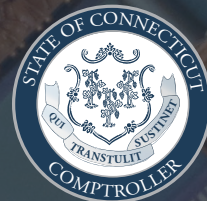


# FISCAL YEAR 2020 IN REVIEW



- The General Fund surplus\* for FY 2020 is \$38,709,505.
- This is the second consecutive surplus for the General Fund after four years of deficits.

\*Unaudited (Audit to be completed on or before Dec. 31, 2020)

Fiscal Year	Result	
FY 2011	\$236,922,515	Surplus
FY 2012	-\$143,516,880	Deficit
FY 2013	\$398,035,312	Surplus
FY 2014	\$248,479,871	Surplus
FY 2015	-\$113,168,010	Deficit
FY 2016	-\$170,418,431	Deficit
FY 2017	-\$22,696,231	Deficit
FY 2018	-\$482,860,543	Deficit
FY 2019	\$370,597,419	Surplus
FY 2020	*\$38,709,505	Surplus

- In FY 2020, significant progress was made toward building the balance of the Budget Reserve Fund (BRF).
- This was primarily due to the revenue volatility cap, which requires revenues above a certain threshold to be transferred to the BRF.

FY 2020

**Volatility threshold:  
\$3,294.2 million**

(estimated and final income tax payments and revenue from the Pass-through Entity tax)

**\$530,316,290  
volatility transfer  
made to BRF.**

**Final BRF balance:  
\$3.03 billion**

(15.11% of General Fund appropriations for FY 2021 — amount over the BRF 15% threshold is \$22.9 million)

## What Happens Now?

The State Treasurer decides to transfer the excess balance to the State Employee Retirement Fund (SERF) or the Teachers' Retirement System (TRS).

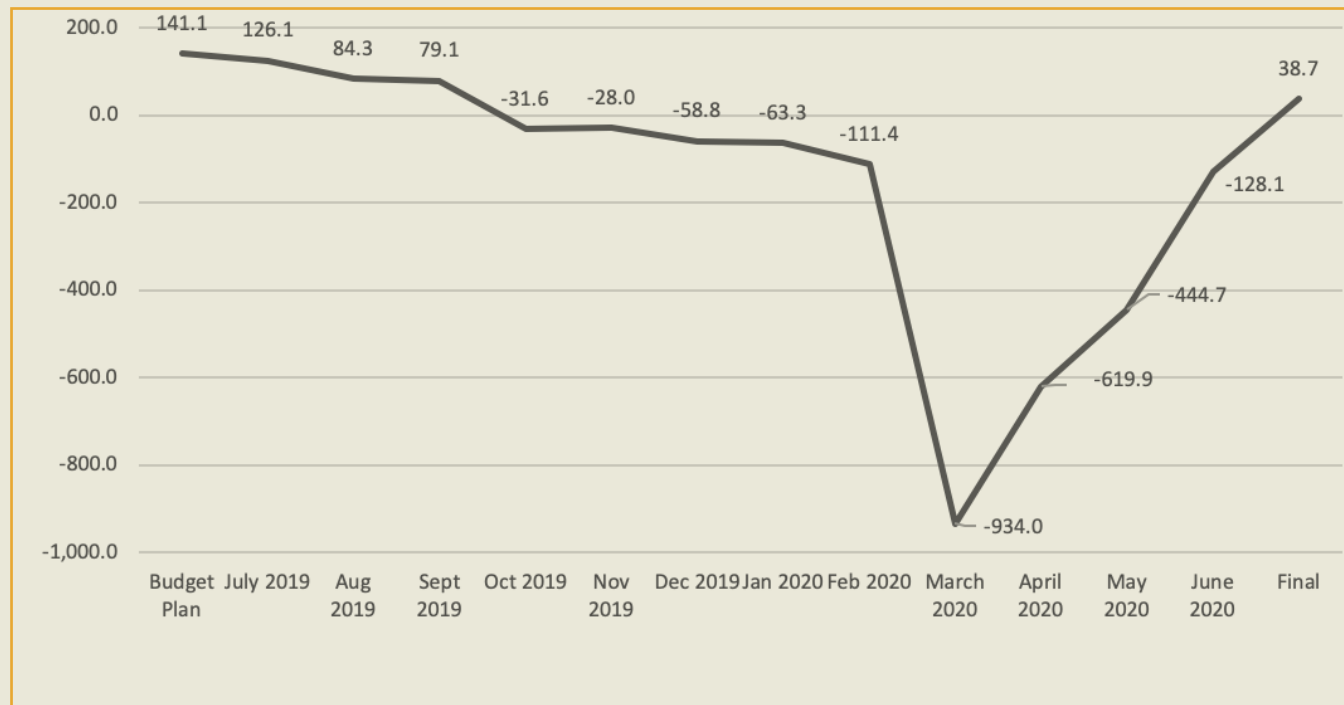
## History (2005 - Present)

Fiscal Year	Budget Reserve Fund Balance	General Fund Expenditures	Percent of GF Spending
2005	666,018,548	13,333,702,717	5.0%
2006	1,112,508,116	14,499,616,247	7.7%
2007	1,381,748,346	15,293,735,065	9.0%
2008	1,381,748,346	16,627,447,407	8.3%
2009	1,381,748,346	17,234,854,884	8.0%
2010	103,273,466	17,208,020,984	0.6%
2011	48,346	17,845,124,215	0.0%
2012	93,454,180	18,781,633,905	0.5%
2013	270,689,492	19,025,666,638	1.4%
2014	519,169,363	16,980,044,390	3.1%
2015	406,001,353	17,419,689,197	2.3%
2016	235,582,920	17,921,257,884	1.3%
2017	212,886,689	17,763,039,724	1.2%
2018	1,201,359,428	18,610,709,202	6.5%
2019	2,505,537,507	19,248,650,540	13.0%
2020*	3,035,853,798	20,086,277,623	15.1%

- In contrast with the relative stability of FY 2019, the General Fund budget experienced extreme volatility in FY 2020 as the result of the COVID-19 pandemic and its impact on the state's economy.
- The FY 2020 budget plan included a built-in General Fund surplus of \$141.1 million at the start of the fiscal year.
- The projected surplus was gradually reduced during the first quarter due to higher than anticipated spending in several areas, followed by a drop in revenue in November.
- At its lowest point, after the April 30th consensus revenue forecast, the deficit projection reached -\$934.0 million, before improving during the fourth quarter to end the year with a \$38.7 million surplus.



## Changes in Budget Surplus and Deficit Projections - FY 2020 (in Millions)



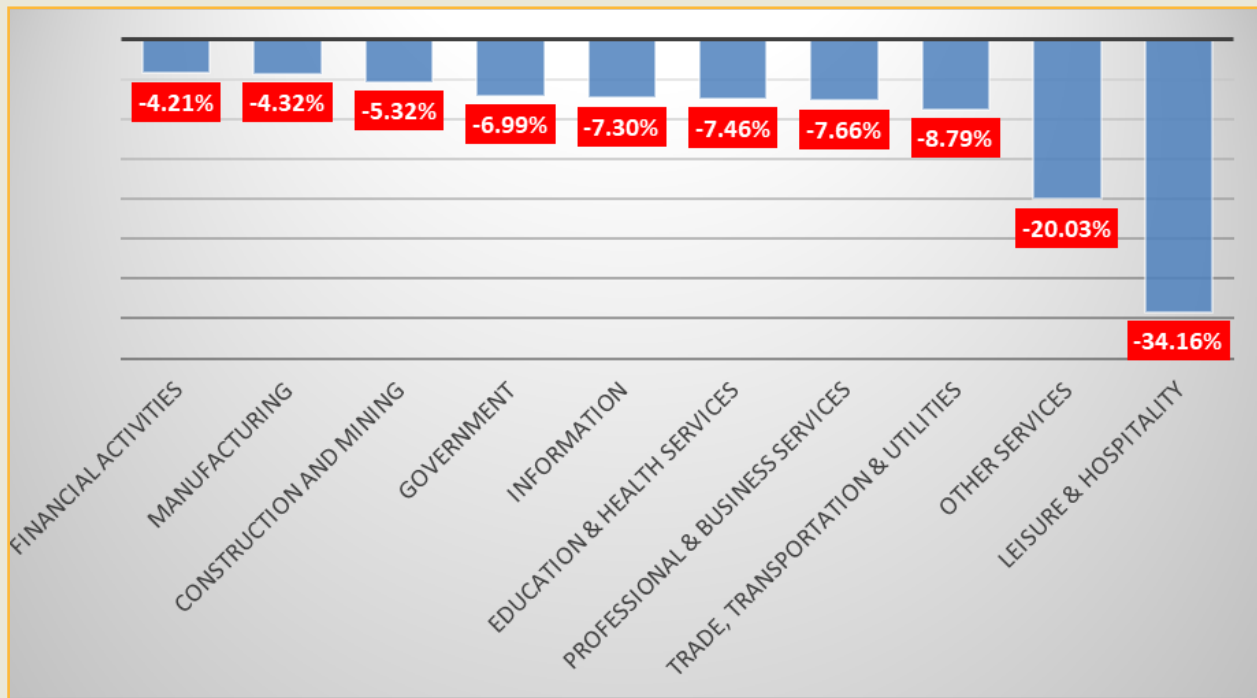
- **Prior to March, Connecticut was experiencing modest, but steady job growth. According to state Dept. of Labor (DOL), the state achieved six straight months of employment growth through February 2020.**
- **With the advent of the coronavirus pandemic and related business closures, the state and the nation began to suffer historic levels of job losses not seen since the Great Depression.**
- **In April, U.S. employment fell by 20.5 million jobs with declines in all 50 states. Connecticut lost a total of 266,300 net jobs, a 15.9 percent decline in just one month.**
- **By May 2020, DOL reported an average of 326,000 state residents were collecting unemployment benefits, compared to just under 28,000 in May of 2019.**

- By the end of the fiscal year, Connecticut had recovered some jobs, but employment levels were still down significantly on a year-over-year basis.
- Over the course of FY 2020, the state lost a net 168,700 nonfarm seasonally adjusted payroll jobs (-10%) and had a total of 1,513,900 employed residents as of June 2020.
- All major employment sectors suffered losses, but leisure & hospitality was particularly hard hit, losing more than a third of its jobs for the period.
- This was followed by the other services sector (down 20%) and trade, transportation & utilities, which lost 8.8% of its jobs compared with June 2019.



## Connecticut Net Job Changes

JUNE 2019 TO JUNE 2020



- CT's official unemployment rate stood at 10.1% in June, up from 3.7% from a year earlier.
- However, DOL estimated CT's unemployment rate was much higher, in the range of 16-17% for the mid-May to Mid-June period.

- **For June 2020, Berkshire Hathaway HomeServices reported sales of single-family homes dropped by 14.83%, with the median sale price increasing by 5.08% compared with June 2019.**
- **Reversing a trend from preceding months, new listings were up 10.18% in Connecticut. The median list price rose 6.37 percent to \$299,900.**
- **Since that time, the Connecticut housing market has continued to recover from the pandemic related slowdown, with stronger sales and price growth.**
- **Some of this improvement has been driven by New York City residents relocating to the suburbs, including to Fairfield County, Litchfield County and the Connecticut shoreline.**

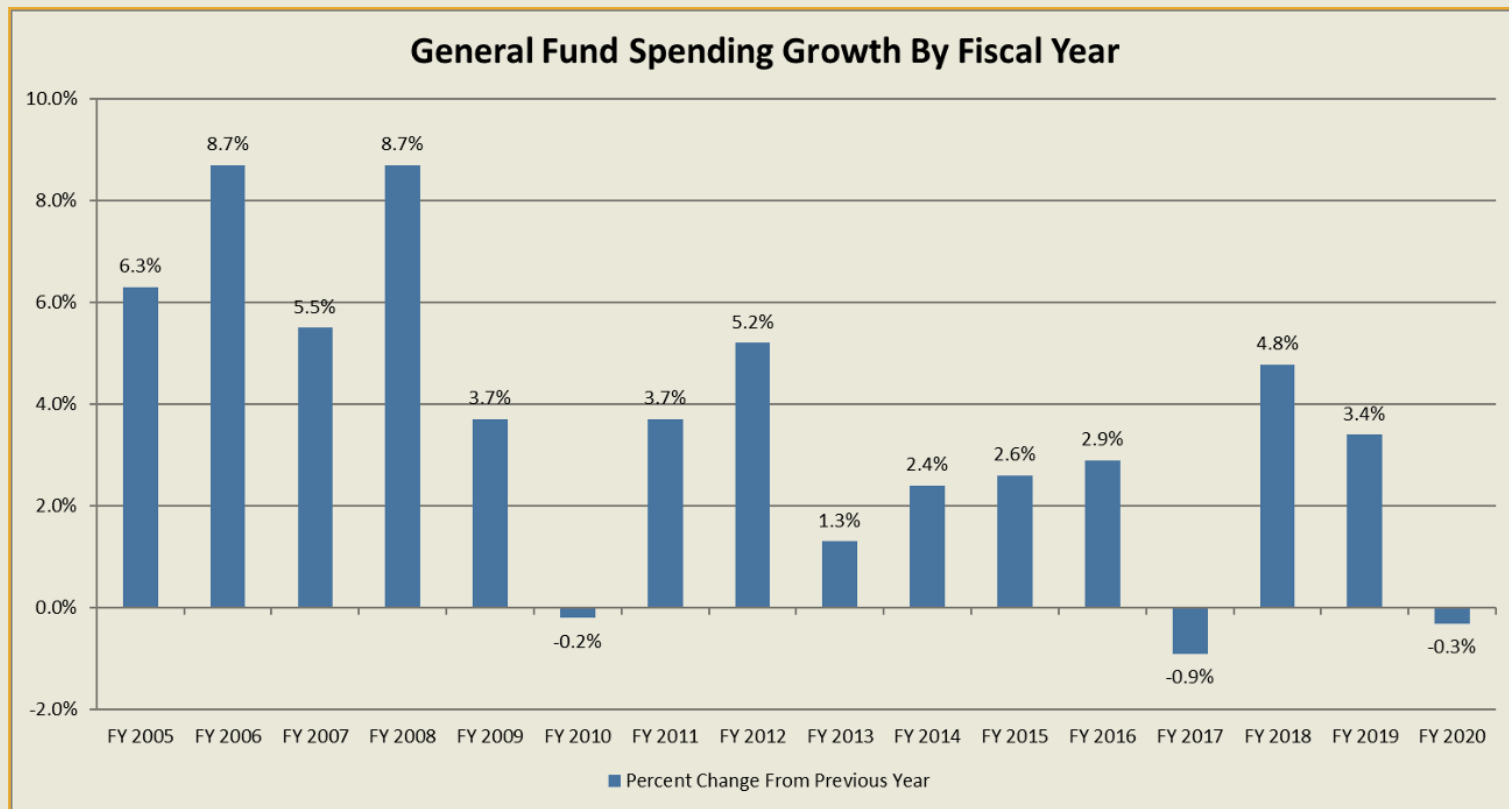
- **The Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) decreased at an annual rate of 31.7% in the second quarter of 2020.**
- **This represents the steepest quarterly decline on record, reflecting the significant economic fallout of the coronavirus pandemic.**
- **By comparison, the worst quarter during the Great Recession was an 8.4% drop in GDP in the fourth quarter of 2008. In the first quarter of 2020, real GDP decreased 5.0%.**
- **The historical levels of unemployment and GDP results illustrate the depth of the hole from which the nation is attempting to emerge.**

- **Numerous economists, including Federal Reserve Chairman Jerome Powell, are urging Congress to provide more relief to prevent further damage to the economy and avoid prolonging the recovery, which is stalling amid high levels of coronavirus cases.**
- **Despite the unevenness of earlier pandemic relief efforts, they have provided a lifeline to help families and businesses avoid financial disaster, at least temporarily. As those benefits expire, sustained help is still needed.**
- **Research by the Center for Budget and Policy Priorities and other groups continues to show that lower income and minority households, especially those with children, are experiencing a disproportionate level of hardship during the pandemic, including joblessness, hunger, eviction, and homelessness.**

- In FY 2020, General Fund expenditures totaled \$19,188,634,108. This represented a decrease of \$60.0 million (0.31% below FY 2019).
- One main reason spending was constrained in FY 2020 was a 15.9% decrease in General Fund debt service payments, which came in \$354.4 million below the prior year's total. FY 2019 debt service was higher than normal due to a one-time \$380.9 million payment deposited into the Teachers' Retirement Special Capital Reserve Fund (SCRF).
- Related to the issue above, the state's pension contribution for Teacher's Retirement dropped by \$83.5 million or 6.5%, largely due to a re-amortization over a new 30-year period.
- Lastly, expenditures for Medicaid, the single largest General Fund account, declined by \$43.2 million or 1.6 percent compared with FY 2019.

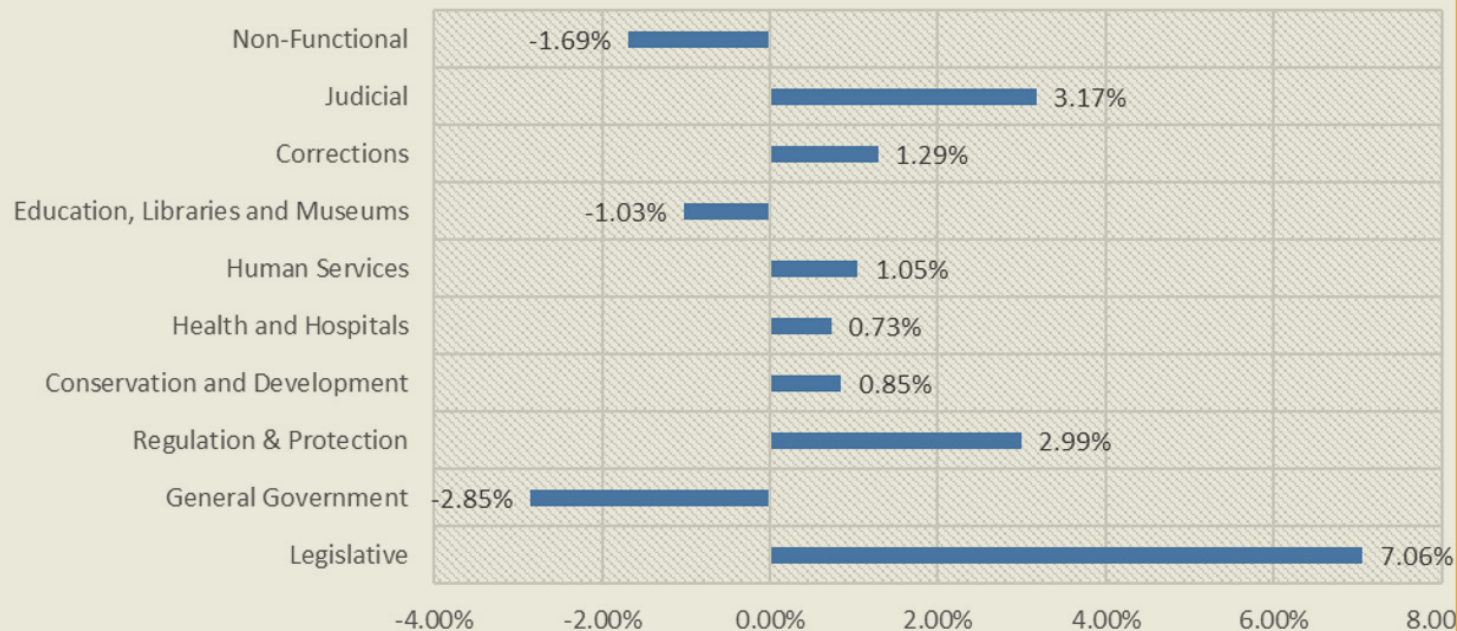
**These reductions were partly offset by spending increases in several large General Fund appropriations:**

- **Due to medical inflation & population growth, retired employees' medical insurance grew by \$61.1 million in FY 2020.**
- **Spending for active employee medical increased by \$47.8 million.**
- **Hospital supplemental payments, which help generate additional Medicaid reimbursements for the state, rose by \$55 million.**
- **Education Cost Sharing grants to towns increased by \$32.1 million.**
- **The General Fund contribution to the State Employee Retirement System (SERS) rose by \$28.2 million, primarily due to growth in unfunded pension liability.**





## FY 2020 Percent Change in General Fund Spending from Prior Year - By Function of Government



- Overall, employee salaries grew very modestly in FY 2020.
- General Fund salary and wage costs (from all appropriations) totaled \$2.76 billion in FY 2020.
- This represented an increase of \$27.9 million or growth of just 1.0% compared with FY 2019.

UP-TO-DATE EMPLOYEE COMPENSATION DATA  
CAN BE FOUND ON [OPENPAYROLL.CT.GOV](https://openpayroll.ct.gov)

## FY 2020 Top Dozen Line Items - General Fund

Appropriation Line Item	FY 2020 Expenditures	% of General Fund Spending
Medicaid	2,563,776,959	13.4%
Personal Services	2,119,269,888	11.0%
Education Equalization Grants	2,048,252,063	10.7%
Debt Service	1,870,494,945	9.7%
TRS Retirement Contribution	1,208,819,000	6.3%
SERS GF Employer Contribution (Normal Cost + UAAL)	1,195,688,537	6.2%
Retirement Health Insurance	743,115,927	3.9%
Active Employee Health Insurance	681,984,939	3.6%
Community Residential Services	605,227,364	3.2%
Hospital Supplemental Payments	548,300,000	2.9%
Other Expenses	452,726,741	2.4%
Higher Education - Operating Costs	306,972,527	1.6%
<b>Top Dozen General Fund Line Items</b>	<b>14,344,628,890</b>	<b>74.8%</b>
<b>Total General Fund Expenditures - FY 2020</b>	<b>19,188,634,108</b>	

- Overall, realized revenues totaled \$19,193,540,423 and came in a net \$266.7 million or 1.4% below the FY 2020 budget plan.
- Compared with the FY 2019's realized revenues, the decline was larger, down \$456.3 million or 2.3%.
- Largely due to the impact of the COVID-19 pandemic on the state's economy, collections in five of the six largest tax categories ended the year below budget target. →

## These major tax categories included:

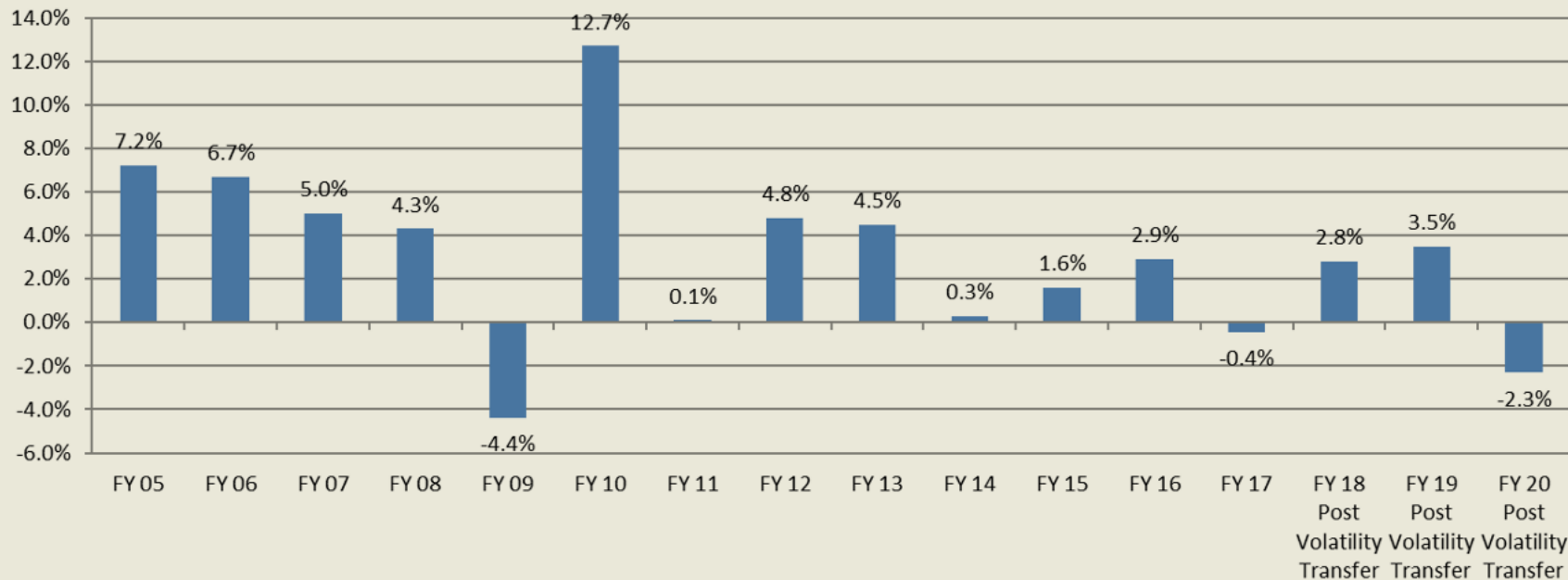
- The withholding portion of the income tax (-\$95.3 million or 1.4% below budget).
- Income tax estimated and final payments (-\$179.9 million or 6.5% below budget).
- Sales and use tax (-\$126.4 million or 2.8% below budget).
- Corporations tax (-\$165.3 million or 15.0% under budget).
- Health provider tax (-\$45.3 million or 4.3% under budget).
- The exception was the Pass-Through Entity Tax (PET) on Partnerships and S-Corporations, which **exceeded** its budget target by \$391.9 million or 46.1%

**In the other revenue category, closures of non-essential businesses led to declines in other areas, including gambling related revenues:**

- **Lottery proceeds totaled \$340.1 million, \$27.9 million or 7.6% lower than budgeted.**
- **Casino gaming payments totaled \$164.1 million, \$61.9 million or 27.4% below target.**
- **License, permit and fee revenue also under performed, coming in at \$307.5 million, \$33.7 million or 9.9% lower than the budget plan.**

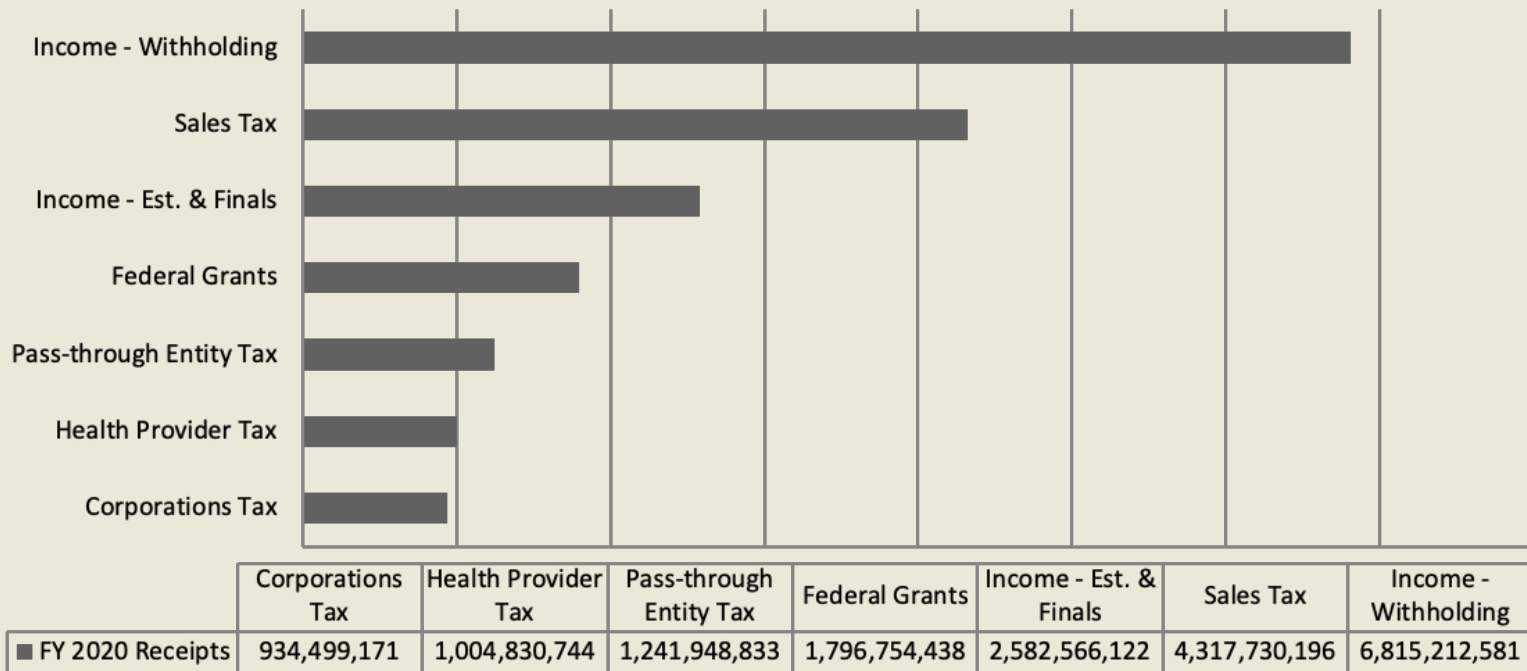
- **Federal grant revenues ended the year \$270.8 million above budgeted levels, representing an increase of 17.7%.**
- **This result was partly due to an enhanced Medicaid reimbursement percentage (known as FMAP) that was included in the Families First Coronavirus Response Act.**
- **In addition, Federal Medicaid reimbursements for hospital inpatient and outpatient supplement payments were received in FY 2020, instead of delayed until FY 2021, which improved the revenue picture by approximately \$379 million.**

## General Fund Revenue Growth By Fiscal Year

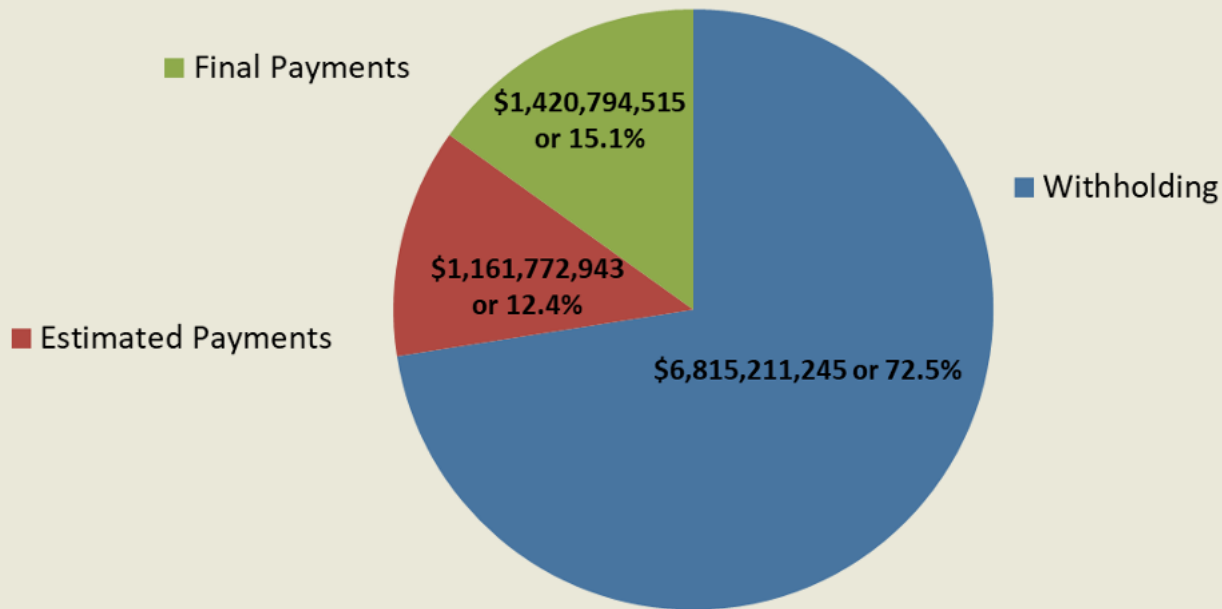




## FY 2020 General Fund Revenues - Top 7 Categories

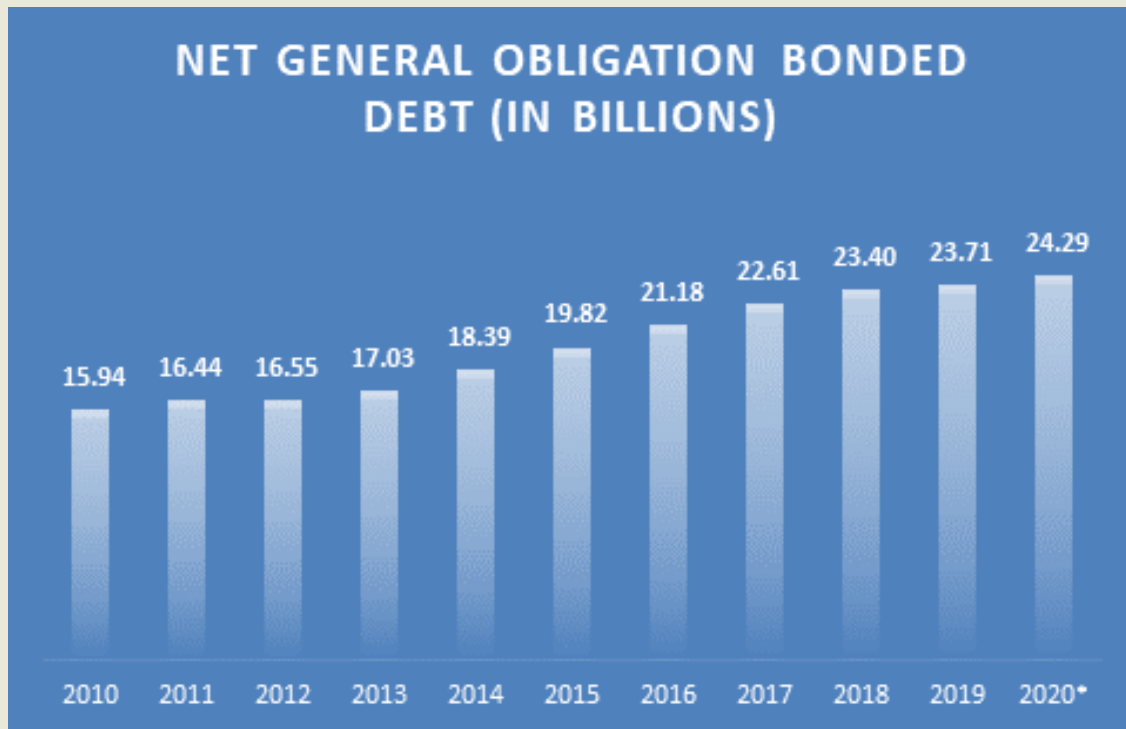


## FY 2020 Personal Income Tax Revenue By Component



- The Special Transportation Fund (STF) had an **operating deficit of \$151,685,947**, which left a positive fund balance of \$168,430,363 at the close of Fiscal Year 2020.
- STF spending totaled \$1,669,768,018 in FY 2020, growing by \$60.7 million or 3.8% compared with FY 2019.
- Two fringe benefit accounts and debt service costs were responsible for almost 60% of that growth:
- SERS retirement costs increased by \$20.8 million in FY 2020, primarily due to higher costs for unfunded pension liability.
- Employee medical insurance costs rose by \$4.2 million
- Transportation-related debt service grew by \$9.0 million.

- Programmatic spending was responsible for the remaining growth, including DOT rail operations, which increased by \$20.9 million.
- DOT bus operations grew by \$5.0 million, while the ADA Para-Transit Program increased by \$1.9 million.
- STF employee salaries, which dropped by \$2.8 million or 1.4%, versus FY 2019. The primary factor was dramatically lower overtime costs, in part due to a mild winter and lower snow removal costs.
- The STF had revenue of \$1,516,585,006, which was \$232.5 million or 13.3% below the budget plan for FY 2020.
- Virtually all categories of tax and other revenue sources underperformed their targets.



- **Net General Obligation Debt includes all general obligation and transportation obligation debt, less resources available for debt payments in debt service funds.**

Source: state's CAFR

\*FY 2020 is unaudited