee, dated as of September 15, 1984, as supplemented and amended to date, as the same may be further supplemented and amended from time to time.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

“Undertaking Certificate” means an undertaking certificate substantially in the form as shown in Exhibit C.

## **Section 2. Annual Financial Information.**

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, Annual Financial Information on or before the date eight (8) months after the close of the fiscal year for which such information is being provided. The State’s fiscal year currently ends on June 30.

(b) Annual Financial Information may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB’s Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the Annual Financial Information may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(c) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such Annual Financial Information, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time, provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

## **Section 3. Notice of Certain Events.**

The State agrees to provide or cause to be provided notice of the occurrence of an Enumerated Event to each Repository, in a timely manner, not in excess of ten business days after the occurrence of the event. In order to assist the State in complying with its undertaking in this Section 3, the Trustee agrees to use its best efforts promptly to notify the State in writing of the occurrence of any of the Enumerated Events as to which any officer in the Corporate Trust Administration Department of the Trustee obtains actual knowledge in the course of the performance of the duties of the Trustee under the Indenture for Bonds which have been made subject to this Agreement by delivery of an Undertaking Certificate in the form of Exhibit C by the State and acknowledged by the Trustee in the form as shown in Exhibit D; provided, however, that the determination of whether any such occurrence is material shall be a determination to be made by the State and not the Trustee pursuant to its responsibilities under this Agreement.

## **Section 4. Notice of Failure to Provide Annual Financial Information.**

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide Annual Financial Information as set forth in Section 2(a) hereof on or before the required date.

## **Section 5. Use of Agents.**

Annual Financial Information and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.



## **Section 6. Termination.**

The obligations of the State under this Agreement shall terminate with respect to any Bonds upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of such Bonds, or (ii) such time as the State ceases to be an obligated person with respect to such Bonds within the meaning of the Rule.

## **Section 7. Enforcement.**

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds to which this Agreement is made applicable by delivery of an Undertaking Certificate by the State. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 165 Capitol Avenue, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

## **Section 8. Miscellaneous.**

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State and the Trustee shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 60% of the aggregate principal amount of Bonds affected by such amendment. A copy of all amendments or waivers will be filed in a timely manner with each Repository and the Trustee. The Annual Financial Information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Treasurer

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Authorized Officer

ATTACHMENT A

[State Contractor Requirements]

Exhibit A

**ADDENDUM DESCRIBING ENUMERATED EVENTS**

“Enumerated Event” means any of the following events with respect to each issue of Bonds to which this Addendum is made applicable through an Undertaking Certificate:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the State;
- (m) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the State, any of which reflect financial difficulties.

For purposes of the events (o) and (p) above, the term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to the Rule.

This Addendum is dated this 1st day of November, 2022.

Exhibit B

**DESCRIPTION OF THE UNDERTAKING  
FOR SPECIAL TAX OBLIGATION BONDS**

Definitions:

“2022 Official Statement” means the final official statement dated October 19, 2022 for the State of Connecticut, Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2022 Series A, and Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2022 Series B. References to the 2022 Official Statement as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports.

Annual Financial Information means:

- (1) Financial statements of the State’s Special Transportation Fund for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated State statutory principles as in effect from time to time. The financial statements will be audited. As of the date of this Description, the State is required to prepare financial statements of its various funds and accounts on a statutory basis (i.e., following the adopted budget and related statutes as described in Appendix A to the 2022 Official Statement under the caption FINANCIAL PROCEDURES - “Accounting Procedures”). As of the date of this Description, the State also prepares financial statements for the Special Transportation Fund in accordance with generally accepted accounting principles but is not required to do so.
- (2) To the extent not included in the financial statements described in (1) above, the financial information and operating data within the meaning of the Rule included in the material under the headings “TOTAL BONDS OUTSTANDING,” “DEBT SERVICE ON OUTSTANDING BONDS,” tables numbered 1 through 9 contained in the section titled “THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND”, tables numbered 10 through 11 contained in the section titled “THE DEPARTMENT OF TRANSPORTATION”, and Appendices B and C in the 2022 Official Statement.

This Description is dated this 1st day of November, 2022.

Exhibit C

**UNDERTAKING CERTIFICATE**

This Undertaking Certificate is executed and delivered by the State of Connecticut (the “State”) to supplement the Master Continuing Disclosure Agreement (the “Agreement”), by and between the State and U.S. Bank Trust Company, National Association dated November 1, 2022. Pursuant to the provisions of the Agreement, the State hereby determines that the Agreement, the Addendum Describing Enumerated Events as described below, and the Description of the Undertaking, as described below, shall apply to the following issue(s) of bonds:

Description of the Addendum Describing Enumerated Events:

Exhibit A to the Agreement entitled: ADDENDUM DESCRIBING ENUMERATED EVENTS dated November 1, 2022

Description of the Undertaking:

Exhibit B to the Agreement entitled: DESCRIPTION OF THE UNDERTAKING FOR SPECIAL TAX OBLIGATION BONDS dated November 1, 2022

Bonds:

\$1,000,000,000 Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2024 Series A, and  
\$ \_\_\_\_\_ Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2024 Series B

Dated date of the Bonds:

[Date of Closing]

IN WITNESS WHEREOF, this Undertaking is executed this \_\_\_\_ day of December, 2024.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Erick Russell  
Treasurer

Exhibit D

**TRUSTEE’S ACKNOWLEDGEMENT RELATING TO THE UNDERTAKING  
FOR SPECIAL TAX OBLIGATION BONDS**

This acknowledgement is executed and delivered pursuant to the Master Continuing Disclosure Agreement (the “Agreement”), by and between the State and U.S. Bank Trust Company, National Association (the “Trustee”) dated November 1, 2022. Capitalized terms that are not defined in this Description have the meanings set forth in the Agreement.

For purposes of Section 3 of the Agreement, the Trustee acknowledges the Bonds (the “Bonds”) and Addendum Describing Enumerated Events for the Bonds (the “Addendum”), both as described in the attached Undertaking Certificate dated the date hereof (the “Undertaking Certificate”). The Trustee also acknowledges receipt of the Addendum and Undertaking Certificate.

IN WITNESS WHEREOF, this acknowledgement is executed this \_\_\_ day of December, 2024.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Authorized Officer

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