

In the opinion of 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 2021 Series A, B and C 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. In the opinion of Bond Counsel, under existing statutes, interest on the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds, see “Tax Exemption” herein.

\$1,030,885,000**State of Connecticut****\$875,000,000**

**Special Tax Obligation Bonds
Transportation Infrastructure
Purposes, 2021 Series A**

\$11,695,000

**Special Tax Obligation Refunding
Bonds Transportation Infrastructure
Purposes, 2021 Series B**

\$144,190,000

**Special Tax Obligation Refunding
Bonds Transportation
Infrastructure Purposes,
2021 Series C (Forward Delivery)**

Dated: Date of Delivery**Due: As shown herein**

The \$875,000,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2021 Series A (the “2021 Series A Bonds”), the \$11,695,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series B (the “2021 Series B Bonds,” together with the 2021 Series A Bonds, the “2021 Series A and B Bonds”), and the \$144,190,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery) (the “2021 Series C Bonds,” together with the 2021 Series A and B Bonds, the “2021 Series A, B and C 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, N.Y. DTC will act as securities depository for the 2021 Series A, B and C Bonds. Purchases of the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds. See “Book-Entry-Only System” herein.

Principal of and interest on the 2021 Series A, B and C Bonds will be paid directly to DTC by U.S. Bank National Association, Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2021 Series A Bonds will be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2021; interest on the 2021 Series B Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021; and interest on the 2021 Series C Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2022, 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. The 2021 Series A Bonds are subject to optional redemption prior to maturity as more fully described herein. See “Optional Redemption” herein. The 2021 Series B Bonds and the 2021 Series C Bonds are not subject to optional redemption. **See inside front cover for maturities, interest rates and prices or yields.**

The 2021 Series A, B and C Bonds will be issued on a parity with earlier series of Senior Bonds (as defined herein) issued by the State for the Infrastructure Program (as defined herein) under a Senior Indenture of Trust by and between the State and the Trustee, as supplemented and amended, and as further supplemented by the Supplemental Indentures for the 2021 Series A, B and C Bonds. See “Additional Bonds and Outstanding Bonds” and “Total Bonds Outstanding” herein. **Bonds issued pursuant to the Senior Indenture, including the 2021 Series A, B and C Bonds, are special obligations of the State payable solely from the taxes and other revenues of the State pledged therefor. The Bonds (as defined herein) 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 the Bonds pursuant to the Indentures (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 2021 Series C Bonds are not expected to be issued or delivered until on or about October 19, 2021 (the “Forward Settlement Date”). For a discussion of the forward delivery of the 2021 Series C Bonds, certain conditions to the Underwriters’ obligation to purchase the 2021 Series C Bonds and certain risks to purchasers of beneficial interests in the 2021 Series C Bonds resulting from this forward delivery, see “THE 2021 SERIES A, B AND C BONDS-Forward Delivery of the 2021 Series C Bonds” herein.

The 2021 Series A, B and C 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 Lewis & Munday, A Professional Corporation, Detroit, Michigan, with offices in Glastonbury, Connecticut, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their co-counsel, Squire Patton Boggs (US) LLP, New York, New York, and Shipman & Goodwin LLP, Hartford, Connecticut. It is expected that the 2021 Series A and B Bonds in definitive form will be available for delivery at DTC in New York, New York, on or about May 12, 2021, and the 2021 Series C Bonds on or about the Forward Settlement Date.

Honorable Shawn T. Wooden
Treasurer of the State of Connecticut

Goldman Sachs & Co. LLC

Blaylock Van, LLC
RBC Capital Markets

Raymond James
Siebert Williams Shank & Co., LLC

Academy Securities
Cabrera Capital Markets LLC
Fidelity Capital Markets
Loop Capital Markets
Oppenheimer & Co.
Roosevelt & Cross Incorporated

BofA Securities
Citigroup
Jefferies
Mischler Financial Group, Inc.
Piper Sandler & Co.
Stern Brothers
Wells Fargo Securities

Barclays
Drexel Hamilton, LLC
J.P. Morgan
Morgan Stanley
Rice Financial Products Company
TD Securities

\$1,030,885,000
State of Connecticut

MATURITY SCHEDULES

\$875,000,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2021 Series A

| <u>May 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> [†] | <u>May 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> [†] |
|--------------|---------------|----------------------|--------------|---------------------------|--------------|---------------|----------------------|--------------|---------------------------|
| 2022 | \$24,695,000 | 3.000% | 0.090% | 207758B28 | 2032 | \$44,025,000 | 5.000% | 1.340%* | 207758C43 |
| 2023 | 20,745,000 | 4.000 | 0.130 | 207758B36 | 2033 | 46,230,000 | 5.000 | 1.390* | 207758C50 |
| 2024 | 30,085,000 | 4.000 | 0.220 | 207758B44 | 2034 | 48,540,000 | 5.000 | 1.410* | 207758C68 |
| 2025 | 31,290,000 | 5.000 | 0.350 | 207758B51 | 2035 | 50,965,000 | 5.000 | 1.450* | 207758C76 |
| 2026 | 32,855,000 | 5.000 | 0.490 | 207758B69 | 2036 | 53,515,000 | 4.000 | 1.630* | 207758C84 |
| 2027 | 34,495,000 | 5.000 | 0.650 | 207758B77 | 2037 | 55,655,000 | 4.000 | 1.650* | 207758C92 |
| 2028 | 36,220,000 | 5.000 | 0.810 | 207758B85 | 2038 | 57,880,000 | 4.000 | 1.690* | 207758D26 |
| 2029 | 38,030,000 | 5.000 | 0.980 | 207758B93 | 2039 | 60,195,000 | 4.000 | 1.720* | 207758D34 |
| 2030 | 39,935,000 | 5.000 | 1.100 | 207758C27 | 2040 | 62,605,000 | 4.000 | 1.750* | 207758D42 |
| 2031 | 41,930,000 | 5.000 | 1.210 | 207758C35 | 2041 | 65,110,000 | 5.000 | 1.690* | 207758D59 |

* Priced at the stated yield to the May 1, 2031 redemption price of 100%; however, any redemption is at the option of the Treasurer.

\$11,695,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2021 Series B

| <u>December 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> [†] |
|-------------------|---------------|----------------------|--------------|---------------------------|
| 2022 | \$9,730,000 | 3.000% | 0.090% | 207758D67 |
| 2029 | 1,965,000 | 4.000 | 1.080 | 207758D75 |

\$144,190,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery)

| <u>January 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> [†] | <u>January 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> [†] |
|------------------|---------------|----------------------|--------------|---------------------------|------------------|---------------|----------------------|--------------|---------------------------|
| 2023 | \$35,545,000 | 5.000% | 0.320% | 207758D83 | 2028 | \$12,020,000 | 5.000% | 1.020% | 207758E58 |
| 2024 | 9,880,000 | 5.000 | 0.400 | 207758D91 | 2029 | 12,620,000 | 5.000 | 1.160 | 207758E66 |
| 2025 | 10,380,000 | 5.000 | 0.540 | 207758E25 | 2030 | 13,250,000 | 5.000 | 1.300 | 207758E74 |
| 2026 | 10,895,000 | 5.000 | 0.680 | 207758E33 | 2031 | 13,910,000 | 5.000 | 1.400 | 207758E82 |
| 2027 | 11,440,000 | 5.000 | 0.840 | 207758E41 | 2032 | 14,250,000 | 5.000 | 1.500 | 207758E90 |

† Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the 2021 Series A, B and C 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 2021 Series A, B and C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021 Series A, B and C 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 2021 Series A, B and C Bonds.

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 2021 Series A, B and C 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 2021 Series A, B and C Bonds and the proceedings of the State Treasurer 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 such 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 2021 SERIES A, B AND C 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 2021 Series A, B and C 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; and (xii) other factors contained in this Official Statement and its Appendices. Forward-looking statements and reports included in this Official Statement do not contemplate the economic or other effects related to COVID-19, unless specifically referenced. In addition, where so referenced, actual results could differ materially from those anticipated in such forward-looking statements and reports.

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TABLE OF CONTENTS

| | |
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| <p>INTRODUCTION 1</p> <p style="padding-left: 20px;">COVID-19 Outbreak2</p> <p>THE TRANSPORTATION INFRASTRUCTURE PROGRAM..... 3</p> <p>NATURE OF OBLIGATION..... 4</p> <p style="padding-left: 20px;">Legal Authority - State Bond Commission4</p> <p style="padding-left: 20px;">Source of Payment.....4</p> <p style="padding-left: 20px;">Refunding Bonds7</p> <p style="padding-left: 20px;">Additional Bonds and Outstanding Bonds.....7</p> <p style="padding-left: 20px;">Bond Anticipation Notes and Subordinated Indebtedness8</p> <p style="padding-left: 20px;">State General Taxing Power Not Pledged.....9</p> <p>THE 2021 SERIES A, B AND C BONDS 9</p> <p style="padding-left: 20px;">Purpose of the 2021 Series A, B and C Bonds.....9</p> <p style="padding-left: 20px;">Description of the 2021 Series A, B and C Bonds.....9</p> <p style="padding-left: 20px;">Optional Redemption10</p> <p style="padding-left: 20px;">Notice of Redemption10</p> <p style="padding-left: 20px;">Plan of Refunding.....10</p> <p style="padding-left: 20px;">Sources and Uses of Funds.....12</p> <p style="padding-left: 20px;">Forward Delivery of the 2021 Series C Bonds12</p> <p>BOOK-ENTRY-ONLY SYSTEM..... 16</p> <p>TOTAL BONDS OUTSTANDING..... 18</p> <p>DEBT SERVICE ON OUTSTANDING BONDS 19</p> <p>THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND 19</p> <p style="padding-left: 20px;">Introduction19</p> <p style="padding-left: 20px;">Discussion of Projected Pledged Revenues21</p> <p style="padding-left: 20px;">Description of Revenue Sources of the Special Transportation Fund22</p> <p style="padding-left: 20px;">Expenses of the Special Transportation Fund.....27</p> <p style="padding-left: 20px;">Accounting Procedures for the Transportation Fund.....27</p> <p style="padding-left: 20px;">Debt Service Coverage30</p> <p style="padding-left: 20px;">Legislative Changes31</p> <p style="padding-left: 20px;">Governor’s Proposed Budget Legislative Changes31</p> <p>THE DEPARTMENT OF TRANSPORTATION..... 33</p> <p style="padding-left: 20px;">The State Transportation System33</p> | <p style="padding-left: 20px;">Organization and Responsibilities 33</p> <p style="padding-left: 20px;">Implementation of and Funding for the Infrastructure Program 34</p> <p style="padding-left: 20px;">Financial Controls38</p> <p>LITIGATION..... 39</p> <p>DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS 40</p> <p style="padding-left: 20px;">Continuing Disclosure Agreements 40</p> <p style="padding-left: 20px;">Absence of Litigation..... 41</p> <p style="padding-left: 20px;">Certain Legal Matters 41</p> <p style="padding-left: 20px;">Certificate of State Officials 41</p> <p>LEGALITY FOR INVESTMENT 42</p> <p>TAX EXEMPTION 42</p> <p>RATINGS 44</p> <p>FINANCIAL ADVISORS 45</p> <p>UNDERWRITING..... 45</p> <p>MISCELLANEOUS..... 45</p> <p style="padding-left: 20px;">Appendix A – State of ConnecticutA-1</p> <p style="padding-left: 20px;">Appendix B – Budget Appropriations of the State Special Transportation Fund for Fiscal Years 2020-2021 and 2021-2022..... B-1</p> <p style="padding-left: 20px;">Appendix C – Independent Auditors’ Report on the Financial Statements of the Special Transportation Fund of the State of Connecticut as of and for the Year Ended June 30, 2020..... C-1</p> <p style="padding-left: 20px;">Appendix D – Summary of Certain Provisions of the Senior Indenture.....D-1</p> <p style="padding-left: 20px;">Appendix E-1 – Form of Opinion – 2021 Series A and B Bonds..... E-1</p> <p style="padding-left: 20px;">Appendix E-2 – Form of Opinion – 2021 Series C Bonds..... E-4</p> <p style="padding-left: 20px;">Appendix F-1 – Form of Continuing Disclosure Agreement – 2021 Series A and B Bonds F-1</p> <p style="padding-left: 20px;">Appendix F-2 – Form of Continuing Disclosure Agreement – 2021 Series C Bonds F-5</p> <p style="padding-left: 20px;">Appendix G – Forward Delivery ContractG-1</p> |
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Financial Advisors
Estrada Hinojosa & Company, Inc.
Public Financial Management, Inc.

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\$1,030,885,000
State of Connecticut

\$875,000,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2021 Series A

\$11,695,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2021 Series B

\$144,190,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery)

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 \$875,000,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2021 Series A (the "2021 Series A Bonds"), its \$11,695,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series B (the "2021 Series B Bonds," together with the 2021 Series A Bonds, the "2021 Series A and B Bonds"), and its \$144,190,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery) (the "2021 Series C Bonds," together with the 2021 Series A and B Bonds, the "2021 Series A, B and C 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 entered into by the State and The Connecticut National Bank, as Trustee, dated as of September 15, 1984, as supplemented by the First through the Fifty-First Supplemental Indentures entered into, or to be entered into, in conjunction with the issuance of the 2021 Series A, B and C Bonds, by 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 and entered into by the State and the Trustee (the foregoing herein referred to collectively as the "Senior Indenture"). U.S. Bank National Association, Hartford, Connecticut, is the successor trustee (the "Trustee") under the Senior Indenture. Bonds issued under the Senior Indenture are referred to herein as "Senior Bonds." 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 2021 Series A Bonds will be the sixty-fourth series of Senior Bonds issued under the Senior Indenture. The 2021 Series B Bonds will be the sixty-fifth series of Senior Bonds issued under the Senior Indenture. The 2021 Series C Bonds will be the sixty-sixth 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 entered into by the State and The Connecticut National Bank, as Trustee, dated as of December 1, 1990, as supplemented by the First through Fifth Supplemental Indentures of Trust, and amended by the Second Lien Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 (the foregoing herein referred to collectively as the "Second Lien Indenture"). U.S. Bank National Association, Hartford, Connecticut is the successor trustee (the "Second Lien Trustee") under the Second Lien Indenture. The Second Lien Indenture was established principally to facilitate the issuance of bonds bearing interest at a variable rate and the entry by the State into interest rate swap agreements in respect thereto. No Second Lien Bonds remain outstanding under the Second Lien Indenture.

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 2021 Series A, B and C 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 2021 Series A, B and C Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Senior Indenture.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been 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, and is widely expected to affect economic growth worldwide.

It is expected that the reaction to concerns related to COVID-19 may materially affect state, national, and global activity; increase public health emergency response costs; and, consequently, materially adversely affect the financial condition of the State. Many states and municipalities have begun and continue to take measures that are having negative effects on global and local economies. In addition, businesses and people have altered behaviors in manners that are and may continue to negatively affect the economy. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19 concerns.

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. Pursuant to Governor Lamont's declaration of a state of emergency and numerous Executive Orders, State agencies have been directed to use all resources necessary to respond to the outbreak. The State has a dedicated website providing up-to-date information concerning the State's actions in response to COVID-19: ct.gov/coronavirus.

On March 27, 2020, the United States Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess of \$2 trillion of relief to industries and entities throughout the country, including state and local governments. On April 24, 2020, the United States Congress enacted legislation that provided an additional \$484 billion to replenish a small business lending program, support hospitals and expand COVID-19 testing. The State has received \$1.382 billion to cover statewide costs associated with the response to the outbreak of COVID-19. Under the CARES Act, the Department of Transportation 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 will be allocated to support the transit industry during the COVID-19 public health emergency, was signed into law. Under the CRRSA Act, the Department of Transportation expects to receive \$333 million of grants from the FTA for the support of operational expenses of statewide public transportation, including bus and rail. In addition, the Department of Transportation expects to receive \$125 million of grants from the Federal Highway Administration ("FHWA") for surface transportation projects.

On March 11, 2021, the American Rescue Plan Act of 2021 (the "ARP Act") was signed into law. Under the ARP Act, the State is eligible to receive up to \$2.6 billion in assistance, which includes approximately \$600 million of grants from the FTA for the support of operational and capital expenses of statewide public transportation, including bus and rail. At this time, the amount of the federal allocation is still pending as well as final guidance on the allowable use of the funds.

The extent to which COVID-19 impacts 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 the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. The information in this Official Statement reflects current estimates and projections, which consider the impact of this outbreak to the extent practicable. There can be no assurances that the outbreak will not further materially adversely affect the financial condition of the State. See "Discussion of Projected Pledged Revenues" herein.

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, alternate highway projects in the interstate highway substitution program (the “interstate trade-in program”), 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 1985-2026, which has been, and is expected to be, met from federal, state, and local funds, is currently estimated at \$47.2 billion. The State’s share of such cost, estimated at \$23.5 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 portion of State program costs not financed by special tax obligation bonds is estimated at \$0.8 billion 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.

The State’s share of the cost of the Infrastructure Program for fiscal years 1985-2026, which has been, and is expected to be, financed by special tax obligation bonds, is currently estimated at \$22.9 billion, of which approximately \$16.6 billion has been financed through fiscal year 2020. See Table 11. During fiscal years 1985-2020, \$36.4 billion of the total Infrastructure Program was approved by the appropriate governmental authorities. The remaining \$10.8 billion is required for fiscal years 2021-2026. The \$10.8 billion of such infrastructure costs is anticipated to be funded with proceeds of \$6.3 billion from the anticipated issuance of new special tax obligation bonds, \$4.5 billion in anticipated federal funds and \$82.0 million in anticipated revenues and other available funds.

The Pledged Revenues (see “Source of Payment-*Special Transportation Fund*” 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 and for the payment of annually budgeted expenses of the Department and the Department of Motor Vehicles (the “DMV”).

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 2021 Series A, B and C 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 December 18, 2020, the State Bond Commission authorized the issuance and sale by the Treasurer of the 2021 Series A, B and C 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 2021 Series A, B and C 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

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. Public Act 15-5 of the June Special Session created a new 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 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 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.”

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 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 (as defined 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 opinion of 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 opinion of 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 of such fiscal year, in an amount equal to at least two (2) 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 Events of Default subsection under “Appendix D-Summary of Certain Provisions of Senior Indenture” for a more detailed description.

The Senior 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 Senior Bonds for the current or any future fiscal year (the “Debt Service Reserve Requirement”).

In the opinion of 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.

So long as Second Lien Bonds are outstanding under the Second Lien Indenture, the State is also obligated pursuant to the Second Lien Indenture to provide Pledged Revenues, in each fiscal year, after deducting payments out of Pledged Revenues for reserves required under the Indentures and computed as of the final business day of such fiscal year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on all Bonds and Notes outstanding in such fiscal year. For this purpose, Principal and Interest Requirements on Senior Bonds and Senior Notes issued under the Senior Indenture are calculated differently from Principal and Interest Requirements on Second Lien Bonds and Second Lien Notes issued under the Second Lien Indenture. So long as Second Lien Bonds are outstanding under the Second Lien Indenture, the effect of the Pledged Revenue coverage requirement under the Second Lien Indenture is to require the maintenance of greater Pledged Revenue coverage for Senior Bonds than is required under the Senior Indenture.

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.

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 the following sums 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 sum so withdrawn if less than the required amount, in which case such sum shall be allocated among the purposes set forth in this subparagraph 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 sum of the aggregate unpaid principal accruing on outstanding serial bonds through the dates in the next ensuing month which are the respective anniversary dates of such bonds, assuming the principal of any serial bond accrues ratably over the twelve (12) months preceding its maturity, plus the unpaid interest accruing on each of the Senior Bonds then outstanding through the dates in the next ensuing month which are the respective anniversary dates of such Senior Bonds, plus the amount accruing 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 Senior 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 accruing through the end of the next ensuing month and unpaid interest accruing 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 anniversary dates of the Senior 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 month shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each subsequent month 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 subparagraph (i) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain the Reserve Account at the Debt Service Reserve Requirement.

Following the monthly 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.

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 refunding the principal of the bonds 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 2021 Series B Bonds are being issued as Refunding Bonds under the Act, the Senior Indenture and the Fiftieth Supplemental Indenture. The 2021 Series C Bonds are being issued as Refunding Bonds under the Act, the Senior Indenture and the Fifty-First Supplemental Indenture.

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. As of the date of delivery of the Series A and B Bonds, there will be \$6,959,265,000 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 Bonds for the Infrastructure Program in principal amounts not exceeding in the aggregate \$19,916,622,852, of which \$5,921,452,100 will be authorized and unissued after the issuance of the 2021 Series A Bonds. Of such \$5,921,452,100 unissued amount, \$3,965,708,094 will have been authorized by the State Bond Commission after the issuance of the 2021 Series A Bonds. It is anticipated that Additional Bonds will be authorized by Public and Special Acts annually in an amount necessary to finance and to complete the Infrastructure Program. Subject to such statutory authorization, issuance of Additional Bonds requires compliance with the conditions contained in the Senior Indenture and, so long as Second Lien Bonds are outstanding (of which none are currently outstanding), with the conditions contained in the Second Lien Indenture. The Senior Indenture provides that such Additional Bonds for the Infrastructure Program shall be issued under and pursuant to a supplemental indenture (or supplemental indentures) and subject to compliance with the following conditions:

(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 two (2) times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior Notes 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; and

(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 are equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds, including the Additional Bonds to be issued, and Interest Requirements on Senior Notes not 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; and

(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.

The Second Lien Indenture provides that the State may not issue Senior Bonds under the Senior Indenture unless such Senior Bonds could have been issued under the Second Lien Indenture. The conditions stated in the Second Lien Indenture are essentially similar to those in the Senior Indenture, except that the coverage tests referred to in (1) and (2) above must be met with respect to all Bonds and Notes outstanding.

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 and having deposited in the Bond Service Sub-Account an amount equal to one-twelfth (1/12) of the Principal and Interest Requirements on such Additional Bonds for the ensuing twelve (12) months in which such Senior Bonds are to be outstanding.

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 \$50,000,000, 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.

So long as the Second Lien Bonds are outstanding, the State has covenanted in the Second Lien Indenture not to issue Senior Notes. At this time there are no Second Lien Bonds outstanding.

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 Indenture for the payment and security of the Senior Bonds. 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.

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 2021 SERIES A, B AND C BONDS

Purpose of the 2021 Series A, B and C Bonds

The Public and Special Acts currently provide for the issuance of \$19,916,622,852 in special tax obligation bonds, in one or more series, to fund, together with anticipated federal grants, a portion of the costs of various purposes of the Infrastructure Program. The 2021 Series A Bonds are issued under the authorized but unissued balance for Bonds of \$4,840,708,094 currently remaining pursuant to the Public and Special Acts and authorization by the State Bond Commission. 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. The 2021 Series B Bonds and the 2021 Series C Bonds are being issued to refund certain Senior Bonds. See “Plan of Refunding” herein.

On December 18, 2020, the State Bond Commission authorized the issuance and sale by the Treasurer of the 2021 Series A, B and C Bonds to fund a portion of the projects and uses authorized in the Public and Special Acts and to refund certain outstanding Senior Bonds as well as the execution of the Fiftieth Supplemental Indenture and the Fifty-First Supplemental Indenture by the Governor, the Treasurer, and the Comptroller, the Official Statement, Continuing Disclosure Agreements, an Escrow Agreement and Certificates of Determination executed by the Treasurer and filed with the Secretary of the State Bond Commission.

Description of the 2021 Series A, B and C Bonds

The 2021 Series A Bonds will be dated the 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 2021 Series A Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2021. Interest on the 2021 Series A 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 April and October, in each year beginning October 15, 2021, 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 2021 Series B Bonds will be dated the 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 2021 Series B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2021. Interest on the 2021 Series B 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 May and November, in each year beginning November 15, 2021, 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 2021 Series C Bonds will be dated the 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 2021 Series C Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2022. Interest on the 2021 Series C 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, 2022, 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 2021 Series A, B and C Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of and interest on the 2021 Series A, B and C Bonds will be paid directly to DTC by U.S. Bank National Association, 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 2021 Series A Bonds maturing on or after May 1, 2032 will be subject to redemption, at the election of the Treasurer, on or after May 1, 2031 at any time, in whole or in part and by lot within maturity, in such amounts 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> |
|----------------------------|-------------------------|
| May 1, 2031 and thereafter | 100% |

The 2021 Series B Bonds and the 2021 Series C Bonds are not subject to optional redemption.

Notice of Redemption

Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by registered mail, to the registered owner of the 2021 Series A Bonds 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 2021 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 2021 Series A Bonds will be governed by the customary practices and procedures of DTC and said Participants and Indirect Participants. The 2021 Series A Bonds called for redemption shall, on the redemption date designated in the notice of redemption, become due and payable only if moneys for the payment of such 2021 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 2021 Series A Bonds are held for the purpose of payment by the Trustee or Paying Agent.

Plan of Refunding

The 2021 Series B Bonds

The 2021 Series B Bonds and other funds of the State available under the Senior Indenture will be used to refund the following maturities and principal amounts of outstanding Senior Bonds on the dates and at the redemption prices set forth below (the “Series B Refunded Bonds”).

| <u>Series</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>Call Price</u> |
|---------------|----------------------|-------------------------|----------------------|------------------------|-------------------|
| 2009A | 12/01/29 | \$2,450,000 | 4.125% | 05/12/21 | 100.000% |
| 2010C | 11/01/22 | <u>\$10,100,000</u> | 5.000% | 05/12/21 | 100.000% |
| | | <u>\$12,550,000</u> | | | |

A Notice of Conditional Optional Redemption was filed on or before April 12, 2021 pursuant to the terms of the Series B Refunded Bonds, whereby the redemption of any of the Series B Refunded Bonds is conditioned upon the issuance and delivery of the 2021 Series B Bonds and the availability of the proceeds of a portion of the 2021 Series B Bonds to pay the principal and premium, if any, of and accrued interest on such Series B Refunded Bonds on the date of delivery of the 2021 Series B Bonds (the “Redemption Date”).

The 2021 Series C Bonds

The 2021 Series C Bonds and other funds of the State available under the Senior Indenture will be used to refund the following maturities and principal amounts of outstanding Senior Bonds on the dates and at the redemption prices set forth below (the “Series C Refunded Bonds”).

| <u>Series</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Call Date</u> | <u>Call Price</u> |
|---------------|----------------------|-------------------------|----------------------|------------------|-------------------|
| 2011A | 12/01/22 | \$11,250,000 | 5.000% | 12/01/21 | 100.000% |
| 2011A | 12/01/23 | 1,090,000 | 4.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/23 | 10,725,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/24 | 12,420,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/25 | 13,055,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/26 | 4,270,000 | 3.375 | 12/01/21 | 100.000 |
| 2011A | 12/01/26 | 9,420,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/27 | 14,360,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/28 | 15,095,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/29 | 15,870,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/30 | 16,680,000 | 5.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/31 | 12,730,000 | 4.000 | 12/01/21 | 100.000 |
| 2011A | 12/01/31 | <u>4,790,000</u> | 5.000 | 12/01/21 | 100.000 |
| | | \$141,755,000 | | | |
| 2011B | 12/01/22 | \$26,075,000 | 3.000% | 12/01/21 | 100.000% |
| 2011B | 12/01/22 | <u>2,365,000</u> | 4.000 | 12/01/21 | 100.000 |
| | | \$28,440,000 | | | |
| | | <u>\$170,195,000</u> | | | |

Upon delivery of the 2021 Series C Bonds, a portion of the proceeds, together with other funds available to the State, will be placed in escrow with U.S. Bank National Association (the “Escrow Holder”), under an Escrow Agreement (the “Escrow Agreement”) between the Escrow Holder and the State. The Escrow Holder will deposit in an irrevocable trust fund called the Series C Escrow Deposit Fund a portion of the net proceeds of the 2021 Series C Bonds and moneys from the Bond Service Sub-Account of the Debt Service Account allocable to the Series C Refunded Bonds and will use such proceeds to invest in Investment Securities, including, but not limited to, non-callable direct obligations of, or obligations guaranteed by the United States of America, including United States Treasury State and Local Government Series (“SLGS”) securities, or the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes (the “Escrow Investments”), the principal of and interest on which, when due, along with any uninvested cash amounts, will provide amounts sufficient to meet principal, interest payments and redemption prices on the Series C Refunded Bonds, subject to the Escrow Agreement, on the dates such payments are due. All investment income on and maturing principal of the Escrow Investments held in the Series C Escrow Deposit Fund and needed to pay the principal of and interest and redemption premiums, if any, on the Series C Refunded Bonds, will be irrevocably deposited by the State for payment of the Series C Refunded Bonds, subject to the Escrow Agreement. See Depositories of Moneys/Investments subsection under “Appendix D-Summary of Certain Provisions of Senior Indenture” for a more detailed description of Investment Securities.

Upon making such deposit with the Escrow Holder and the issuance of certain irrevocable instructions to the Escrow Holder pursuant to the Senior Indenture, the Series C Refunded Bonds, subject to the Escrow Agreement, will, under the terms of the Senior Indenture, no longer be deemed to be outstanding and shall be deemed to have been paid and will cease to be entitled to any lien, benefit or security under the Senior Indenture.

Sources and Uses of Funds

Sources

| | <u>2021 Series A Bonds</u> | <u>2021 Series B Bonds</u> | <u>2021 Series C Bonds</u> |
|--|----------------------------|----------------------------|----------------------------|
| Principal Amount..... | \$875,000,000.00 | \$11,695,000.00 | \$144,190,000.00 |
| Release from Bond Service Sub-Account..... | - | 42,109.38 | 2,585,670.83 |
| Original Issue Premium..... | <u>221,754,137.15</u> | <u>906,744.65</u> | <u>27,827,711.20</u> |
| Total..... | \$1,096,754,137.15 | \$12,643,854.03 | \$174,603,382.03 |

Uses

| | <u>2021 Series A Bonds</u> | <u>2021 Series B Bonds</u> | <u>2021 Series C Bonds</u> |
|---|----------------------------|----------------------------|----------------------------|
| Deposit to Infrastructure Improvement Fund..... | \$1,030,432,286.55 | - | - |
| Deposit into Reserve Account..... | 61,880,117.18 | - | - |
| Redemption of the Series B Refunded Bonds..... | - | \$12,610,627.95 | - |
| Deposit into Series C Escrow Deposit Fund..... | - | - | \$174,073,506.25 |
| Underwriters' Discount..... | 3,676,955.23 | 20,605.02 | 454,473.18 |
| Costs of Issuance..... | <u>764,778.19</u> | <u>12,621.06</u> | <u>75,402.60</u> |
| Total..... | \$1,096,754,137.15 | \$12,643,854.03 | \$174,603,382.03 |

Forward Delivery of the 2021 Series C Bonds

The State will enter into a forward delivery contract of purchase (the "Forward Purchase Agreement") with the Underwriters, acting through the Representative (as defined in the Forward Purchase Agreement), for the 2021 Series C Bonds. Subject to the terms of the Forward Purchase Agreement, the State expects to deliver the 2021 Series C Bonds on October 19, 2021, or such later date as may be mutually agreed to by the State and the Underwriters (the "Forward Settlement Date").

The obligation of the Underwriters to purchase the 2021 Series C Bonds from the State is subject to the satisfaction of certain conditions, as outlined in the Forward Purchase Agreement, on the preliminary closing date (May 12, 2021) (the "Initial Closing Date") and on the Forward Settlement Date. The conditions to be satisfied during the period from and including the date of the Forward Purchase Agreement to the Initial Closing Date are, in general, comparable to those required for the 2021 Series A and B Bonds. Because of the longer period between the sale and settlement of the 2021 Series C Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond sales that do not involve a forward delivery, and certain of those additional rights and conditions are summarized below. All the conditions and termination rights with respect to the sale and settlement of the 2021 Series C Bonds are set forth in the Forward Purchase Agreement. The following is a description of certain provisions of the Forward Purchase Agreement. The following description is not to be considered a full statement of the terms of the Forward Purchase Agreement and, accordingly, is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the State and the Underwriters.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2021 SERIES C BONDS, EACH PURCHASER OF THE 2021 SERIES C BONDS (EACH A "2021 SERIES C PURCHASER") ACKNOWLEDGES AND AGREES THAT THE 2021 SERIES C BONDS ARE BEING SOLD ON A "FORWARD DELIVERY" BASIS, THAT THE 2021 SERIES C PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2021 SERIES C BONDS ON THE FORWARD SETTLEMENT DATE SUBJECT TO THE CONDITIONS IN THE FORWARD PURCHASE AGREEMENT, AND THAT EACH 2021 SERIES C PURCHASER WILL SIGN AND DELIVER TO THE UNDERWRITERS, A FORWARD DELIVERY CONTRACT SUBSTANTIALLY IN THE FORM ATTACHED AS APPENDIX G (A "FORWARD DELIVERY CONTRACT") AS A CONDITION TO ANY 2021 SERIES C BONDS BEING ALLOCATED TO SUCH 2021 SERIES C PURCHASER. ADDITIONALLY, EACH 2021 SERIES C PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH 2021 SERIES C BONDS IN ACCORDANCE WITH THE TERMS OF THE FORWARD DELIVERY CONTRACT, EVEN IF THE 2021 SERIES C PURCHASER DECIDES TO SELL SUCH 2021 SERIES C BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE 2021 SERIES C PURCHASER SELLS SUCH 2021 SERIES C BONDS TO ANOTHER ENTITY WITH THE PRIOR WRITTEN CONSENT OF THE UNDERWRITERS AND SUCH ENTITY PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER AND A FORWARD DELIVERY CONTRACT IN THE SAME RESPECTIVE FORM AS THAT EXECUTED BY THE 2021 SERIES C PURCHASER. The State is not a party to the Forward Delivery Contract, and the State is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Purchase Agreement are not conditioned or dependent upon the performance of any Forward Delivery Contract.

The Forward Settlement Date

The issuance of the 2021 Series C Bonds and the Underwriters' obligations under the Forward Purchase Agreement to purchase, accept delivery of and pay for the 2021 Series C Bonds on the Forward Settlement Date are conditioned upon the performance by the State of its obligations thereunder, the delivery of certain certificates and legal opinions, including, without limitation, the delivery of opinions of Bond Counsel and Co-Bond Counsel dated the Forward Settlement Date, substantially in the form and to the effect as set forth in Appendix E-2 to this Official Statement (the "2021 Series C Bond Counsel Opinion"), and the satisfaction of other conditions as of the Forward Settlement Date. At any time subsequent to the Initial Closing Date (as defined in the Forward Purchase Agreement) and on or prior to the Forward Settlement Date (the "Forward Delivery Period"), the Representative has the right, without liability, to terminate the obligations of the Underwriters under the Forward Purchase Agreement, by notifying the State of its election to do so, if:

(1) there has been a Change in Law. A "Change in Law" means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the date of the Forward Settlement Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Forward Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, (A) as to the Underwriters, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the 2021 Series C Bonds as provided in the Forward Purchase Agreement or selling the 2021 Series C Bonds or beneficial ownership interests therein to the public; or (B) as to the State, make the issuance, sale or delivery of the 2021 Series C Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or

(2) as a result of any legislation, regulation, ruling, order, release, court decision or judgment or action by the U.S. Department of Treasury, the Internal Revenue Service, or the State either enacted, issued, effective, adopted or proposed, or for any other reason, Bond Counsel and Co-Bond Counsel cannot issue an opinion to the effect that (x) the interest on the 2021 Series C Bonds is not subject to Federal income tax under Section 103 of the Code (or comparable provisions of any successor federal tax laws) and (y) the interest on the 2021 Series C Bonds is exempt from the State of Connecticut income taxation; or

(3) a war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national or international emergency or calamity relating to the effective operation of government or of the financial community shall have occurred or accelerated, the effect of which, in the reasonable opinion of the Representative, materially adversely affects the market for the 2021 Series C Bonds or the sale, at the contemplated offering prices by the Underwriters of the 2021 Series C Bonds; or

(4) there shall have occurred a suspension of trading on the New York Stock Exchange continuing for more than one full daily session; or

(5) a general banking moratorium shall have been declared by the United States of America, New York or Connecticut state authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred; or

(6) at any time subsequent to the date of the Forward Purchase Agreement any event occurs which, for any reason, including a Change of Law, has the effect of requiring the 2021 Series C Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended, or has the effect of requiring the Indenture to be qualified under the Trust Indenture Act of 1939, as amended; or

(7) there shall occur any event which, in the reasonable judgment of the Representative, either (A) makes untrue or incorrect in any material respect any statement or information contained in this Official Statement, as amended (if applicable), between the date of this Official Statement to and including the Forward Settlement Date (other than any statement or information provided by the Underwriters) or (B) is not reflected in this Official Statement but should be reflected herein in order to make the statements and information contained herein not misleading in any material respect and, in either such event, the State refuses to permit this Official Statement to be supplemented to correct or supply such statement or information, or the effect of this Official Statement as so corrected or supplemented is, in the reasonable judgment of the Representative, to materially adversely affect the market for the 2021 Series C Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the 2021 Series C Bonds; or

(8) Bond Counsel and Co-Bond Counsel determine that for any reason, including a Change of Law, Bond Counsel and Co-Bond Counsel will not be able to render their opinions due on the Forward Settlement Date substantially in the form attached as Appendix E-2 to this Official Statement and Bond Counsel and Co-Bond Counsel provide written notice thereof to the State and the Representative (the “Bond Counsel Notice”), and the State does not notify the Representative within five (5) business days of receipt of the Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion; or

(9) as of the Settlement Date, the 2021 Series C Bonds are not rated by any national rating agency; or

(10) for any reason whatsoever, the 2021 Series C Bonds shall not have been delivered by the Issuer to the Underwriter prior to 5:00 PM prevailing New York time on the next day following the Settlement Date on which securities settlement services are available with respect to the 2021 Series C Bonds.

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. The State has agreed in the Forward Purchase Agreement to deliver an updated Official Statement (the “Updated Official Statement”) not more than twenty-five (25) days nor less than five (5) days prior to the Forward Settlement Date.

If, on the Forward Settlement Date, the State is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2021 Series C Bonds as set forth in the Forward Purchase Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2021 Series C Bonds are terminated for any reason permitted by items (1) through (9) above, the Forward Purchase Agreement will terminate and neither the Underwriters nor the State will be under any further obligation under the Forward Purchase Agreement.

If a Change in Law (as defined above) involves the enactment of legislation that only diminishes the value of, as opposed to eliminating the exclusion from gross income for Federal income tax purposes of, interest payable on “state or local bonds,” the State may, nonetheless, be able to satisfy the requirements for the delivery of the 2021 Series C Bonds. In such event, the Underwriters would be obligated to purchase the 2021 Series C Bonds from the State and the purchasers would be required to accept delivery of the purchased 2021 Series C Bonds from the Underwriters.

The Underwriters may not refuse to purchase the 2021 Series C Bonds from the State except as expressly described above, and the purchasers may not refuse to purchase the 2021 Series C Bonds from the Underwriters except as expressly described in the Forward Delivery Contract. See “Appendix G-Form of Forward Delivery Contract.”

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE 2021 SERIES C BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE 2021 SERIES C BONDS BY REASON OF “GENERAL MARKET OR CREDIT CHANGES” INCLUDING, BUT NOT LIMITED TO CHANGES IN THE RATING ANTICIPATED TO BE ASSIGNED TO THE 2021 SERIES C BONDS, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE STATE PRIOR TO THE FORWARD SETTLEMENT DATE, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE 2021 SERIES C BONDS FOR ANY REASON OTHER THAN A FULL ELIMINATION OF TAX EXEMPTION OR FOR ANY REASON OTHER THAN DESCRIBED BY ITEMS (1) THROUGH (9) ABOVE.

Risks Related to the Forward Delivery Period

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Purchase Agreement unless the change reflects an event described above in items (1) through (9) under “Forward Delivery of the 2021 Series C Bonds-The Forward Settlement Date” or release the purchasers of their obligation to purchase the 2021 Series C Bonds except as expressly described in the Forward Delivery Contract.

In addition to the risks set forth above, purchasers of the 2021 Series C Bonds are subject to certain additional risks, some of which are described below and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the 2021 Series C Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2021 Series C Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors that should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2021 Series C Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors that will become material in the future.

Opinion of Bond Counsel and Co-Bond Counsel: Tax Law Risk

Subject to the additional conditions of settlement described under “Forward Delivery of the 2021 Series C Bonds-*The Forward Settlement Date*” above, the Forward Purchase Agreement obligates the State to deliver and the Underwriters to acquire the 2021 Series C Bonds if the State delivers the 2021 Series C Bond Counsel and Co-Bond Counsel Opinions. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel and Co-Bond Counsel from rendering their opinions or otherwise affect the substance of such opinions. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the 2021 Series C Bonds for purposes of Federal income taxation payable on “state or local bonds,” the State might be able to satisfy the requirements for the delivery of the 2021 Series C Bonds. In such event, the Underwriters would be required to accept delivery of the 2021 Series C Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Ratings Risk

A rating has been assigned to the 2021 Series C Bonds as described under “RATINGS.” No assurances can be given that the rating assigned to the 2021 Series C Bonds on the Forward Settlement Date will not be different from that currently assigned to the 2021 Series C Bonds. Issuance of the 2021 Series C Bonds and the Underwriters’ obligations under the Forward Purchase Agreement are not conditioned upon the assignment of any particular rating for the 2021 Series C Bonds or the maintenance of the initial rating of the 2021 Series C Bonds.

Market Value Risk

The market value of the 2021 Series C Bonds as of the Forward Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the rating then assigned to the 2021 Series C Bonds, the financial condition and operations of the State, and federal and State income tax and other laws. The market value of the 2021 Series C Bonds as of the Forward Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2021 Series C Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the 2021 Series C Bonds if the conditions in the Forward Purchase Agreement are satisfied on the Forward Settlement Date. NEITHER THE STATE NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE 2021 SERIES C BONDS AS OF THE FORWARD SETTLEMENT DATE. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2021 Series C Bonds as of the Forward Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the 2021 Series C Bonds.

Termination of Forward Purchase Agreement Risk

The Representative may terminate the Forward Purchase Agreement by notification to the State on or prior to the Forward Settlement Date if any of the events described above in items (1) through (9) under “Forward Delivery of the 2021 Series C Bonds-*The Forward Settlement Date*” occurs. Although the State is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Purchase Agreement on the Forward Settlement Date, no assurances can be made that, as of the Forward Settlement Date: (i) there will have been no Change of Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Initial Closing Date; or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2021 Series C Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Forward Settlement Date conditions in the Forward Purchase Agreement may not be met, with the possible result that the delivery of the 2021 Series C Bonds will not occur.

Secondary Market Risk

The Underwriters are not obligated to make a secondary market in the 2021 Series C Bonds, and no assurances can be given that a secondary market will exist for the 2021 Series C Bonds during the Forward Delivery Period. Purchasers of the 2021 Series C Bonds should assume that the 2021 Series C Bonds will be illiquid throughout the Forward Delivery Period.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2021 Series A, B and C Bonds. The 2021 Series A, B and C 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 2021 Series A, B and C 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.

Purchases of 2021 Series A, B and C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Series A, B and C Bonds on DTC’s records. The ownership interest of each actual purchaser of each of the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds, except in the event that use of the book-entry system for the 2021 Series A, B and C Bonds is discontinued.

To facilitate subsequent transfers, all the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2021 Series A, B and C 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 the 2021 Series A, B and C Bonds within a series of the issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds.

For so long as Cede & Co. is the registered owner of the 2021 Series A, B and C Bonds, all references herein to the Bondowner or owners of the 2021 Series A, B and C Bonds shall mean Cede & Co. and shall not mean any Beneficial Owner or Beneficial Owners of the 2021 Series A, B and C 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 the date of delivery of the 2021 Series A and B 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 ⁽¹⁾ | \$304,030,000 | \$279,955,000 | November 10, 2009 | 3.636% |
| 2010 Series B ⁽¹⁾ | 400,430,000 | 372,355,000 | November 10, 2010 | 3.443 |
| 2010 Series C (Refunding) ⁽²⁾⁽³⁾ | 137,675,000 | 20,230,000 | November 10, 2010 | 2.797 |
| 2011 Series A ⁽⁴⁾ | 221,230,000 | 152,455,000 | December 15, 2011 | 3.516 |
| 2011 Series B (Refunding) ⁽²⁾⁽⁵⁾ | 233,845,000 | 41,775,000 | December 15, 2011 | 2.047 |
| 2012 Series A | 502,290,000 | 348,760,000 | December 21, 2012 | 2.733 |
| 2012 Series B (Refunding) ⁽²⁾ | 125,100,000 | 65,505,000 | December 21, 2012 | 1.951 |
| 2013 Series A | 600,000,000 | 452,280,000 | November 21, 2013 | 3.669 |
| 2014 Series A | 600,000,000 | 481,815,000 | October 16, 2014 | 3.169 |
| 2014 Series B (Refunding) ⁽²⁾ | 131,545,000 | 78,735,000 | October 16, 2014 | 2.123 |
| 2015 Series A | 700,000,000 | 583,845,000 | October 15, 2015 | 3.243 |
| 2015 Series B (Refunding) ⁽²⁾ | 139,770,000 | 104,705,000 | October 15, 2015 | 2.320 |
| 2016 Series A | 800,000,000 | 696,000,000 | September 28, 2016 | 2.831 |
| 2016 Series B (Refunding) ⁽²⁾ | 68,265,000 | 52,105,000 | September 28, 2016 | 2.270 |
| 2018 Series A | 800,000,000 | 719,830,000 | February 8, 2018 | 3.563 |
| 2018 Series B | 750,000,000 | 701,515,000 | October 25, 2018 | 3.966 |
| 2018 Series C (Refunding) ⁽²⁾ | 100,105,000 | 87,560,000 | October 25, 2018 | 3.020 |
| 2020 Series A | 850,000,000 | 833,145,000 | May 29, 2020 | 2.967 |
| 2021 Series A | 875,000,000 | 875,000,000 | May 12, 2021 | 2.125 |
| 2021 Series B (Refunding) ⁽²⁾ | 11,695,000 | <u>11,695,000</u> | May 12, 2021 | 0.689 |
| TOTAL | | <u>\$6,959,265,000</u> | | |

(1) Taxable Build America Bonds – Direct Pay.

(2) Refunding Bonds do not constitute Additional Bonds.

(3) Certain maturities of Bonds in the 2010 Series C (Refunding) have been refunded.

(4) The 2021 Series C Bonds will refund \$141,755,000 of the 2011 Series A on the Forward Settlement Date.

(5) The 2021 Series C Bonds will refund \$28,440,000 of the 2011 Series B on the Forward Settlement Date.

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 State fiscal year on the \$6,959,265,000 Bonds issued and outstanding as of the date of delivery of the 2021 Series A and B Bonds, excluding principal and interest on previously refunded Bonds. The anticipated issuance of Additional Bonds to finance the Infrastructure Program for fiscal years 2022-2026 is reflected in Tables 8 and 9.

| Fiscal Year Ending June 30th | Outstanding Bonds ^(a) | | | 2021 Series A and B Bonds ^(b) | | | Total Debt Service ^(c) |
|------------------------------|----------------------------------|-------------------------|-------------------------|--|---------------|-------------------------|-----------------------------------|
| | Principal | Interest ^(c) | Subtotal ^(d) | Principal | Interest | Subtotal ^(d) | |
| 2021 ^(e) | - | \$12,201,736 | \$12,201,736 | | | | \$12,201,736 |
| 2022 | \$344,050,000 | 294,077,646 | 638,127,646 | \$34,425,000 | \$39,021,737 | \$73,446,737 | 711,574,383 |
| 2023 | 380,895,000 | 276,769,720 | 657,664,720 | 20,745,000 | 39,333,000 | 60,078,000 | 717,742,720 |
| 2024 | 384,040,000 | 259,088,396 | 643,128,396 | 30,085,000 | 38,357,250 | 68,442,250 | 711,570,646 |
| 2025 | 393,295,000 | 239,518,680 | 632,813,680 | 31,290,000 | 37,153,850 | 68,443,850 | 701,257,530 |
| 2026 | 385,860,000 | 219,236,909 | 605,096,909 | 32,855,000 | 35,589,350 | 68,444,350 | 673,541,259 |
| 2027 | 387,445,000 | 199,676,009 | 587,121,009 | 34,495,000 | 33,946,600 | 68,441,600 | 655,562,609 |
| 2028 | 402,640,000 | 179,668,148 | 582,308,148 | 36,220,000 | 32,221,850 | 68,441,850 | 650,749,998 |
| 2029 | 408,865,000 | 159,002,076 | 567,867,076 | 38,030,000 | 30,410,850 | 68,440,850 | 636,307,926 |
| 2030 | 393,515,000 | 138,280,748 | 531,795,748 | 41,900,000 | 28,470,050 | 70,370,050 | 602,165,798 |
| 2031 | 387,680,000 | 118,997,724 | 506,677,724 | 41,930,000 | 26,434,000 | 68,364,000 | 575,041,724 |
| 2032 | 357,980,000 | 100,483,425 | 458,463,425 | 44,025,000 | 24,337,500 | 68,362,500 | 526,825,925 |
| 2033 | 345,380,000 | 83,176,150 | 428,556,150 | 46,230,000 | 22,136,250 | 68,366,250 | 496,922,400 |
| 2034 | 336,250,000 | 65,777,938 | 402,027,938 | 48,540,000 | 19,824,750 | 68,364,750 | 470,392,688 |
| 2035 | 304,700,000 | 50,004,125 | 354,704,125 | 50,965,000 | 17,397,750 | 68,362,750 | 423,066,875 |
| 2036 | 271,560,000 | 36,322,600 | 307,882,600 | 53,515,000 | 14,849,500 | 68,364,500 | 376,247,100 |
| 2037 | 227,535,000 | 25,227,275 | 252,762,275 | 55,655,000 | 12,708,900 | 68,363,900 | 321,126,175 |
| 2038 | 175,220,000 | 15,581,575 | 190,801,575 | 57,880,000 | 10,482,700 | 68,362,700 | 259,164,275 |
| 2039 | 120,135,000 | 6,752,575 | 126,887,575 | 60,195,000 | 8,167,500 | 68,362,500 | 195,250,075 |
| 2040 | 65,525,000 | 2,804,125 | 68,329,125 | 62,605,000 | 5,759,700 | 68,364,700 | 136,693,825 |
| 2041 | - | - | - | 65,110,000 | 3,255,500 | 68,365,500 | 68,365,500 |
| Total ^(c) | \$6,072,570,000 | \$2,482,647,580 | \$8,555,217,580 | \$886,695,000 | \$479,858,587 | \$1,366,553,587 | \$9,921,771,167 |

- (a) Outstanding Senior Bonds as of the date of delivery of the 2021 Series A and B Bonds (debt service on previously refunded Bonds is not included).
- (b) The 2021 Series C Bonds debt service will be reflected in the Updated Official Statement. See “Forward Delivery of the 2021 Series C Bonds-*The Forward Settlement Date*” herein.
- (c) 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. 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.
- (d) Principal and Interest may not add to Totals due to rounding.
- (e) Reflects principal and interest payments on all Outstanding Bonds as of the date of delivery of the 2021 Series A and B Bonds to the end of the current fiscal year.

SOURCE: Office of the State Treasurer

THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND

Introduction

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) specific amounts from the resources of the General Fund; and (x) 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)

| State Fiscal Year | Historical Collections | | | | |
|------------------------------|---|---------------------------------|---------------------------------|------------------------|-----------------------|
| | Motor Fuels | Oil Companies | Sales and Use | Motor Vehicle | LPF |
| <u>Ending June 30</u> | <u>Tax</u> | <u>Tax^(a)</u> | <u>Tax^(b)</u> | <u>Receipts</u> | <u>Revenue</u> |
| 2017 | 498.5 | 238.4 | 188.4 | 242.9 | 144.0 |
| 2018 | 499.8 | 312.5 | 327.5 | 253.1 | 141.9 |
| 2019 | 509.7 | 313.1 | 370.6 ^(d) | 250.4 | 150.1 |
| 2020 | 478.2 | 230.4 | 400.9 ^(d) | 241.6 | 128.7 |
| State Fiscal Year | Projected Collections at Current Rates | | | | |
| <u>Ending June 30</u> | <u>Tax</u> | <u>Tax^(a)</u> | <u>Tax^(b)</u> | <u>Receipts</u> | <u>Revenue</u> |
| 2021 ^(c) | 467.4 | 203.5 | 442.3 ^(d) | 327.9 | 129.6 |
| 2022 | 473.3 | 246.3 | 651.8 ^(d) | 263.5 | 140.7 |
| 2023 | 486.0 | 268.0 | 754.6 ^(d) | 265.6 | 141.9 |
| 2024 | 492.5 | 284.2 | 769.3 | 274.4 | 143.1 |
| 2025 | 491.5 | 298.4 | 792.3 | 269.6 | 144.2 |
| 2026 | 490.5 | 313.3 | 816.0 | 272.6 | 145.4 |

- (a) Represents the total Oil Companies Tax collections. Prior to July 1, 2015, the Oil Companies Tax had been transferred to various funds, including a specified amount to the Special Transportation Fund. 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.
- (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) Per the Office of Policy and Management’s letter to the Comptroller dated April 20, 2021 for the period ending March 31, 2021.
- (d) 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 is being 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.

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 2021-2026 together with economic trends and other assumptions utilized by the State in its revenue forecasting methodologies.

Legislative Changes to Pledged Revenues

TABLE 2
Summary of Enacted Revenue Adjustments
(\$ In Millions)

| |
|---|
| (During the 2020 legislative session, no legislation was enacted affecting the Pledged Revenues.) |
|---|

Forecasting of Pledged Revenues

In making the projections of the Pledged Revenues provided herein for fiscal years 2021-2026, 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 2021-2026 are based upon the January 15, 2021 consensus revenues and estimates of the Office of Policy and Management, which consider the impact of the COVID-19 outbreak to the extent practicable.

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 2021-2026 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 2026.

TABLE 3
Projected Pledged Revenues for the Special Transportation Fund
(\$ In Millions)

| | Fiscal Year Ending June 30 | | | | | |
|--|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Motor Fuels Tax ^(a) | 467.4 | 473.3 | 486.0 | 492.5 | 491.5 | 490.5 |
| Oil Companies Tax | 203.5 | 246.3 | 268.0 | 284.2 | 298.4 | 313.3 |
| Sales and Use Tax ^(b) | 442.3 | 651.8 | 754.6 | 769.3 | 792.3 | 816.0 |
| Motor Vehicle Receipts..... | 332.9 | 263.5 | 265.6 | 274.4 | 269.6 | 272.6 |
| LPF Revenue..... | 129.6 | 140.7 | 141.9 | 143.1 | 144.2 | 145.4 |
| Sales Tax - DMV ^(c) | 94.0 | 88.2 | 89.5 | 90.4 | 91.3 | 92.2 |
| Federal Payments ^(d) | 11.8 | 11.0 | 10.1 | 9.2 | 8.1 | 6.9 |
| Interest Income ^(e) | 4.9 | 5.1 | 5.5 | 6.4 | 7.7 | 9.2 |
| Transfers From/To Other Funds ^(f) | <u>24.5</u> | <u>(5.5)</u> | <u>(5.5)</u> | <u>(5.5)</u> | <u>(5.5)</u> | <u>(5.5)</u> |
| Total..... | 1,710.9 | 1,874.4 | 2,015.7 | 2,064.0 | 2,097.7 | 2,140.8 |
| Refunds ^(g) | <u>(20.2)</u> | <u>(20.5)</u> | <u>(21.2)</u> | <u>(21.9)</u> | <u>(22.3)</u> | <u>(22.8)</u> |
| TOTAL PLEDGED REVENUES..... | 1,690.7 | 1,853.9 | 1,994.5 | 2,042.1 | 2,075.3 | 2,118.0 |

- (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. The motor fuels tax on diesel fuels is 44.6 cents effective July 1, 2020.
- (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. 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 is being 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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 371 of Public Act 19-117, a transfer of \$30 million from the Special Transportation Fund will occur in fiscal year 2020 to be used as revenue for the Special Transportation Fund in fiscal year 2021.
- (g) Represents refunds for Oil Companies Taxes, Motor Fuel Taxes, and Motor Carrier Road Taxes when an overpayment of tax liability has been made. Pursuant to C.G.S. Sections 14-23 and 14-31, which became effective July 1, 2001, refunds of payments in the Special Transportation Fund are funded with revenues of the Special Transportation Fund.

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

| | Fiscal Year Ending June 30 | | | | | | | | | |
|---|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Totals | | | | | | | | | | |
| Amount collected (millions \$)..... | 483.5 | 492.8 | 501.3 | 508.1 | 516.6 | 518.2 | 498.5 | 499.8 | 509.7 | 478.2 |
| Unit total (millions \$) ^(a) | 17.684 | 17.353 | 17.144 | 17.003 | 17.304 | 17.811 | 18.011 | 18.046 | 18.207 | 16.613 |
| Unit percentage growth (%)..... | (1.10) | (1.87) | (1.20) | (0.83) | 1.77 | 2.93 | 1.12 | 0.19 | 0.89 | (8.75) |
| Gasoline Tax | | | | | | | | | | |
| Amount collected (millions \$)..... | 371.2 | 364.3 | 359.3 | 355.7 | 361.4 | 373.2 | 378.1 | 378.3 | 383.0 | 342.2 |
| Unit total (millions \$) ^(a) | 14.847 | 14.571 | 14.371 | 14.227 | 14.457 | 14.928 | 15.125 | 15.131 | 15.321 | 13.689 |
| Unit percentage growth (%)..... | (1.44) | (1.86) | (1.37) | (1.00) | 1.62 | 3.25 | 1.32 | 0.03 | 1.26 | (10.65) |
| Tax Rate (¢/ gallon)..... | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Special Fuels Tax | | | | | | | | | | |
| Amount collected (millions \$)..... | 98.6 | 112.7 | 124.6 | 133.1 | 136.1 | 128.4 | 106.3 | 109.1 | 114.8 | 122.0 |
| Unit total (millions \$) ^(a) | 2.489 | 2.440 | 2.433 | 2.424 | 2.497 | 2.553 | 2.549 | 2.615 | 2.616 | 2.624 |
| Unit percentage growth (%)..... | 4.36 | (1.94) | (0.29) | (0.38) | 3.02 | 2.22 | (0.14) | 2.60 | 0.02 | 0.32 |
| Tax Rate (¢/ gallon) ^(b) | 39.6 | 46.2 | 51.2 | 54.9 | 54.5 | 50.3 | 41.7 | 41.7 | 43.9 | 46.5 |
| Motor Carrier Road Tax | | | | | | | | | | |
| Amount collected (millions \$)..... | 13.8 | 15.8 | 17.4 | 19.3 | 19.0 | 16.6 | 14.0 | 12.5 | 11.8 | 14.0 |
| Unit total (millions \$) ^(a) | 0.349 | 0.342 | 0.340 | 0.352 | 0.350 | 0.330 | 0.336 | 0.300 | 0.270 | 0.300 |
| Unit percentage growth (%)..... | (19.39) | (2.01) | (0.46) | 3.40 | (0.57) | (5.58) | 1.89 | (10.80) | (10.02) | 11.22 |
| Tax Rate (¢/ gallon) ^(b) | 39.6 | 46.2 | 51.2 | 54.9 | 54.5 | 50.3 | 41.7 | 41.7 | 43.9 | 46.5 |

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

(b) 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.

SOURCE: Office of Policy and Management

The motor fuel tax rate on gasoline and gasohol is 25¢ per gallon, and on diesel fuel is 44.6¢ per gallon. 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 eighteen thousand (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

| | Fiscal Year Ending June 30 | | | | | | | | | |
|---|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Total Amount Collected (millions \$) ^(a) | 334.5 | 373.0 | 374.9 | 416.3 | 337.9 | 250.0 | 238.4 | 320.7 | 318.5 | 235.9 |
| Revenue Per 1% (millions \$) ^(b) | 47.780 | 53.281 | 53.561 | 51.393 | 41.716 | 30.864 | 29.426 | 39.595 | 39.323 | 29.126 |
| Percentage Growth Rate (%)..... | 26.25 | 11.51 | 0.53 | (4.05) | (18.83) | (26.01) | (4.66) | 34.56 | (0.69) | (25.93) |
| Tax Rate (%)..... | 7.0 | 7.0 | 7.0 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 |

- (a) Represents the total gross Oil Companies Tax collections. Prior to July 1, 2015, the Oil Companies Tax had been transferred to various funds, including a specified amount to the Special Transportation Fund. 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. Prior to July 1, 2015, Section 13b-61a of the Connecticut General Statutes specified the amount of Oil Companies Tax revenue to be transferred into the Special Transportation Fund from the General Fund.

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 as follows: 5.8% effective July 1, 2005, 6.3% effective July 1, 2006, 7.0% effective July 1, 2007, 7.5% effective July 1, 2008, and 8.1% effective July 1, 2013. Pursuant to Public Act 08-2 of the June 11, 2008 Special Session, Section 1 eliminated the 0.5% increase from 7.0% to 7.5% in the Oil Companies Tax that was set to become effective July 1, 2008.

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 tax revenue.

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

| | Fiscal Year Ending June 30 | | | | | | | | | |
|--|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General Retail Sales and Use Tax Revenue (millions \$) ^(a) | 3,185.6 | 3,682.3 | 3,756.7 | 3,895.5 | 4,005.3 | 4,118.3 | 4,161.6 | 4,303.2 | 4,483.2 | 4,502.9 |
| Revenue Per 0.1% of General Retail Sales and Use Tax Rate (millions \$)..... | 50.166 | 57.989 | 59.161 | 61.347 | 63.076 | 64.855 | 65.536 | 67.767 | 70.602 | 70.912 |
| Percentage Growth Rate (%)..... | (1.11) | 15.59 | 2.02 | 3.69 | 2.82 | 2.82 | 1.05 | 3.40 | 4.18 | 0.44 |
| General Retail Sales and Use Tax Rate (%) ^(b) | 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

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 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 estimated revenues from the Sales and Use Tax on Motor Vehicles to be deposited into the Special Transportation Fund by fiscal year are as follows:

| Fiscal Year Ending June 30 | Five-Year Phase-In (%)^(a) | Sales and Use Tax on Motor Vehicles (\$ In Millions)^(b) |
|---------------------------------------|---|---|
| 2019 | 8 | 29.0 |
| 2020 | 17 | 60.1 |
| 2021 | 25 | 79.2 |
| 2022 | 75 | 274.6 |
| 2023 | 100 | 367.9 |

(a) 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 is being 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.

(b) In fiscal year 2017 the State collected \$453.9 million in Sales and Use Tax from Motor Vehicle and Parts Dealers (NAICS code 441). Using national data on auto dealership trends, it is estimated that approximately 80%, or about \$363.1 million, is the result of auto sales. The remaining Sales and Use Tax on Motor Vehicles is attributed to parts and repair services.

SOURCE: Office of Policy and Management

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 | | | | | | | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Motor Vehicle Receipts | | | | | | | | | | |
| Motor Vehicle Registrations..... | 176.1 | 185.5 | 186.0 | 185.9 | 196.2 | 199.3 | 190.7 | 201.0 | 198.5 | 199.5 |
| Other ^(a) | <u>44.0</u> | <u>49.9</u> | <u>48.5</u> | <u>50.2</u> | <u>53.3</u> | <u>52.2</u> | <u>52.2</u> | <u>52.1</u> | <u>51.9</u> | <u>42.1</u> |
| Total Motor Vehicle Receipts..... | 220.1 | 235.4 | 234.5 | 236.1 | 249.5 | 251.5 | 242.9 | 253.1 | 250.4 | 241.6 |
| LPF Revenue^(b) | 135.5 | 136.0 | 137.3 | 138.4 | 145.4 | 143.9 | 144.0 | 141.9 | 150.1 | 128.7 |
| Total Motor Vehicle Receipts and LPF Revenue | 355.6 | 371.4 | 371.8 | 374.5 | 394.9 | 395.4 | 386.9 | 394.9 | 400.5 | 370.3 |

- (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.

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 Indenture 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 2019-2020 and 2020-2021 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 | | | | | | | | | |
|---|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>2017^(a)</u> | <u>2018^(a)</u> | <u>2019^(a)</u> | <u>2020^(a)</u> | <u>2021^(b)</u> | <u>2022^(c)</u> | <u>2023^(c)</u> | <u>2024^(c)</u> | <u>2025^(c)</u> | <u>2026^(c)</u> |
| <u>Actual & Projected Revenues</u> | | | | | | | | | | |
| Motor Fuels Tax ^(d) | 498.5 | 499.8 | 509.7 | 478.2 | 467.4 | 473.3 | 486.0 | 492.5 | 491.5 | 490.5 |
| Oil Companies Tax ^(d) | 238.4 | 312.5 | 313.1 | 230.4 | 203.5 | 246.3 | 268.0 | 284.2 | 298.4 | 313.3 |
| Sales and Use Tax ^(d) | 188.4 | 327.5 | 370.6 | 400.9 | 442.3 | 651.8 | 754.6 | 769.3 | 792.3 | 816.0 |
| Motor Vehicle Receipts ^(d) | 242.9 | 253.1 | 250.4 | 241.6 | 327.9 | 263.5 | 265.6 | 274.4 | 269.6 | 272.6 |
| LPF Revenue ^(d) | 144.0 | 141.9 | 150.1 | 128.7 | 129.6 | 140.7 | 141.9 | 143.1 | 144.2 | 145.4 |
| Sales Tax - DMV ^(d) | 85.0 | 85.9 | 87.3 | 73.1 | 104.0 | 88.2 | 89.5 | 90.4 | 91.3 | 92.2 |
| Federal Payments ^(d) | 12.2 | 12.2 | 12.3 | 12.3 | 11.8 | 11.0 | 10.1 | 9.2 | 8.1 | 6.9 |
| Interest Income ^(d) | 9.0 | 17.7 | 37.4 | 21.8 | 2.2 | 5.1 | 5.5 | 6.4 | 7.7 | 9.2 |
| Transfers from/(to) Other Funds ^(e) | (6.5) | (5.5) | (5.5) | (35.5) | 24.5 | (5.5) | (5.5) | (5.5) | (5.5) | (5.5) |
| Total Revenues | 1,411.7 | 1,645.0 | 1,725.2 | 1,551.5 | 1,713.2 | 1,874.4 | 2,015.7 | 2,064.0 | 2,097.7 | 2,140.8 |
| Refunds | (17.3) | (14.9) | (37.1) | (34.9) | (20.2) | (20.5) | (21.2) | (21.9) | (22.3) | (22.8) |
| Total Net Revenues | 1,394.4 | 1,630.1 | 1,688.1 | 1,516.6 | 1,693.0 | 1,853.9 | 1,994.5 | 2,042.1 | 2,075.3 | 2,118.0 |
| <u>Actual & Projected Debt Service and Expenditures</u> | | | | | | | | | | |
| Debt Service on the Bonds ^(f) | 542.6 | 574.4 | 642.2 | 651.3 | 673.9 | 775.3 | 845.7 | 912.9 | 964.9 | 1,006.3 |
| Debt Service on Transportation Related General Obligation Bonds ^(g) | 0.6 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| DOT Budgeted Expenses ^(h) | 592.8 | 639.9 | 677.7 | 697.6 | 706.2 | 734.1 | 747.1 | 767.8 | 797.4 | 828.1 |
| DMV Budgeted Expenses | 62.6 | 59.7 | 66.2 | 62.3 | 66.7 | 71.6 | 73.8 | 74.4 | 77.3 | 80.4 |
| Other Budget Expenses ⁽ⁱ⁾ | 227.4 | 195.8 | 206.1 | 240.5 | 255.1 | 283.0 | 293.8 | 296.3 | 294.4 | 307.7 |
| Program Costs Paid from Current Operations | 13.6 | 11.5 | 21.5 | 16.7 | 13.7 | 17.4 | 17.4 | 17.7 | 18.1 | 18.4 |
| Estimated Unallocated Lapses ^(j) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (12.0) | (12.0) | (12.0) | (12.0) | (12.0) |
| Total Expenditures | 1,439.6 | 1,482.0 | 1,613.8 | 1,668.3 | 1,715.6 | 1,869.4 | 1,965.8 | 2,057.1 | 2,140.1 | 2,228.9 |
| Excess (Deficiency) | (45.2) | 148.1 | 74.4 | (151.4) | (22.6) | (15.5) ^(k) | 28.7 ^(k) | (15.0) | (64.8) | (110.9) |
| Cumulative Excess (Deficiency) | 97.6 | 245.7 | 320.1 | 168.4 | 145.8 | 130.3 | 159.0 | 144.0 | 79.2 | (31.7) |

SOURCE: Office of Policy and Management and Department of Transportation.
Footnotes to the above Table 8 may be found on the following page.

TABLE 8-1
Governor's Proposed Revenue and Expenditure Changes of the Special Transportation Fund
(\$ In Millions)

| | Fiscal Year Ending June 30 | | | | |
|---|----------------------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| <u>Governor's Proposed Revenue Changes</u> | | | | | |
| Highway Use Fee | - | - | - | - | - |
| Sales and Use Tax - Cannabis | - | - | - | - | - |
| 2% Convenience Fee for Credit Cards | - | - | - | - | - |
| Total Revenue Changes | - | - | - | - | - |
| Total Revised Revenues | - | - | - | - | - |
| <u>Governor's Proposed Expenditure Changes</u> | | | | | |
| DOT - Funding to Implement the Highway Use Fee | - | - | - | - | - |
| DOT/DMV Regulation Costs-Legalization of Cannabis | - | - | - | - | - |
| DMV - Operating Savings | - | - | - | - | - |
| DOT - Service Adjustments | - | - | - | - | - |
| DOT - Leverage TCI-P to Fund Climate & Public Transit | - | - | - | - | - |
| DOT - Temporary Federal Support for Transportation | - | - | - | - | - |
| All Other Expenditure Changes | - | - | - | - | - |
| DOT - Expand Pay-As-You-Go Program for Capital Projects | - | - | - | - | - |
| STO Bonds - Debt Issuance Schedule | - | - | - | - | - |
| Total Expenditure Changes | - | - | - | - | - |
| Total Revised Expenditures | - | - | - | - | - |
| Revised Projected Excess (Deficiency) | - | - | - | - | - |
| Revised Cumulative Excess (Deficiency) | - | - | - | - | - |

SOURCE: Governor's FY 2022 – FY 2023 Biennial Budget Proposal
See "Governor's Proposed Budget Legislative Changes" herein for information relating to the above Table 8-1.

Footnotes to Table 8, Actual and Projected Revenues, Debt Service and Expenditures of the Special Transportation Fund:

- * Figures may not add due to rounding
- (a) Actual per Comptroller's Annual Reports, presented to conform to budgetary categories.
 - (b) Per the Office of Policy and Management's letter to the Comptroller dated April 20, 2021 for the period ending March 31, 2021.
 - (c) Pursuant to the January 15, 2021 consensus revenues and estimates of the Office of Policy and Management.
 - (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 will occur in fiscal year 2020 to be used as revenue for the Special Transportation Fund in fiscal year 2021.
 - (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: \$875 million at 5.0% for each of fiscal years 2022 through 2026, both inclusive. 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.
 - (g) Represents payment of that portion of debt service on outstanding general obligation bonds which bear the same ratio to all such debt services as the sum of the amount of bond authorization allocated to the Department by the State Bond Commission in each year that such bonds were issued bears to the total amount of general obligation bonds authorized by the State Bond Commission during all such years.
 - (h) 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. The adopted fiscal year 2016 and fiscal year 2017 budgets include \$3.3 million and \$2.3 million, respectively, related to the Connecticut Airport Authority. See "Organization and Responsibilities-Former Bureau of Aviation/Connecticut Airport Authority" herein.
 - (i) Represents the cost of fringe benefits, pension costs and salary adjustments for the Department, the DMV and the Department of Energy and Environmental Protection.
 - (j) 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.
 - (k) Pursuant to Section 18 of Article Third of the Constitution of the State of Connecticut, C.G.S. Section 13b-77(c)(6) and Section 7.1(6) of the Senior Indenture (see "Appendix D-Covenants"), the General Assembly is required to adopt a balanced budget for the Special Transportation Fund for the fiscal year 2022 and fiscal year 2023 biennium. See "Governor's Proposed Revenue and Expenditure Changes of the Special Transportation Fund" below Table 8; and see "Governor's Proposed Budget Legislative Changes" herein. The 2021 regular legislative session convened on January 6, 2021 and adjourns on June 9, 2021.

Debt Service Coverage

Under the Senior Indenture, the State has covenanted to provide Pledged Revenues in each fiscal year equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior 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 (2) times the aggregate Principal and Interest Requirements on all Bonds and Notes in such fiscal year. The following table indicates the actual and projected calculation of such coverage tests for all bonds outstanding as of the date of delivery of the 2021 Series A and B Bonds.

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

| | Fiscal Year Ending June 30 | | | | | | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2017 ^(a) | 2018 ^(a) | 2019 ^(a) | 2020 ^(a) | 2021 ^(b) | 2022 ^(c) | 2023 ^(c) | 2024 ^(c) | 2025 ^(c) | 2026 ^(c) |
| 1. Special Transportation Fund Net Revenues | 1,394.4 | 1,630.1 | 1,688.1 | 1,516.6 | 1,693.0 | 1,853.9 | 1,994.5 | 2,042.1 | 2,075.3 | 2,118.0 |
| 2. Principal and Interest Requirements of the 2009B – 2021B Senior Bonds ^(d) | 459.4 | 502.7 | 587.3 | 610.8 | 668.9 | 715.8 | 716.0 | 713.0 | 694.8 | 666.0 |
| 3. Actual and Projected Debt Service Coverage for the 2009B – 2021B Senior Bonds ^(e) | 3.0x | 3.2x | 2.9x | 2.5x | 2.6x | 2.6x | 2.8x | 2.9x | 3.0x | 3.2x |
| 4. Projected Principal and Interest Requirements for Additional Senior Bonds ^(f) | - | - | - | - | - | 54.5 | 124.7 | 194.9 | 265.1 | 335.3 |
| 5. Actual and Projected Aggregate Debt Service Coverage for Outstanding and Projected Senior Bonds ^(g) | 3.0x | 3.2x | 2.9x | 2.5x | 2.6x | 2.4x | 2.4x | 2.2x | 2.2x | 2.1x |
| 6. Principal and Interest Requirements on the Outstanding Second Lien Bonds ^(h) | 82.6 | 71.0 | 54.3 | 40.0 | - | - | - | - | - | - |
| 7. Actual and Projected Debt Service Coverage for all Outstanding Senior Bonds and Outstanding Second Lien Bonds ⁽ⁱ⁾ | 2.6x | 2.8x | 2.6x | 2.3x | 2.6x | 2.4x | 2.4x | 2.2x | 2.2x | 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) Per the Office of Policy and Management’s letter to the Comptroller dated April 20, 2021 for the period ending March 31, 2021.
- (c) Pursuant to the January 15, 2021 consensus revenues and estimates of the Office of Policy and Management.
- (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.
- (e) Line 1 divided by Line 2.
- (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: \$875 million at 5.0% for each of fiscal years 2022 through 2026, both inclusive. 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. 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.
- (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 2020 legislative session, no legislation was enacted affecting the Pledged Revenues of the Special Transportation Fund.

During the 2020 regular legislative session, the General Assembly passed Public Act 20-1 (the “Bond Act”), which provides for special tax obligation bond authorizations for transportation projects of \$777,615,000 in fiscal year 2020 and \$782,375,000 in fiscal year 2021. The Bond Act also provides for general obligation bond authorizations for transportation projects of \$200 million in each of fiscal year 2020 and fiscal year 2021.

Pursuant to Section 705 of Public Act 17-2 of the June Special Session (the “2017 Budget Act”), on and after July 1, 2019, the General Assembly is prohibited from authorizing Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (99.5% in fiscal year 2020, 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 exceptions. The General Assembly may not alter the State’s obligation to comply with such cap on Transportation Fund aggregate appropriations prior to June 20, 2023.

Governor’s Proposed Budget Legislative Changes

The 2021 regular legislative session convened on January 6, 2021 and adjourns on June 9, 2021. Accordingly, the State does not yet have an adopted budget for the biennial period fiscal year 2022 and fiscal year 2023. On February 10, 2021, Governor Lamont released his FY 2022 – FY 2023 Biennial Budget Proposal (the “Governor’s Proposed Budget”). The Governor’s Proposed Budget may be found at: <https://portal.ct.gov/OPM/Bud-Budgets/2022-2023-Biennial-Budget/FY-2022-2023-Biennial-Budget>.

The Special Transportation Fund experienced declines in both commuter traffic and transit ridership since the beginning of the COVID-19 outbreak, which declines have led to reductions to transportation revenue sources. Budget adjustments within the Department of Transportation have been recommended to realign current service expenditures to the lower ridership. Public transit ridership is expected to recover in the future, and the Governor’s Proposed Budget recommendations are made to reflect the anticipated ridership rebound trajectory of each service post-pandemic.

Governor’s Proposed Revenue Changes

The Governor’s Proposed Budget recommends establishing a new highway use fee (the “Highway Use Fee”). The Highway Use Fee would be a mileage-based fee on heavy weight trucks applicable to each mile driven in the State, regardless of road location, and the fee would be determined by the weight of the truck. Fees would increase incrementally from 2.5 cents per mile at 26,000 pounds to 10 cents per mile at 78,001 pounds. Operators of trucks which are classified overweight (over 80,000 pounds) would pay a higher fee of 17.5 cents per mile. The proposed effective date of the Highway Use Fee is January 1, 2023 and it is estimated to generate revenue of \$45.0 million in fiscal year 2023, \$90.0 million in fiscal year 2024, \$94.1 million in fiscal year 2025 and \$98.3 million in fiscal year 2026. See Table 8-1 – Governor’s Proposed Revenue Changes - Highway Use Fee.

Additionally, the Governor’s Proposed Budget includes an increase in Sales and Use Tax as a result of additional consumption resulting from the legalization of recreational use cannabis. The Special Transportation Fund receives 0.5% of the 6.35% Sales and Use Tax and that portion of the estimated Sales and Use Tax from the sale of legalized recreational cannabis would flow to the Special Transportation Fund. Sales and Use Tax from the sale of recreational cannabis products is estimated to generate revenue to the Special Transportation Fund of \$0.2 million in fiscal year 2022, \$1.0 million in fiscal year 2023, \$1.9 million in fiscal year 2024, \$2.9 million in fiscal year 2025 and \$3.0 million in fiscal year 2026. See Table 8-1 – Governor’s Proposed Revenue Changes - Sales and Use Tax - Cannabis.

Further, the Governor’s Proposed Budget includes the imposition of a 2.0% convenience fee for credit card use (the “Credit Card Convenience Fee”). Currently, the State does not require a charge for fees placed by credit card companies which costs the Special Transportation Fund approximately \$2.5 million per year. The new 2.0% charge will offset such costs. See Table 8-1 – Governor’s Proposed Revenue Changes - 2% Convenience Fee for Credit Cards.

Governor's Proposed Expenditure Changes

The Governor's Proposed Budget includes small increases in operating expenditures related to the implementation of two policy changes:

- (1) Funding to implement the Highway Use Fee: expenditure increases at the Department of Transportation ("DOT") of \$0.5 million in fiscal year 2023, \$0.4 million in fiscal year 2024, \$0.5 million in fiscal year 2025 and \$0.5 million in fiscal year 2026. See Table 8-1 – Governor's Proposed Expenditure Changes - DOT - Funding to Implement the Highway Use Fee.
- (2) Regulation Costs for the Legalization of Recreational Cannabis: Department of Transportation and Department of Motor Vehicles expenditure increases of \$1.1 million in fiscal year 2022, \$1.1 million in fiscal year 2023, \$1.0 million in fiscal year 2024, \$1.0 million in fiscal year 2025 and \$1.0 million in fiscal year 2026. See Table 8-1 – Governor's Proposed Expenditure Changes – DOT/DMV Regulation Costs-Legalization of Cannabis.

The Governor's Proposed Budget includes the following recommendations for reduction in operating expenses:

- (1) Various expenditure reductions at the Department of Motor Vehicles to reflect current service needs. See Table 8-1 – Governor's Proposed Expenditure Changes - DMV - Operating Savings.
- (2) Expenditure reductions as a result of lower bus and rail ridership levels. Service reductions are expected on both of the major rail lines in Connecticut—Shoreline East and the New Haven Line. Additionally, transit bus routes have been consolidated and the ADA Para-Transit subsidy has been reduced to align with current demand. See Table 8-1 – Governor's Proposed Expenditure Changes - DOT - Service Adjustments.
- (3) Savings from the Transportation and Climate Initiative Program (the "TCI-P"). The TCI-P is a multi-jurisdictional collaboration intended to cap and reduce greenhouse gas ("GHG") emissions from the transportation sector and accelerate investments in an equitable, cleaner, and more resilient transportation system for Connecticut and the region. Fuel suppliers will be required to pay for GHG allowances which will be sold through quarterly auctions which are anticipated to generate between \$80 and \$100 million in revenues. TCI-P revenues will be used to offset the cost of certain public transit services. The Governor's Proposed Budget anticipates a start date of January 1, 2023 with an estimated \$24.3 million in fiscal year 2023 increasing to \$62 million in fiscal year 2024, \$65.5 million in fiscal year 2025 and \$69.0 million in fiscal year 2026. See Table 8-1 – Governor's Proposed Expenditure Changes - DOT - Leverage TCI-P to Fund Climate & Public Transit.
- (4) Additional CRRSA Act support from the federal government. The Governor's Proposed Budget includes \$100 million in each of fiscal year 2022 and fiscal year 2023 in federal support through the CRRSA Act. See Table 8-1 – Governor's Proposed Expenditure Changes – Temporary Federal Support for Transportation.

The Governor's Proposed Budget includes the following recommendations for changes to the State's transportation infrastructure capital plan:

- (1) Pay-As-You-Go Program: Expand the program to support additional capital projects. Additional investments of \$100 million in fiscal year 2022 and \$200 million in fiscal year 2023 for statewide capital programs. See Table 8-1 – Governor's Proposed Expenditure Changes - DOT - Expand Pay-As-You-Go Program for Capital Projects.
- (2) Special Tax Obligation ("STO") Bond Issuance: amend the five-year issuance schedule (FY2022 to FY2026) from \$875 million per fiscal year to \$800 million in fiscal year 2022, \$925 million in fiscal year 2023, \$1.0 billion in each of fiscal year 2024 and fiscal year 2025, and \$1.1 billion in fiscal year 2026. This results in small decreases in debt service of \$4.8 million in fiscal year 2022 and \$2.8 million in fiscal year 2023 and increases of \$6.7 million in fiscal year 2024, \$18.3 million in fiscal year 2025 and \$32.8 million in fiscal year 2026. See Table 8-1 – Governor's Proposed Expenditure Changes - STO Bonds Debt Issuance Schedule.

Governor's Proposed Special Tax Obligation Bond Authorization

The Governor's Proposed Budget also provides for special tax obligation bond authorizations for transportation projects of \$836,910,000 in fiscal year 2022 and \$929,558,000 in fiscal year 2023.

THE DEPARTMENT OF TRANSPORTATION

The State Transportation System

The State's transportation system includes approximately 21,556 miles of public roads (of which approximately 4,159 miles are maintained by the Department); 5,394 state and locally maintained roadway bridges; 293 state maintained 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 304 weekday trains; Shore Line East rail service between New London and New Haven and on to Stamford, operated by Amtrak which provides 26 weekday trains; and approximately 1,176 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 February 11, 2021, had 3,076 employees. The Department's major responsibility is to provide transportation services and facilities to State residents.

The Department is headed by a Commissioner appointed by and directly responsible to the Governor. The Commissioner's office is comprised of 86 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.

Joseph J. Giulietti was named Commissioner of the Connecticut Department of Transportation by Governor Ned Lamont in December, 2019. He is a 47-year veteran of the public transportation industry, having served as President of Metro-North Railroad from 2014 to 2017, and as Deputy Executive Director and then as Executive Director of the South Florida Regional Transportation Authority from 1998 to 2017. Joseph Giulietti has devoted his career to public transportation, starting as a brakeman and assistant conductor at Penn Central Railroad, rising through the ranks until he became president of the MTA Metro-North Railroad, the nation's second largest commuter railroad. Joseph began serving as the Commissioner-designate when the Governor-elect was inaugurated on January 9th and was confirmed by the General Assembly on February 20, 2019.

In August 2019, Mark D. Rolfe was named Deputy Commissioner of the Department. Mark is a 35-year employee of the Department and has held a variety of managerial positions in the Bureau of Engineering and Construction – most recently as Bureau Chief and Chief Engineer. During his career Mark has led some of the most challenging projects delivered by the Department including the I-95 Bridgeport Corridor, CTfastrak, and the Q Bridge Program. As Deputy Commissioner, Mark will have day-to-day responsibility for the Bureau of Highway Operations and Maintenance and the Bureau of Engineering and Construction, with general oversight of Department operations.

In December 2019, Garrett Eucalitto was appointed as Deputy Commissioner of the Department. Garrett comes to the Department after holding various positions, most recently serving as Transportation Program Director at the National Governors Association in Washington, DC. In that capacity, Garrett 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, Garrett 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.

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 1,505 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 repair and maintenance.

Bureau of Engineering and Construction

The Bureau of Engineering and Construction has 954 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 materials testing division.

Bureau of Finance and Administration

The Bureau of Finance and Administration has 305 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 112 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 108 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 of Connecticut, either directly through service provider contracts or in collaboration with the municipally-operated 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 of Transportation'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.

Implementation of and Funding for the Infrastructure Program

The Infrastructure Program began on July 1, 1984. In the first 32 years (fiscal years 1985-2016), \$29.9 billion has been utilized to fund the Infrastructure Program, consisting of the issuance of \$12.6 billion in Senior Bonds and Second Lien Bonds, \$722.6 million in State appropriations, \$16.4 billion in federal funds and \$128.2 million in other resources.

The following is a brief description of the components of the Infrastructure Program for fiscal years 2017-2026. The sources of funding for this period of the program are set forth in the table 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 major portion of the program is dependent upon the availability of federal funds. The

federal figures for fiscal years 2020-2026 are projections based upon the current federal Fixing America's Surface Transportation Act (FAST Act), enacted December 4, 2015. Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted July 6, 2012, provided federal funding for surface transportation programs for federal fiscal years 2013 and 2014. Passage of numerous short-term extensions provided funding to continue specified federal-aid highway programs and other federal programs under MAP-21 until passage of the FAST Act.

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 \$1.13 billion of which \$999.4 million is expected to be paid by federal funds and the remainder, or \$130 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 \$2.06 billion. A portion of the program is eligible for federal funding, which is currently projected at \$1.62 billion. State funds are expected to pay for \$440 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 \$1.61 billion. The State's share of such costs is estimated to be \$340 million, with the balance of \$1.27 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.

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 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 \$4.25 billion of which \$1.84 billion is estimated to be supported by federal funds and \$2.41 billion is estimated to be funded from State bond proceeds.

Aviation

Through fiscal year 2017, the Aviation Program included the costs of capital improvements to the major airport facilities in the State excluding Bradley International Airport. Capital projects for the State's five General Aviation Airports in Windham, Oxford, Groton, Danielson, and Hartford, as well as improvements at municipal airports in New Haven, Meriden, Danbury, Bridgeport, and Plainville, totaled \$42.6 million, of which \$6.0 million was financed with State funds. Beginning in fiscal year 2018, the CAA is responsible for capital improvements at such airports.

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 \$914.3 million, of which \$901.4 million is expected to be paid from bond proceeds, \$12.9 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 are in need of immediate repair. 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 \$1.61 billion for this program will be funded from State bond proceeds, as no additional federal funds are available.

Local Transportation Capital Improvement Program (LOTICIP)

The State Local Transportation Capital Improvement Program provides State moneys 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 otherwise eligible for federal program funding, ranging from roadway reconstruction, bridge repairs, intersection improvements, and signalization in an effort to streamline the flow of capital funding to local governments. The Department in turn utilizes the federal funds and deals with federal procedures and restrictions. It is estimated to cost \$654.0 million for this program, entirely funded from State bond proceeds.

Let’s Go CT!

The “Let’s Go CT!” initiative is a long-term strategic plan for the State’s transportation infrastructure network and will provide 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 first phase of funding such plan with bond authorizations as follows: \$274.8 million in fiscal year 2016, \$520.2 million in fiscal year 2017, \$551.7 million in fiscal year 2018, \$749.8 million in fiscal year 2019 and \$706 million in fiscal year 2020.

Other

The Infrastructure Program includes the costs of renovating, repairing and expanding maintenance garages and other administrative facilities of the Department, and the costs of purchasing leased facilities. The Infrastructure Program also provides funding for STP/Urban Systems, Special Projects, Department of Transportation Facilities, Hazardous Waste and Waterways.

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 2017-2026 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^(a)
(\$ In Millions)

| AUTHORIZATIONS | Fiscal Year Ending June 30 | | | | | | | | | | |
|---|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
| INTERSTATE | | | | | | | | | | | |
| BONDS | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 130.0 |
| FEDERAL | 92.3 | 92.3 | 116.0 | 116.0 | 116.0 | 116.0 | 116.0 | 116.0 | 116.0 | 116.0 | 1,112.6 |
| INTRASTATE | | | | | | | | | | | |
| BONDS | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 440.0 |
| FEDERAL | 160.0 | 160.0 | 180.0 | 180.0 | 180.0 | 180.0 | 180.0 | 180.0 | 180.0 | 180.0 | 1,760.0 |
| STATE BRIDGE | | | | | | | | | | | |
| BONDS | 43.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 340.0 |
| FEDERAL | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 132.0 | 1,320.0 |
| LOCAL BRIDGE | | | | | | | | | | | |
| BONDS | 10.0 | 0.0 | 24.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 104.0 |
| TRANSIT | | | | | | | | | | | |
| BONDS | 268.1 | 236.3 | 246.0 | 236.0 | 236.0 | 265.0 | 265.0 | 265.0 | 265.0 | 265.0 | 2,547.4 |
| FEDERAL | 172.2 | 175.1 | 192.1 | 195.4 | 195.4 | 195.4 | 195.4 | 195.4 | 195.4 | 195.4 | 1,907.2 |
| AVIATION ^(b) | | | | | | | | | | | |
| BONDS | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 |
| FEDERAL | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.9 |
| RESURFACING | | | | | | | | | | | |
| BONDS | 75.0 | 75.0 | 75.0 | 106.5 | 106.5 | 106.5 | 106.5 | 106.5 | 106.5 | 106.5 | 970.5 |
| APPROPRIATIONS - PAYGO | 0.7 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 9.7 |
| FEDERAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FIX-IT-FIRST (BRIDGE & ROAD) | | | | | | | | | | | |
| BONDS | 125.0 | 166.1 | 154.8 | 185.0 | 185.0 | 185.0 | 185.0 | 185.0 | 185.0 | 185.0 | 1,740.9 |
| SAFETY - PAYGO | | | | | | | | | | | |
| APPROPRIATIONS | 0.8 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 4.4 |
| FEDERAL | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 |
| STP/URBAN SYSTEMS | | | | | | | | | | | |
| BONDS | 12.1 | 14.8 | 16.2 | 16.8 | 16.8 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 161.6 |
| FEDERAL | 55.4 | 70.6 | 73.3 | 76.4 | 76.4 | 76.4 | 76.4 | 76.4 | 76.4 | 76.4 | 734.1 |
| OTHER ^(c) | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 |
| PAYGO: OTHER ROAD & BRIDGE | | | | | | | | | | | |
| APPROPRIATIONS | 13.1 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 122.9 |
| FEDERAL | 21.0 | 25.0 | 25.0 | 41.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 388.0 |
| LOCAL TRANS CAPITAL IMPR PROG (LOTICIP) | | | | | | | | | | | |
| BONDS | 74.0 | 62.0 | 64.0 | 67.0 | 67.0 | 67.0 | 67.0 | 67.0 | 67.0 | 67.0 | 669.0 |
| LET'S GO CT! | | | | | | | | | | | |
| BONDS | 520.2 | 129.0 | 135.0 | 214.0 | 661.0 | 305.7 | 202.4 | 148.4 | 72.8 | 30.8 | 2,419.3 |
| SPECIAL PROJECTS | | | | | | | | | | | |
| BONDS | 10.8 | 40.4 | 40.4 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 413.6 |
| OTHER: DOT FACILITY + HAZ WASTE & WATERWAYS | | | | | | | | | | | |
| BONDS | 46.7 | 80.8 | 59.2 | 19.4 | 25.1 | 25.1 | 25.1 | 25.1 | 25.1 | 25.1 | 356.7 |
| TOTALS | | | | | | | | | | | |
| BONDS | 1,243.9 | 894.4 | 904.6 | 990.7 | 1,443.4 | 1,117.3 | 1,014.0 | 960.0 | 884.4 | 842.4 | 10,295.0 |
| APPROPRIATIONS | 14.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 137.0 |
| FEDERAL | 646.7 | 655.0 | 718.4 | 740.8 | 745.8 | 745.8 | 745.8 | 745.8 | 745.8 | 745.8 | 7,235.7 |
| OTHER | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 |
| TOTAL | 1,906.6 | 1,563.0 | 1,636.6 | 1,745.1 | 2,202.8 | 1,876.7 | 1,773.4 | 1,719.4 | 1,643.8 | 1,601.8 | 17,669.1 |

(a) Through fiscal year 2020, all line items captioned "Bonds" refer to legislative bond authorizations, not bond issuances. For fiscal years 2021-2026, the amounts represent the portion of authorizations that are anticipated to be utilized. The Fixing America's Surface Transportation Act (FAST Act), enacted December 4, 2015, authorizes federal highway, safety, transit and rail programs for five years from federal fiscal years 2016 through 2021. See "Implementation of and Funding for the Infrastructure Program" herein. For a summary of the enacted tax, fee and charge adjustments underlying these projections, see Table 2 and Table 3.

(b) Excluding Bradley International Airport.

(c) Local funds.

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 2026.

TABLE 11
Program Project Commitments and Actual and Projected Annual Bond Issuances
(\$ In Millions)

| | Fiscal Year Ending June 30 | | | | | | | | | | | |
|---|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------|---------|-------|-------|-------|----------|
| | 1985 - 2016 ^(a) | 2017 ^(a) | 2018 ^(a) | 2019 ^(a) | 2020 ^(a) | 2021 ^(a) | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
| Program Project Commitments | 12,558.7 | 1,243.9 | 894.4 | 904.6 | 990.7 | 1,443.4 | 1,117.3 | 1,014.0 | 960.0 | 894.4 | 842.4 | 22,863.7 |
| Issuance and Reserve Authority | 868.9 | 40.0 | 55.0 | 55.0 | 55.0 | 60.0 | 60.0 | 60.0 | 65.0 | 65.0 | 65.0 | 1,448.9 |
| Actual and Projected Annual Issuances ^{(b)(c)} | 9,920.2 | 800.0 | 800.0 | 750.0 | 850.0 | 875.0 | 875.0 | 875.0 | 875.0 | 875.0 | 875.0 | 18,370.2 |

(a) Actual authorized program commitments and bonds issued.

(b) 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.

(c) After 2026, additional special tax obligation bonds in an amount estimated at \$5.9 billion (which is equal to the Total Program Project Commitments of \$22.9 billion plus the Total Issuance and Reserve Authority of \$1.4 billion minus the Total Actual and Projected Annual Issuances of \$18.4 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 and because a portion of the special tax obligation bond proceeds in each fiscal year is expected to fund Reserve Accounts and issuance costs.

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 federal budgeting procedures, the Department has developed annual projections of federal aid for the next three 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 budget 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 discussion 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 above a certain size are awarded as a result of sealed bids. The Department is usually billed monthly by outside contractors and to ensure proper progress of the project, Department liaisons make site checks. 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 \$17.8 billion in federal funds with respect to the Infrastructure Program projects that have been approved by the State Bond Commission. An additional \$628 million in federal funds is expected to be received for projects to be paid from approved State appropriations for the Department.

Most 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 at least every two weeks through the State's integrated CORE-CT financial system. 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 through CORE-CT.

In addition to processing reimbursement requests, the billing system has built-in controls to assure compliance with federal cost limits and other federal requirements. The system also produces 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 24 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.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Continuing Disclosure Agreements

The State will enter into a Continuing Disclosure Agreement with respect to the 2021 Series A and B Bonds, substantially in the form attached as Appendix F-1 to this Official Statement, and a Continuing Disclosure Agreement with respect to the 2021 Series C Bonds, substantially in the form attached as Appendix F-2 to this Official Statement (each a "Continuing Disclosure Agreement," and together, the "Continuing Disclosure Agreements"), 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 with respect to the 2021 Series A and B Bonds and the 2021 Series C Bonds, respectively, 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 respective Continuing Disclosure Agreement. The Underwriters' obligation to purchase the 2021 Series A and B Bonds and the 2021 Series C Bonds shall be conditioned upon their receiving, at or prior to the delivery of such bonds, an executed copy of the respective 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, 2021.

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. The State has determined it did not file an event notice for (i) a rating upgrade of its Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A in May 2016, (ii) a rating downgrade of its Certificates of Participation (Connecticut Juvenile Training School Energy Center Project) in April 2018, (iii) a rating upgrade of the short-term rating on the State's General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) in June 2018 and (iv) a notice of the incurrence of 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 notices after discovering each omission. In making this disclosure, the State has not concluded and does not admit that these omissions are a material failure to comply with its continuing disclosure obligations. The State has modified its disclosure practices to prevent such failures in the future.

Certain prior annual reports of the State and other required reports are available from the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), 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 2021 Series A and B Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2021 Series A and B 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 2021 Series A and B Bonds, or the levy or collection of the Pledged Revenues or other receipts, funds or moneys pledged for the security of the 2021 Series A and B Bonds under the Act, the Public and Special Acts and the Indentures, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B Bonds under the Act, the Public and Special Acts and the Indentures which has not been disclosed in this Official Statement.

Upon delivery of the 2021 Series C Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2021 Series C 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 2021 Series C Bonds, or the levy or collection of the Pledged Revenues or other receipts, funds or moneys pledged for the security of the 2021 Series C Bonds under the Act, the Public and Special Acts and the Indentures, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2021 Series C 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 2021 Series C 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 2021 Series C Bonds under the Act, the Public and Special Acts and the Indentures which has not been disclosed in this Official Statement.

Certain Legal Matters

Legal matters related to the authorization, issuance and delivery of the 2021 Series A, B and C Bonds are subject to the approval of Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel and Lewis & Munday, A Professional Corporation, Detroit, Michigan, with offices in Glastonbury, Connecticut, Co-Bond Counsel. The opinions of Bond Counsel and Co-Bond Counsel will be attached to the 2021 Series A and B Bonds in substantially the form included in this Official Statement as Appendix E-1. The opinions of Bond Counsel and Co-Bond Counsel will be attached to the 2021 Series C Bonds in substantially the form included in this Official Statement as Appendix E-2. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Squire Patton Boggs (US) LLP, New York, New York, and Shipman & Goodwin LLP, Hartford, Connecticut.

Certificate of State Officials

The purchasers of the 2021 Series A and B Bonds shall receive a certificate, dated the date of delivery of the 2021 Series A and B 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.

The purchasers of the 2021 Series C Bonds shall receive a certificate, dated the date of delivery of the 2021 Series C 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, the Updated Official Statement, as of its date, and as of the date of the certificate, do 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 and the Updated 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.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to delivery of the 2021 Series A, B and C Bonds in order that interest on the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A and B Bonds

The Tax Regulatory Agreement of the State which will be delivered concurrently with the delivery of the 2021 Series A and B 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 2021 Series A and B Bonds shall be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code.

In the opinion of Bond Counsel and Co-Bond Counsel, under existing law, interest on the 2021 Series A and B Bonds is excludable from gross income of the owners thereof for Federal income tax purposes and is not treated as a preference item in calculating the Federal alternative minimum tax.

In rendering the foregoing opinions, Bond Counsel and Co-Bond Counsel have assumed compliance by the State with the Tax Regulatory Agreement for the 2021 Series A and B Bonds. For other Federal tax information with respect to the 2021 Series A and B Bonds, see “Original Issue Discount,” “Original Issue Premium” and “Certain Additional Tax Information” below under this “Tax Exemption” section.

Further, in the opinion of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2021 Series A and B 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 2021 Series A and B Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2021 Series A and B Bonds and the disposition of 2021 Series A and B 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 2021 Series A and B Bonds, in gross income for purposes of the Corporation Business Tax.

The 2021 Series C Bonds

The following discussion is provided to the prospective purchasers of the 2021 Series C Bonds for the purposes of alerting them to the tax consequences that would be applicable if the 2021 Series C Bonds were issued and delivered as of the date of this Official Statement. HOWEVER, THERE IS NO ASSURANCE THAT THE FEDERAL AND STATE TAX LAW WILL REMAIN UNCHANGED BETWEEN THE DATE OF THIS OFFICIAL STATEMENT AND THE FORWARD SETTLEMENT DATE. THE ACTUAL TAX CONSEQUENCES WILL BE ASSESSED BY BOND COUNSEL AND CO-BOND COUNSEL AT THE TIME OF THE ISSUANCE OF THE 2021 SERIES C BONDS.

It is a condition to the issuance of the 2021 Series C Bonds that, on the Forward Settlement Date, Bond Counsel and Co-Bond Counsel deliver their approving opinions substantially in the form and to the effect as set forth in Appendix E-2 to this Official Statement. The ability of Bond Counsel and Co-Bond Counsel to deliver such opinions is subject to the future activity of the State, the receipt of certain certifications received, and Bond Counsel and Co-Bond Counsel's review and analysis at the time of delivery of the 2021 Series C Bonds and the related transactions in light of pertinent provisions of the laws, regulations, rulings and court decisions and interpretations thereof then in effect or proposed to be in effect.

The Tax Regulatory Agreement of the State which will be delivered concurrently with the delivery of the 2021 Series C 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 2021 Series C Bonds shall be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code.

In the opinion of Bond Counsel and Co-Bond Counsel, under existing law, interest on the 2021 Series C Bonds is excludable from gross income of the owners thereof for Federal income tax purposes and is not treated as a preference item in calculating the Federal alternative minimum tax.

In rendering the foregoing opinions, Bond Counsel and Co-Bond Counsel have assumed compliance by the State with the Tax Regulatory Agreement for the 2021 Series C Bonds. For other Federal tax information with respect to the 2021 Series C Bonds, see “Original Issue Discount,” “Original Issue Premium” and “Certain Additional Tax Information” below under this “Tax Exemption” section.

Further, in the opinion of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2021 Series C 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 2021 Series C Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2021 Series C Bonds and the disposition of 2021 Series C 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 2021 Series C Bonds, in gross income for purposes of the Corporation Business Tax.

Original Issue Discount

With respect to any of the 2021 Series A, B and C Bonds where the initial public offering price of such 2021 Series A, B and C Bonds is less than the amount payable on those 2021 Series A, B and C 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 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 bonds by such owner. Original issue discount on any 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 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 2021 Series A, B and C Bonds where the initial public offering price of such 2021 Series A, B and C Bonds is greater than the amount payable on those 2021 Series A, B and C 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 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 2021 Series A, B and C Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Ownership of the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds, gain from the sale or other disposition of the 2021 Series A, B and C Bonds, the market value of the 2021 Series A, B and C Bonds, or the marketability of the 2021 Series A, B and C Bonds, or otherwise prevent the owners of the 2021 Series A, B and C 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 2021 Series A, B and C Bonds. No assurance can be given with respect to the impact of future legislation on the 2021 Series A, B and C Bonds. Prospective purchasers of the 2021 Series A, B and C 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 2021 Series A, B and C Bonds may affect the tax status of interest on the 2021 Series A, B and C 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 2021 Series A, B and C 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 2021 Series A, B and C 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 a 2021 Series A Bond, a 2021 Series B Bond or a 2021 Series C Bond. Prospective owners of the 2021 Series A, B and C 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 2021 Series A, B and C Bonds.

RATINGS

Moody's Investors Service (Moody's), S&P Global Ratings ("S&P"), Fitch Ratings ("Fitch") and Kroll Bond Rating Agency ("Kroll") have assigned their municipal bond ratings of "Aa3," "A+," "A+" and "AA+," respectively, to the 2021 Series A, B and C Bonds. 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 2021 Series A, B and C 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 2021 Series A, B and C Bonds.

FINANCIAL ADVISORS

The State has appointed Estrada Hinojosa & Company, Inc. and Public Financial Management, Inc. to serve as co-financial advisors to assist it in the issuance of the 2021 Series A, B and C Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the 2021 Series A and B Bonds at a purchase price of \$1,105,658,321.55 which is the sum of the purchase price of the 2021 Series A and B Bonds (representing the principal amount of the 2021 Series A and B Bonds plus original issue premium of \$222,660,881.80 and less the underwriters' discount of \$3,697,560.25). The 2021 Series A and B 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 2021 Series A and B 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.

The Underwriters have agreed to purchase the 2021 Series C Bonds at a purchase price of \$171,563,238.02 which is the sum of the purchase price of the 2021 Series C Bonds (representing the principal amount of the 2021 Series C Bonds plus original issue premium of \$27,827,711.20 and less the underwriters' discount of \$454,473.18). The 2021 Series C 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 2021 Series C 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 2021 Series A, B and C 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 Joseph J. Giuliatti, 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: Sarah Sanders, 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 2021 Series A, B and C 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. The State's independent auditors have agreed by letter to the State dated as of the date hereof that the Independent Auditors' report, which is Appendix C to this Official Statement, may be included in 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 2021 Series A, B and C Bonds.

STATE OF CONNECTICUT

By: /s/ Shawn T. Wooden
Hon. Shawn T. Wooden
Treasurer of the
State of Connecticut

By: /s/ Melissa McCaw
Hon. Melissa McCaw
Secretary of the
Office of Policy and Management

By: /s/ Joseph J. Giulietti
Hon. Joseph J. Giulietti
Commissioner of the
Department of Transportation

Dated at Hartford, Connecticut
This 23rd day of April, 2021

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, 2021 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.

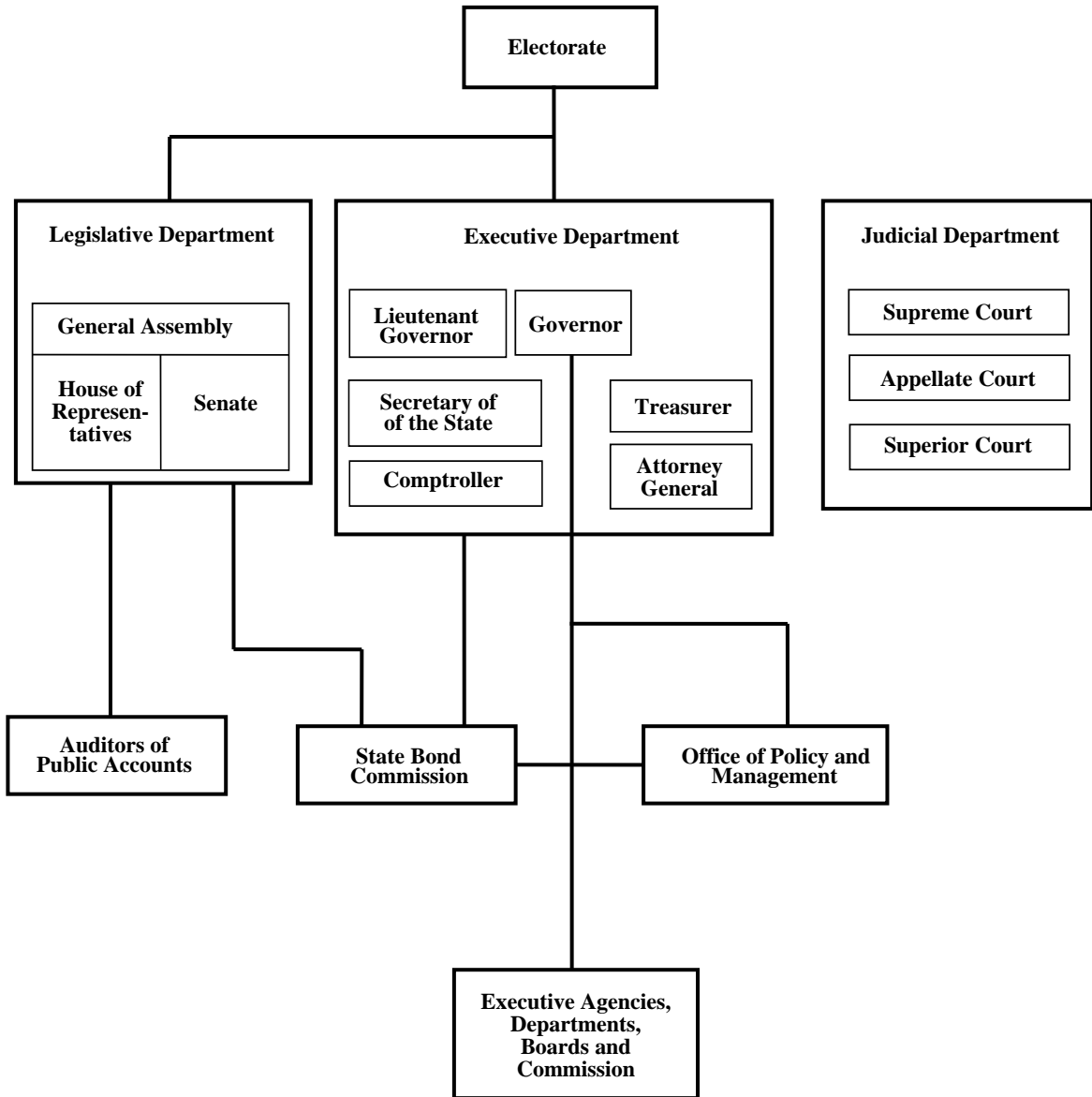
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2018, and the new members took office in January 2021.

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 2018 for terms beginning in January 2019. 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 135 sitting judges as of February 15, 2021, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

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

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the

Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

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

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

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

State Employees

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

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

| <u>Function Headings^(b)</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Legislative | 693 | 557 | 535 | 531 | 532 |
| General Government..... | 2,995 | 2,849 | 2,690 | 2,735 | 2,767 |
| Regulation and Protection..... | 4,201 | 4,075 | 3,793 | 3,685 | 3,749 |
| Conservation and Development.... | 1,365 | 1,491 | 1,289 | 1,338 | 1,353 |
| Health and Hospitals..... | 6,807 | 5,906 | 5,917 | 5,813 | 5,792 |
| Transportation..... | 4,258 | 4,638 | 4,380 | 4,288 | 4,469 |
| Human Services..... | 1,834 | 1,677 | 2,025 | 2,070 | 2,094 |
| Education | 17,311 | 17,232 | 16,445 | 16,045 | 16,276 |
| Corrections | 8,695 | 8,248 | 8,187 | 8,616 | 8,706 |
| Judicial..... | <u>4,490</u> | <u>4,068</u> | <u>3,862</u> | <u>4,154</u> | <u>4,166</u> |
| Total | 52,649 | 50,741 | 49,123 | 49,275 | 49,904 |

(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, 2020 ^{(a)(b)}
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 | 532 | -- | -- | -- | -- | 532 |
| General Government | 2,510 | -- | 24 | 88 | 145 | 2,767 |
| Regulation and Protection | 1,973 | 611 | 403 | 503 | 259 | 3,749 |
| Conservation and Development | 731 | 27 | 121 | 72 | 402 | 1,353 |
| Health and Hospitals | 5,360 | -- | 25 | -- | 407 | 5,792 |
| Transportation | -- | 3,015 | -- | 580 | 874 | 4,469 |
| Human Services | 1,797 | -- | 7 | -- | 290 | 2,094 |
| Education | 5,077 | -- | -- | 10,993 | 206 | 16,276 |
| Corrections | 8,610 | -- | -- | 81 | 15 | 8,706 |
| Judicial | <u>4,098</u> | <u>--</u> | <u>10</u> | <u>21</u> | <u>37</u> | <u>4,166</u> |
| Total | 30,688 | 3,653 | 590 | 12,338 | 2,635 | 49,904 |

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

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

SOURCE: OPM

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

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

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

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

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

| <u>Bargaining Unit/Status Group</u> | <u>Percentage of State Employees Represented^(a)</u> | <u>Contract Status, if any^(b)</u> |
|--|--|--|
| <u>Covered by Collective Bargaining</u> | | |
| Administrative and Residual (P-5) | 5.90% | Contract in place through 6/30/2021 |
| Administrative Clerical (NP-3) | 5.40 | Contract in place through 6/30/2021 |
| American Federation of School Administrators | 0.12 | Contract in place through 6/30/2021 |
| Assistant Attorneys General (P-6) | 0.36 | Contract in place through 6/30/2021 |
| Assistant Attorney General Dept. Heads (P-7) | 0.03 | Contract in place through 6/30/2021 |
| Board for State Academic Awards Prof | 0.12 | Contract in place through 6/30/2021 |
| Community College Administration - AFSCME | 0.17 | Contract in place through 6/30/2021 |
| Community College Administration – CCCC | 1.35 | Contract in place through 6/30/2021 |
| Community College AFT – Counselors/Librarians | 0.02 | Contract in place through 6/30/2021 |
| Community College Faculty – AFT | 0.34 | Contract in place through 6/30/2021 |
| Community College Faculty – CCCC | 1.18 | Contract in place through 6/30/2021 |
| Connecticut Association of Prosecutors | 0.44 | Contract in place through 6/30/2021 |
| Correctional Officers (NP-4) | 8.50 | Contract in place through 6/30/2021 |
| Correctional Supervisor (NP-8) | 1.06 | Contract in place through 6/30/2021 |
| Criminal Justice Inspectors | 0.12 | Contract in place through 6/30/2021 |
| Criminal Justice Residual | 0.23 | Contract in place through 6/30/2021 |
| DCF Program Supervisors - AFSCME | 0.20 | Contract in place through 6/30/2021 |
| DPDS Asst Public Defenders | 0.33 | Contract in place through 6/30/2021 |
| DPDS Supervising Attorneys - AFSCME | 0.05 | Contract in place through 6/30/2021 |
| Education Administrative (P-3A) | 0.39 | Contract in place through 6/30/2021 |
| Education Technical (P-3B) | 0.94 | Contract in place through 6/30/2021 |
| Engineering, Scientific and Technical (P-4) | 5.03 | Contract in place through 6/30/2021 |
| GEU-UAW Graduate Empl Union | 2.99 | Contract in place through 6/30/2021 |
| Health Care Unit-Non-Professional (NP-6) | 5.03 | Contract in place through 6/30/2021 |
| Health Care Unit-Professional (P-1) | 5.75 | Contract in place through 6/30/2021 |
| Higher Education – Professional Employees | 0.08 | Contract in place through 6/30/2021 |
| Judicial - Judicial Marshals | 1.16 | Contract in place through 6/30/2021 |
| Judicial – Law Clerks | 0.12 | Contract in place through 6/30/2021 |
| Judicial – Non-Professional | 2.26 | Contract in place through 6/30/2021 |
| Judicial – Non-Professional B | 0.25 | Contract in place through 6/30/2021 |
| Judicial – Professional | 2.35 | Contract in place through 6/30/2021 |
| Judicial – Professional B | 0.36 | Contract in place through 6/30/2021 |
| Judicial - Supervising Judicial Marshals | 0.09 | Contract in place through 6/30/2021 |
| Judicial – Professional Appellate | 0.04 | Contract in place through 6/30/2021 |
| Protective Services (NP-5) | 1.51 | Contract in place through 6/30/2021 |
| Service/Maintenance (NP-2) | 7.17 | Contract in place through 6/30/2021 |
| Social and Human Services (P-2) | 7.85 | Contract in place through 6/30/2021 |
| State Vocational Federation of Teachers | 2.35 | Contract in place through 6/30/2021 |
| State Police (NP-1) | 2.07 | Contract in place through 6/30/2022 |
| State Police Lieutenants and Captains (NP-9) | 0.03 | Contract in place through 6/30/2021 |
| State University-Faculty | 2.79 | Contract in place through 6/30/2021 |
| State University- Non-Faculty Professional | 1.72 | Contract in place through 6/30/2021 |
| UHC – Faculty | 0.12 | Contract in place through 6/30/2021 |
| UHC – Faculty AAUP | 0.78 | Contract in place through 6/30/2021 |
| UHC University Health Professionals | 4.32 | Contract in place through 6/30/2021 |
| UConn – Faculty | 3.63 | Contract in place through 6/30/2021 |
| UConn – Law School Faculty | 0.10 | Contract in place through 6/30/2021 |
| UConn - Non-Faculty | <u>3.81</u> | Contract in place through 6/30/2021 |
| Total Covered by Collective Bargaining | 91.05 % | |
| <u>Not Covered by Collective Bargaining</u> | | |
| Auditors of Public Accounts | 0.22 % | Not Applicable |
| Other Employees | <u>8.73 %</u> | Not Applicable |
| Total Not Covered by Collective Bargaining | <u>8.95%</u> | |
| Total Full-Time Work Force | 100.00% | |

(a) Percentage expressed reflects approximately 49,571 filled full-time positions as of February 1, 2021.

(b) With the exception of the State Police bargaining unit, all collective bargaining contracts expire on June 30, 2021.

SOURCE: OPM

Governmental Services

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

TABLE A-5
Function of Government Headings ^{(a)(b)}

Conservation and Development

Department of Agriculture
Department of Energy and
Environmental Protection
Council on Environmental Quality
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
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, 2020.

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 is the overwhelming priority facing the State at this time. But the other potential disasters still occur, such as Tropical Storm Isaias in 2020, and the State responds by following the all-hazards State Response Framework and operating the CT Intelligence Center described below.

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. Since March of 2020, DESPP/DEMHS has managed the full activation of the State Emergency Operations Center for the COVID-19 pandemic response. With the CT Department of Public Health as the lead agency, DESPP/DEMHS participates in and coordinates various COVID planning, operations, and logistics response and recovery actions.

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 four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population decreased 1.0% from 2011 to 2020 versus an increase of 2.1% in New England and 5.7% for the nation. The mid-2020 population in Connecticut was estimated at 3.56 million a 0.3% change from a year ago, compared to a decrease of 0.1% for New England and an increase of 0.3% for the United States. From 2011 to 2020, within New England, Massachusetts (4.1%), New Hampshire (3.4%), Maine (1.6%), Rhode Island (0.3%) and Vermont (0.6%) all experienced growth higher than Connecticut (1.0%).

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 |
| 2011.... | 3,589 | 0.4 | 14,540 | 0.7 | 311,874 | 1.0 |
| 2012.... | 3,595 | 0.2 | 14,600 | 0.4 | 314,146 | 0.7 |
| 2013.... | 3,596 | 0.0 | 14,657 | 0.4 | 316,351 | 0.7 |
| 2014.... | 3,594 | (0.0) | 14,710 | 0.4 | 318,680 | 0.7 |
| 2015.... | 3,587 | (0.2) | 14,739 | 0.2 | 321,036 | 0.7 |
| 2016.... | 3,580 | (0.2) | 14,771 | 0.2 | 323,334 | 0.7 |
| 2017.... | 3,575 | (0.1) | 14,810 | 0.3 | 325,340 | 0.6 |
| 2018.... | 3,573 | (0.1) | 14,839 | 0.2 | 327,027 | 0.5 |
| 2019.... | 3,565 | (0.2) | 14,852 | 0.1 | 328,493 | 0.4 |
| 2020.... | 3,555 | (0.3) | 14,843 | (0.1) | 329,529 | 0.3 |

NOTE: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2011-2020 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 2020 population density of 641 persons per square mile, as compared with 87 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

Education. In 2019 Connecticut ranked 5th in the nation with 39.3% of the State population over the age of 25 holding a bachelor's degree or higher.

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

Industry Landscape. Connecticut is home to some of the country's leading companies, including, but not limited to the following members of the 2020 Fortune 500: Cigna, Charter Communications, Hartford Financial Services, Synchrony Financial, XPO Logistics, Booking Holdings, Stanley Black & Decker, Xerox, Frontier Communications, Amphenol, EMCOR Group, United Rentals 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 2019, Bradley, offered more than 500 commercial flights every day to 30 non-stop destinations and was served by virtually all the major passenger and cargo air carriers. Those flights served nearly 6.7 million customers in 2019. As a result of COVID-19, passenger counts were reduced by 64% to 2.4 million. Overall commercial operations have been down 50% to 60% during the course of the pandemic.

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 served approximately 42 million passengers each year. Since the beginning of the COVID-19 pandemic, passenger counts have significantly declined by approximately 70% for 2020. State-funded, contracted public bus and paratransit transportation programs provided approximately 42 million passenger trips a year on urban transit, commuter express bus, rural transit, and Americans with Disabilities Act paratransit services. The overall program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent, locally-governed and operated transit districts. However, since the COVID-19 pandemic, passenger trips have declined by approximately 30%. 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 Regional Transmission Organization for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Most consumers in Connecticut 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 Connecticut's standard service. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Eversource Energy and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control (DPUC), but must receive a license issued by the 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. The legislation declares DEEP as a successor to the PURA, and divides DEEP into three bureaus, Energy, Environmental Protection and PURA.

PURA staff is responsible for developing a plan for the procurement of electric generation services and related wholesale electricity market products that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels.

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. 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 energy efficiency.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from 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 a New Haven, Connecticut-based utility holding company.

Since 1996 the 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. 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 3.07 thousand British Thermal Units (BTU) per 2012 chained dollar of Gross State Product in 2018, the latest available data, ranking it the 4th most efficient state among the 50 states and 43.4% less than the national average of 5.42 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 210.8 million BTU of energy per person in 2018, ranking it 45th among the 50 states plus the District of Columbia and 31.9% less than the national average of 309.4 million BTU.

Energy prices in Connecticut have been relatively flat since 2018 but remain elevated relative to the nation. Nationally, home heating oil, gasoline and natural gas prices have begun to flatten after rising since 2016, signaling market stability after dramatic declines in prices starting in 2014. For the past decade the United States has experienced a significant rise in oil production, due in large part to technological innovations in the area of shale oil fracking. To maintain market share oil exporters increased production, even as prices declined, as many of their economies rely heavily on such energy resources. All of this, in combination with the COVID-19 pandemic a reduction in demand in Europe and weakening economic growth in China and emerging markets, have led to a historic oversupply in the oil market which drove prices down. The Energy Information Administration does not forecast significant changes in energy prices and expects to see prices remain flat into the near future.

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 2019, per capita personal income in Connecticut equaled \$77,888, the highest of any state in the nation. 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 2019 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 2010 to 2019 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> (Millions of Dollars) | <u>Per Capita</u> (Dollars) | <u>New England</u> | <u>United States</u> |
| 2010 | \$222,226 | \$62,079 | 119.2% | 153.1% |
| 2011 | 228,929 | 63,781 | 118.0 | 149.3 |
| 2012 | 233,338 | 64,908 | 116.5 | 145.5 |
| 2013 | 228,472 | 63,540 | 114.7 | 141.7 |
| 2014 | 239,001 | 66,494 | 114.9 | 141.3 |
| 2015 | 245,244 | 68,364 | 113.0 | 139.6 |
| 2016 | 250,179 | 69,891 | 112.3 | 139.8 |
| 2017 | 256,349 | 71,697 | 111.2 | 137.6 |
| 2018 | 267,346 | 74,824 | 110.9 | 137.1 |
| 2019 | 275,557 | 77,288 | 110.9 | 136.9 |

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, of 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>Conn.</u> (Current) | <u>New England</u> (Current) | <u>U.S.</u> (Current) | <u>Conn.</u> (Constant) | <u>New England</u> (Constant) | <u>U.S.</u> (Constant) |
|----------------------|---------------------------|---------------------------------|--------------------------|----------------------------|----------------------------------|---------------------------|
| 2010 | 4.0% | 4.4% | 4.1% | 3.0% | 3.0% | 2.3% |
| 2011 | 3.0 | 4.3 | 6.2 | 0.9 | 2.0 | 3.6 |
| 2012 | 1.9 | 3.5 | 5.1 | (0.2) | 1.9 | 3.2 |
| 2013 | (2.1) | (0.2) | 1.2 | (2.8) | (1.4) | (0.1) |
| 2014 | 4.6 | 4.8 | 5.7 | 3.0 | 2.9 | 4.2 |
| 2015 | 2.6 | 4.8 | 4.9 | 2.5 | 4.4 | 4.7 |
| 2016 | 2.0 | 3.1 | 2.8 | 2.3 | 1.6 | 1.7 |
| 2017 | 2.5 | 3.9 | 4.9 | 1.6 | 2.2 | 3.0 |
| 2018 | 4.3 | 4.8 | 5.3 | 2.9 | 2.5 | 3.1 |
| 2019 | 3.1 | 3.4 | 3.9 | 1.8 | 1.9 | 2.4 |

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 2019.

TABLE A-9
Sources of Personal Income By Place of Residence
Calendar Year 2019
(In Millions)

| | <u>Conn.</u> | <u>Percent of Total</u> | <u>U.S.</u> | <u>Percent of Total</u> |
|---|--------------|-----------------------------|----------------|-----------------------------|
| Wages in Non-manufacturing..... | \$122.3 | 44.4% | \$ 8,399.0 | 45.3% |
| Property Income (Div., Rents & Int.) | 61.0 | 22.1 | 3,755.0 | 20.2 |
| Wages in Manufacturing | 15.8 | 5.7 | 910.3 | 4.9 |
| Transfer Payments less Social Insurance Paid..... | 15.5 | 5.6 | 1,706.4 | 9.2 |
| Other Labor Income..... | 30.5 | 11.1 | 2,123.1 | 11.4 |
| Proprietor's Income | <u>30.5</u> | <u>11.1</u> | <u>1,657.7</u> | <u>8.9</u> |
| Personal Income — Total | \$275.6 | 100.0% | \$18,551.5 | 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 2019, the State produced \$287.8 billion worth of goods and services and \$251.3 billion worth of goods and services in 2012 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)

| Calendar Year | Connecticut | | New England ^(a) | | United States ^(b) | |
|------------------|-------------|-------------------|----------------------------|-------------------|------------------------------|-------------------|
| | \$ | Percent Growth | \$ | Percent Growth | \$ | Percent Growth |
| 2010 | 238,052 | 0.5% | 840,720 | 3.2% | 14,992,052 | 3.8% |
| 2011 | 236,816 | (0.5) | 858,451 | 2.1 | 15,542,582 | 3.7 |
| 2012 | 244,114 | 3.1 | 889,596 | 3.6 | 16,197,007 | 4.2 |
| 2013 | 244,128 | 0.0 | 904,711 | 1.7 | 16,784,851 | 3.6 |
| 2014 | 248,779 | 1.9 | 933,950 | 3.2 | 17,527,258 | 4.4 |
| 2015 | 262,373 | 5.5 | 986,167 | 5.6 | 18,238,301 | 4.1 |
| 2016 | 266,747 | 1.7 | 1,013,114 | 2.7 | 18,745,076 | 2.8 |
| 2017 | 272,570 | 2.2 | 1,045,211 | 3.2 | 19,542,980 | 4.3 |
| 2018 | 279,782 | 2.6 | 1,092,293 | 4.5 | 20,611,861 | 5.5 |
| 2019 | 287,822 | 2.9 | 1,135,664 | 4.0 | 21,433,226 | 4.0 |

(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 2012 chained dollars.

TABLE A-11
Gross State Product
(In Millions of 2012 Chained Dollars*)

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | \$ | Percent Growth | \$ | Percent Growth | \$ | Percent Growth |
| 2010 | 247,877 | (0.3) | 872,633 | 2.5 | 15,598,754 | 2.6 |
| 2011 | 242,323 | (2.2) | 877,424 | 0.5 | 15,840,664 | 1.6 |
| 2012 | 244,114 | 0.7 | 889,596 | 1.4 | 16,197,008 | 2.2 |
| 2013 | 238,621 | (2.3) | 885,439 | (0.5) | 16,495,370 | 1.8 |
| 2014 | 237,701 | (0.4) | 894,942 | 1.1 | 16,912,038 | 2.5 |
| 2015 | 245,305 | 3.2 | 924,412 | 3.3 | 17,432,170 | 3.1 |
| 2016 | 245,966 | 0.3 | 935,492 | 1.2 | 17,730,509 | 1.7 |
| 2017 | 248,077 | 0.9 | 951,201 | 1.7 | 18,144,105 | 2.3 |
| 2018 | 249,043 | 0.4 | 973,006 | 2.3 | 18,687,786 | 3.0 |
| 2019 | 251,330 | 0.9 | 990,787 | 1.8 | 19,091,662 | 2.2 |

* 2012 chained dollar series are calculated as the product of the chain-type quantity index and the 2012 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 2019 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 77.5% of total production in Connecticut in 2019 compared to 77.7% in 2012 and 72.3% for the nation in 2018. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of services has been increasing. The share of production from the manufacturing sector decreased from 11.9% in 2012 to 10.3% in 2019 caused by increased competition with foreign countries and other states. 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 63.0% of the total GSP in 2019 from 60.1% in 2012. 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>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sector | | | | | | | | |
| Manufacturing | \$ 29,015 | \$ 30,237 | \$ 29,296 | \$29,959 | \$27,718 | \$28,544 | \$28,792 | \$29,663 |
| Construction ^(a) | 6,786 | 6,809 | 7,061 | 7,641 | 8,122 | 8,164 | 8,395 | 8,706 |
| Agriculture ^(b) | 409 | 427 | 352 | 371 | 322 | 349 | 335 | 389 |
| Utilities ^(c) | 8,625 | 8,790 | 9,568 | 10,250 | 9,660 | 9,571 | 9,847 | 10,474 |
| Wholesale Trade | 15,964 | 15,839 | 15,572 | 15,803 | 14,979 | 14,498 | 14,526 | 14,438 |
| Retail Trade | 12,465 | 12,719 | 12,931 | 13,206 | 13,240 | 13,349 | 13,864 | 14,470 |
| Information | 10,076 | 11,744 | 11,664 | 13,431 | 14,227 | 13,975 | 14,619 | 16,143 |
| Finance ^(d) | 70,567 | 65,835 | 67,643 | 73,796 | 78,565 | 82,358 | 85,033 | 85,422 |
| Services ^(e) | 65,959 | 66,668 | 69,006 | 71,151 | 73,051 | 74,345 | 76,533 | 79,868 |
| Government | <u>24,248</u> | <u>25,060</u> | <u>25,685</u> | <u>26,765</u> | <u>26,863</u> | <u>27,418</u> | <u>27,838</u> | <u>28,250</u> |
| Total GSP | \$244,114 | \$244,128 | \$248,779 | \$262,373 | \$266,747 | \$272,570 | \$279,782 | \$287,822 |

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 2010 and 2019. 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 new slightly lower peak of 1,699,500 jobs in February 2020 before the onset of the COVID-19 pandemic-related recession and as of December 2020 the state stands at 1,590,800 jobs.

TABLE A-13
Non-agricultural Employment ^(a)
(In Thousands)

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | Employment | Percent Growth | Employment | Percent Growth | Employment | Percent Growth |
| 2010 | 1,612.0 | (1.1)% | 6,808.5 | (0.2)% | 130,336.8 | (0.7)% |
| 2011 | 1,628.7 | 1.0 | 6,872.5 | 0.9 | 131,921.7 | 1.2 |
| 2012 | 1,642.4 | 0.8 | 6,956.6 | 1.2 | 134,156.6 | 1.7 |
| 2013 | 1,654.7 | 0.7 | 7,040.6 | 1.2 | 136,355.7 | 1.6 |
| 2014 | 1,665.8 | 0.7 | 7,138.9 | 1.4 | 138,922.3 | 1.9 |
| 2015 | 1,678.8 | 0.8 | 7,243.5 | 1.5 | 141,804.3 | 2.1 |
| 2016 | 1,683.9 | 0.3 | 7,340.2 | 1.3 | 144,332.8 | 1.8 |
| 2017 | 1,687.1 | 0.2 | 7,408.5 | 0.9 | 146,594.7 | 1.6 |
| 2018 | 1,690.0 | 0.2 | 7,469.2 | 0.8 | 148,892.8 | 1.6 |
| 2019 | 1,687.9 | (0.1) | 7,519.3 | 0.7 | 150,900.1 | 1.3 |

(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 2019 decreased by 2,067 jobs. However, the level of establishment employment based on the survey response increased by 20,100 jobs in 2019.

TABLE A-14
Connecticut Survey Employment Comparisons
(In Thousands)

| Calendar Year | Establishment Employment | Percent Growth | Residential Employment | Percent Growth |
|--------------------------|-------------------------------------|---------------------------|-----------------------------------|---------------------------|
| 2010 | 1,612.0 | (1.1)% | 1,737.8 | (0.2)% |
| 2011 | 1,628.7 | 1.0 | 1,746.0 | 0.5 |
| 2012 | 1,642.4 | 0.8 | 1,729.7 | (0.9) |
| 2013 | 1,654.7 | 0.8 | 1,718.7 | (0.6) |
| 2014 | 1,665.8 | 0.7 | 1,762.7 | 2.6 |
| 2015 | 1,678.8 | 0.8 | 1,781.0 | 1.0 |
| 2016 | 1,683.9 | 0.3 | 1,794.6 | 0.8 |
| 2017 | 1,687.1 | 0.2 | 1,808.2 | 0.8 |
| 2018 | 1,690.0 | 0.2 | 1,821.5 | 0.7 |
| 2019 | 1,687.9 | (0.1) | 1,841.6 | 1.1 |

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 2019. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE A-15
Connecticut Non-agricultural Employment, Calendar Year 2019
(In Thousands)

| | <u>Connecticut</u> | | <u>United States</u> | |
|-----------------------------|--------------------|----------------|----------------------|----------------|
| | <u>Total</u> | <u>Percent</u> | <u>Total</u> | <u>Percent</u> |
| Services ^(a) | 782.1 | 46.3% | 68,643.6 | 45.5% |
| Trade ^(b) | 292.2 | 17.3 | 27,718.4 | 18.4 |
| Manufacturing | 162.0 | 9.6 | 12,816.5 | 8.5 |
| Government | 236.3 | 14.0 | 22,609.7 | 15.0 |
| Finance ^(c) | 123.8 | 7.3 | 8,754.2 | 5.8 |
| Information ^(d) | 31.5 | 1.9 | 2,863.8 | 1.9 |
| Construction ^(e) | <u>60.0</u> | <u>3.6</u> | <u>7,494.0</u> | <u>5.0</u> |
| Total ^(f) | 1,687.9 | 100.0% | 150,900.1 | 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 2019, approximately 90.4% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE A-16
Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

| Calendar Year | Manufacturing | Trade^(a) | Services^(b) | Government | Finance^(c) | Information^(d) | Construction^(e) | Total Non- agricultural Employment^(f) |
|--------------------------|----------------------|----------------------------|-------------------------------|-------------------|------------------------------|----------------------------------|-----------------------------------|---|
| 2010 | 162.8 | 285.2 | 696.4 | 250.6 | 135.2 | 31.8 | 49.9 | 1,612.0 |
| 2011 | 163.4 | 288.1 | 712.2 | 247.2 | 135.0 | 31.4 | 51.5 | 1,628.7 |
| 2012 | 161.9 | 290.5 | 728.4 | 245.7 | 133.1 | 31.4 | 51.4 | 1,642.4 |
| 2013 | 160.2 | 293.1 | 740.1 | 245.2 | 130.6 | 32.1 | 53.4 | 1,654.7 |
| 2014 | 157.2 | 294.9 | 752.6 | 244.7 | 128.8 | 32.1 | 55.5 | 1,665.8 |
| 2015 | 156.9 | 296.4 | 761.3 | 243.7 | 130.1 | 32.5 | 57.9 | 1,678.8 |
| 2016 | 156.5 | 297.4 | 768.1 | 241.0 | 129.4 | 32.4 | 59.1 | 1,683.9 |
| 2017 | 158.7 | 297.0 | 775.1 | 238.5 | 127.8 | 31.6 | 58.4 | 1,687.1 |
| 2018 | 160.7 | 296.6 | 780.2 | 236.4 | 125.5 | 31.7 | 58.8 | 1,690.0 |
| 2019 | 162.0 | 292.2 | 782.1 | 236.3 | 123.8 | 31.5 | 60.0 | 1,687.9 |

(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 19th in the nation for manufacturing employment as a percentage of total employment in calendar year 2019. 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 2019 approximately 9.6% of the State's workforce, versus 8.5% for the nation, was employed in the manufacturing sector.

TABLE A-17
Manufacturing Employment
(In Thousands)

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | Number | Percent Growth | Number | Percent Growth | Number | Percent Growth |
| 2010 | 162.8 | (3.3)% | 600.6 | (2.8)% | 11,528.7 | (2.7)% |
| 2011 | 163.4 | 0.4 | 601.6 | 0.2 | 11,727.1 | 1.7 |
| 2012 | 161.9 | (0.9) | 599.3 | (0.4) | 11,927.0 | 1.7 |
| 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 | 12,438.3 | 0.7 |
| 2018 | 160.7 | 1.3 | 596.0 | 0.9 | 12,687.3 | 2.0 |
| 2019 | 162.0 | 0.8 | 600.3 | 0.7 | 12,816.5 | 1.0 |

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 2018.

TABLE A-18
Manufacturing Employment
By Industry
(In Thousands)

| Calendar Year | Transportation Equipment | Fabricated Metals | Computer & Electronics | Machinery | Other^(a) | Total Manufacturing Employment^(b) |
|--------------------------|-------------------------------------|------------------------------|---------------------------------------|------------------|----------------------------|---|
| 2010 | 42.2 | 28.1 | 13.3 | 15.0 | 64.2 | 162.8 |
| 2011 | 42.2 | 28.6 | 13.4 | 14.8 | 64.4 | 163.4 |
| 2012 | 42.0 | 29.2 | 13.1 | 14.5 | 63.1 | 161.9 |
| 2013 | 41.3 | 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 | 60.8 | 158.7 |
| 2018 | 45.6 | 29.8 | 10.9 | 13.1 | 61.3 | 160.7 |
| 2019 | 47.0 | 29.9 | 10.9 | 13.1 | 61.0 | 162.0 |

(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 2009 at 168,400 workers. Since that year, employment in manufacturing continued on a downward trend until 2017. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 156,500 jobs in 2016, before rising again from 2017 through 2019 to 162,000 jobs. The total number of manufacturing jobs dropped by 6,400 jobs, or 3.8%, from its decade high in 2009.

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 \$16.2 billion in 2019, accounting for 5.6% of Gross State Product. From 2015 to 2019, the State's export of goods grew at a compound annual rate of 1.6% versus 2.3% growth for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE A-19
Exports Originating in Connecticut
(In Millions)

| | <u>Calendar Year</u> | | | | | <u>Percent of 2019 Total</u> | <u>Compound Annual Growth Rate 2015-2019</u> |
|---|----------------------|----------------|----------------|----------------|----------------|--------------------------------------|--|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | | |
| A. Manufacturing Products | | | | | | | |
| Transportation Equipment | \$7,012.5 | \$6,216.3 | \$6,066.4 | \$7,673.6 | \$6,939.7 | 42.7% | (0.3)% |
| Computer & Electronics | 1,191.0 | 1,108.7 | 1,132.4 | 1,260.4 | 1,176.9 | 7.2% | (0.3)% |
| Machinery, Except Electronics | 1,666.6 | 1,769.7 | 1,945.7 | 2,259.1 | 2,180.3 | 13.4% | 6.9% |
| Fabricated Metal Production | 706.7 | 790.3 | 829.5 | 906.0 | 963.2 | 5.9% | 8.0% |
| Chemicals | 1,039.5 | 865.0 | 954.5 | 1,224.5 | 1,054.5 | 6.5% | 0.4% |
| Misc. Manufacturing | 326.2 | 327.3 | 312.6 | 339.1 | 382.8 | 2.4% | 4.1% |
| Electrical Equipment | 1,032.9 | 958.9 | 983.6 | 919.6 | 895.5 | 5.5% | (3.5)% |
| Plastics & Rubber | 230.3 | 224.9 | 269.9 | 297.7 | 346.4 | 2.1% | 10.7% |
| Paper | 131.2 | 137.0 | 152.2 | 157.6 | 145.1 | 0.9% | 2.6% |
| Primary Metal Mfg. | 675.1 | 505.1 | 410.8 | 323.8 | 295.3 | 1.8% | (18.7)% |
| Others | <u>1,229.7</u> | <u>1,490.9</u> | <u>1,734.1</u> | <u>2,042.1</u> | <u>1,862.9</u> | <u>11.5%</u> | <u>10.9%</u> |
| Total | \$15,241.8 | \$14,394.0 | \$14,791.6 | \$17,403.5 | \$16,242.5 | 100.0% | 1.6% |
| % Growth | (4.5)% | (5.6)% | 2.8% | 17.7% | (6.7)% | - | - |
| B. Gross State Product^(a) | \$260,072.6 | \$266,747.3 | \$272,570.0 | \$279,782.3 | \$287,822.2 | - | 2.3% |
| Mfg Exports as a % of GSP | 5.9% | 5.4% | 5.4% | 6.2% | 5.6% | | 5.7% |

(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 2019 Connecticut received \$18.4 billion of prime contract awards. These total awards accounted for 5.1% of national total awards and ranked 5th in total defense dollars awarded and 1st in per capita dollars awarded among the 50 states. In federal Fiscal Year 2019, Connecticut had \$5,148 in per capita defense awards, compared to the national average of \$1,097. 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 6.4% of Gross State Product in Fiscal Year 2019.

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-20
Defense Contract Awards

| <u>Federal Fiscal Year</u> | <u>Connecticut Total Contract Award (Thousands)</u> | <u>Connecticut Rank Among States Total Awards</u> | <u>Percent Change from Prior Year</u> | |
|--------------------------------|---|---|---------------------------------------|-------------|
| | | | <u>Connecticut</u> | <u>U.S.</u> |
| 2010 | \$11,238,753 | 8 th | (5.2)% | (2.4)% |
| 2011 | 12,491,324 | 7 th | 11.1 | 1.9 |
| 2012 | 12,750,298 | 7 th | 2.1 | (3.1) |
| 2013 | 10,032,845 | 8 th | (21.3) | (15.8) |
| 2014 | 13,207,996 | 4 th | 31.6 | (3.0) |
| 2015 | 12,148,167 | 5 th | (8.0) | (2.8) |
| 2016 | 14,134,403 | 4 th | 16.3 | 10.2 |
| 2017 | 11,632,365 | 7 th | (17.7) | 7.8 |
| 2018 | 14,697,986 | 6 th | 26.4 | 11.9 |
| 2019 | 18,357,870 | 5 th | 24.9 | 7.0 |

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 90.4% by 2019. This trend has diluted the State’s dependence on manufacturing. From 2010 to 2019, Connecticut gained 75,900 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 76,700, while manufacturing jobs declined by 800.

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

TABLE A-21
Non-manufacturing Employment
(In Thousands)

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | Number | Percent Growth | Number | Percent Growth | Number | Percent Growth |
| 2010 | 1,449.2 | (0.9)% | 6,207.9 | 0.0% | 118,808.1 | (0.5)% |
| 2011 | 1,465.3 | 1.1 | 6,270.9 | 1.0 | 120,194.6 | 1.2 |
| 2012 | 1,480.5 | 1.0 | 6,357.3 | 1.4 | 122,229.6 | 1.7 |
| 2013 | 1,494.5 | 0.9 | 6,444.7 | 1.4 | 124,336.5 | 1.7 |
| 2014 | 1,508.6 | 0.9 | 6,546.6 | 1.6 | 126,737.7 | 1.9 |
| 2015 | 1,521.9 | 0.9 | 6,650.7 | 1.6 | 129,469.3 | 2.2 |
| 2016 | 1,527.4 | 0.4 | 6,751.3 | 1.5 | 131,980.0 | 1.9 |
| 2017 | 1,528.4 | 0.1 | 6,817.6 | 1.0 | 134,156.3 | 1.6 |
| 2018 | 1,529.3 | 0.1 | 6,873.3 | 0.8 | 136,205.5 | 1.5 |
| 2019 | 1,525.9 | (0.2) | 6,919.0 | 0.7 | 138,083.6 | 1.4 |

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

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 92.8% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2010, 2017, 2018 and 2019 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 2010 and 2019, employment in the non-manufacturing sector expanded by 76,700 workers driven primarily by an increase of 12.3% in the service industry. Construction and trade also experienced positive growth of 19.8% and 2.4% respectively.

TABLE A-22
Connecticut Non-manufacturing Employment By Industry
(In Thousands)

| Industry | Calendar Year 2010 | Calendar Year 2017 | Calendar Year 2018 | Calendar Year 2019 | Percent Change 2017-19 | Percent Change 2010-19 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| Construction ^(a) | 50.5 | 59.0 | 59.4 | 60.5 | 2.6% | 19.8% |
| Information | 31.8 | 31.6 | 31.7 | 31.5 | (0.3) | (1.0) |
| Trade ^(b) | 285.2 | 297.0 | 296.6 | 292.2 | (1.6) | 2.4 |
| Finance, Insurance & Real Estate Services ^(c) | 135.2 | 127.8 | 125.5 | 123.8 | (3.1) | (8.4) |
| Federal Government | 695.8 | 774.5 | 779.7 | 781.6 | 0.9 | 12.3 |
| State and Local Government | 19.6 | 18.0 | 18.1 | 18.2 | 0.7 | (7.6) |
| Total Non-manufacturing Employment ^(d) | <u>231.0</u> | <u>220.5</u> | <u>218.3</u> | <u>218.2</u> | (1.1) | (5.6) |
| | 1,449.2 | 1,528.4 | 1,529.3 | 1,525.9 | (0.2)% | 5.3% |

(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 the past five fiscal years. Connecticut retail trade in Fiscal Year 2020 totaled \$62.3 billion, an increase of 3.7% from Fiscal Year 2019. Sales in the durable goods category, which are typically most sensitive to changes in economic conditions, fell slightly in Fiscal Year 2020. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE A-23
Retail Trade In Connecticut ^(a)
(In Millions)

| NAICS | Fiscal Year 2016 | Percent of Fiscal Year 2016 Total | Fiscal Year 2017 | Percent of Fiscal Year 2017 Total | Fiscal Year 2018 | Percent of Fiscal Year 2018 Total | Fiscal Year 2019 | Percent of Fiscal Year 2019 Total | Fiscal Year 2020 | Percent of Fiscal Year 2020 Total | Compound Annual Growth Rate 2016-2020 |
|--|------------------|-----------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|---------------------------------------|
| 441 Motor Vehicle and Parts Dealers | \$9,898.6 | 17.9% | \$10,072.3 | 18.0% | \$10,140.8 | 17.8% | \$11,435.0 | 19.0% | \$11,068.4 | 17.8% | 11.8% |
| 442 Furniture and Home Furnishings Stores | 1,897.6 | 3.4 | 2,009.3 | 3.6 | 2,003.9 | 3.5 | 2,043.0 | 3.4 | 1,902.1 | 3.1 | 0.2 |
| 443 Electronics and Appliance Stores | 1,643.8 | 3.0 | 1,656.5 | 3.0 | 1,633.7 | 2.9 | 1,630.0 | 2.7 | 1,744.0 | 2.8 | 6.1 |
| 444 Building Material and Garden Supply Stores | 3,034.6 | 5.5 | 3,020.9 | 5.4 | 3,187.3 | 5.6 | 3,331.0 | 5.5 | 3,488.3 | 5.6 | 15.0 |
| 445 Food and Beverage Stores ^(b) | 10,964.2 | 19.8 | 11,045.6 | 19.7 | 10,588.4 | 18.6 | 10,873.0 | 18.1 | 11,663.8 | 18.7 | 6.4 |
| 446 Health and Personal Care Stores | 5,074.7 | 9.2 | 5,274.6 | 9.4 | 4,291.3 | 7.5 | 4,124.0 | 6.9 | 4,346.7 | 7.0 | (14.3) |
| 447 Gasoline Stations | 3,196.1 | 5.8 | 3,297.8 | 5.9 | 3,729.1 | 6.6 | 3,792.0 | 6.3 | 3,261.4 | 5.2 | 2.0 |
| 448 Clothing and Clothing Accessories Stores | 3,083.1 | 5.6 | 3,035.6 | 5.4 | 3,084.0 | 5.4 | 3,083.0 | 5.1 | 2,723.8 | 4.4 | (11.7) |
| 451 Sporting Goods, Hobby, Book and Music Stores | 1,084.9 | 2.0 | 1,125.1 | 2.0 | 1,047.9 | 1.8 | 936.0 | 1.6 | 856.9 | 1.4 | (21.0) |
| 452 General Merchandise Stores | 5,503.2 | 9.9 | 5,419.0 | 9.7 | 5,523.3 | 9.7 | 5,465.0 | 9.1 | 5,625.1 | 9.0 | 2.2 |
| 453 Miscellaneous Store Retailers | 5,773.9 | 10.4 | 5,978.1 | 10.7 | 6,989.2 | 12.3 | 7,917.0 | 13.2 | 8,025.6 | 12.9 | 39.0 |
| 454 Nonstore Retailers | <u>4,204.1</u> | <u>7.6</u> | <u>4,095.5</u> | <u>7.3</u> | <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>80.0</u> |
| Total^(a) | \$55,358.8 | 100.0% | \$56,030.3 | 100.0% | \$56,860.5 | 100.0% | \$60,080.4 | 100.0% | \$62,274.9 | 100.0% | 12.5% |
| Durables (NAICS 441, 442, 443, 444) | \$16,475.0 | 29.8% | \$16,759.0 | 29.9% | \$16,966.0 | 29.8% | \$18,439.0 | 30.7% | \$18,202.8 | 29.2% | 10.5% |
| Non Durables (all other NAICS) | \$38,884.0 | 70.2% | \$39,271.0 | 70.1% | \$39,895.0 | 70.1% | \$41,641.4 | 69.3% | \$44,072.1 | 70.8% | 13.3% |

(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 3.4% which is the lowest rate since January 2002 when the rate was also at 3.4%. Likewise, both the New England and the Nation were also experiencing low unemployment rates. New England saw a rate of 3.0% in January 2020 and the United States was experiencing a low unemployment rate of 3.5% in December 2019. At the height of unemployment during the pandemic, Connecticut’s peak unemployment rate reached 10.2% in July 2020, New England reached 14.1% in April 2020, and the nation reached 14.7% in April 2020. As of December 2020, Connecticut’s unemployment rate was 8.0% whereas it was 6.9% in New England, and 6.7% for the United States.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2010 through 2020.

TABLE A-24
Unemployment Rate

| Calendar Year | Unemployment Rate | | |
|--------------------------|--------------------------|--------------------|----------------------|
| | Connecticut | New England | United States |
| 2011 | 8.8% | 7.7% | 8.9% |
| 2012 | 8.4 | 7.2 | 8.1 |
| 2013 | 7.8 | 6.9 | 7.4 |
| 2014 | 6.6 | 5.9 | 6.2 |
| 2015 | 5.7 | 4.9 | 5.3 |
| 2016 | 5.2 | 4.2 | 4.9 |
| 2017 | 4.7 | 3.8 | 4.4 |
| 2018 | 4.1 | 3.5 | 3.9 |
| 2019 | 3.7 | 3.1 | 3.7 |
| 2020 | 7.3 | 8.4 | 8.1 |

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

FINANCIAL PROCEDURES

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

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

The Budgetary Process

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

In 1996, the Connecticut Supreme Court ruled in *Nielson v. State* that the provisions of the constitutional spending cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly for implementation of the spending cap. In a 2015 opinion, the State Attorney General concluded that unless and until the General Assembly adopts, by the necessary three-fifths vote of the members of each house of the General Assembly, the definitions required by the constitutional spending cap, the constitutional spending cap has no legal effect. The General Assembly adopted such definitions by a three-fifths vote in 2017.

The General Assembly had been following a statutory provision similar to the constitutional spending cap. In addition to the exclusion of debt service from the budget cap, 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 a specified percentage (beginning July 1, 2019 and declining over six years from 99.5% to 98%) of the estimated revenues included in a budget act, subject to certain exceptions. This is referred to as the "revenue cap".

Biennium Budget. The State's fiscal year begins on July 1 and ends on June 30. The General Statutes 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 \$1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments, commencing July 1, 2019, and the State Bond Commission may not authorize bond issuances or credit revenue bond issuances of more than \$2.0 billion in any calendar year, subject to certain exclusions and inflationary adjustments, commencing January 1, 2018.

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 \$1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments. Not later than April first annually, the Governor shall provide the Treasurer with a list of general

obligation bond and credit revenue bond expenditures that can be made July first commencing the next fiscal year totaling not more than \$1.9 billion, subject to 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 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 State received approximately \$3.825 billion in Fiscal Year 2020 from estimated and final payments of the personal income tax and the pass-through entity tax. The Treasurer is also required to transfer any unappropriated surplus in the General Fund to the Budget Reserve Fund, unless otherwise directed by law. When the amount in the Budget Reserve Fund in any fiscal year equals 15% of the net General Fund appropriation for the current fiscal year, no further transfers shall be made by the Treasurer and the amount of such funds in excess of that transferred to such 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, up to 5% of the unfunded actuarial accrued liability or (ii) the Teachers' Retirement Fund, in addition to payments required pursuant to CGS Section 10-183z, up to 5% of the unfunded actuarial accrued liability of such fund. Thereafter, amounts are appropriated for redemption, purchase or extinguishment of outstanding indebtedness or additional contributions to the State Employees' Retirement Fund or Teachers' Retirement Fund or, under specified conditions, may be transferred to the General Fund. 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 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 or from the April 30th annual consensus revenue estimate. 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.

Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. A volatility transfer brought the Fiscal Year 2020 Budget Reserve Fund balance to \$3,035.8 million, which was 15.11 percent of net General Fund appropriations for Fiscal Year 2021. As a result, the Budget Reserve Fund was \$22.9 million above the statutory 15% cap. By law, no further transfers could be made to the Budget Reserve Fund. The Treasurer determined it was in the best interest of the State to transfer the balance above the 15% threshold and the Fiscal Year 2021 surplus of \$38.7 million as an additional contribution to the State Employees' Retirement Fund. After the above-referenced transfer, the balance in the Budget Reserve Fund as of June 30, 2020 was \$3,012.9 million.

Bond Covenant. The Treasurer was required to include a covenant in general obligation bonds and credit revenue bonds issued on and after May 15, 2018 and prior to July 1, 2020 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, "statutory basis"). As described below, the State has transitioned to both budgeting and statutory financial statement reporting more in line with GAAP standards.

While not required to prepare financial statements in accordance with GAAP, since 1988 the State has issued comprehensive annual 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 of Connecticut 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 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 comprehensive annual financial report of the State as the unassigned fund balance in the General Fund (“Accumulated 2013 GAAP Deficit”). As part of a two-part plan to extinguish such deficit, the State issued bonds in October 2013 in the amount of \$560.43 million (“GAAP Bonds”) generating net proceeds of approximately \$600 million, which were deposited in the General Fund and applied to reduce the Accumulated 2013 GAAP Deficit. The second part of the plan was additional legislation that deemed appropriated the amounts needed to amortize the remaining Accumulated 2013 GAAP Deficit from Fiscal Year 2016 to Fiscal Year 2028. The GAAP Bonds contain a contractual covenant with bondholders that no future action of the General Assembly may diminish the appropriation so long as the GAAP Bonds are outstanding, unless the Governor declares an emergency or there are other extraordinary circumstances.

In accordance with the second part of the plan, the deferred charge of the Accumulated 2013 GAAP Deficit is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2016, and for the next succeeding twelve fiscal years. Commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM is required to annually publish an amortization schedule to fully reduce the Accumulated 2013 GAAP Deficit by June 30, 2028. Additionally, the unreserved negative balance in the General Fund reported in the comprehensive annual financial report of the State for Fiscal Year 2014, reduced by (i) the Accumulated 2013 GAAP Deficit and (ii) any funds from resources deposited in the General Fund for the purpose of reducing the negative unassigned balance of the General Fund, resulting in \$108.7 million,

is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2018 and for the succeeding ten fiscal years. To date, there have been amortization payments made for the GAAP deficit totaling \$123.28 million, due to the elimination or delay of the amortization payment in some fiscal years. Nonetheless, the State intends to eliminate the Accumulated 2013 GAAP Deficit by the end of Fiscal Year 2028.

The negative unassigned fund balance in the General Fund to be amortized by June 30, 2028 pursuant to Public Act No. 17-51 was \$603.9 million as of June 30, 2020.

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 2020 averaged \$4.5 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 Standard & Poor's.

Other Funds. Other State monies are held in certain other funds. Up to \$100 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 \$5.0 billion, subject to increases with the approval of the Treasurer. Pursuant to CGS Section 3-28a and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

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

Investment of Pension and Trust Funds. Eleven investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Domestic Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Private Credit Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Assets Fund, the Liquidity Fund and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the eleven investment funds. 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.

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.

OTHER MATTERS

Information Technology, Cybersecurity and Related Matters

In calendar year 2020 the State's information technology systems were leveraged significantly to adapt its operations to the pandemic exigency. These systems, as described below, were already being positioned in ways that were suited to this adaptation. Some of the steps taken also significantly hardened the State's operations against cybersecurity threats.

The State operates information technology systems critical to its operations. An increasing number of these systems are operated centrally by the Department of Administrative Services / Bureau of Enterprise Systems and Technology ("DAS/BEST"), including email, wide-area networking, datacenter services, and telecommunication services. However, approximately 50% of the State's overall systems remain single-agency systems built around legacy applications. Agencies using these applications may utilize internal or outside consulting assistance for improvements and maintenance of these systems. In Fiscal Year 2016, the State introduced its first five-year technology strategy that outlined the critical technology activities to guide State actions. In Fiscal Year 2018, the State announced its first cybersecurity strategy and released the first Cybersecurity Action Plan. These documents outline the critical importance of protecting all the digital assets in the State.

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. Since these centers were put in operation, the State has been incrementally moving agency computing from the older, location-based technology to a shared private cloud infrastructure. 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/BEST 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.

The State had been rolling out the enterprise Voice over IP telephone system to State agencies to improve agency communication capabilities and reduce operational and maintenance costs. In Fiscal Year 2020 State agencies began migrating to a Microsoft-based Office365 common set of applications, which also introduced multi-factor authentication (MFA) and represented an upgrade of these applications to more secure and updated products. The State maintains a State-wide fiber-optic networking system for its Connecticut Education Network and its Public Safety Data Network. 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/BEST 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. 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.

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 therefor 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.

The State's systems, both shared and legacy, 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 through training of its users to recognize common attack vectors.

The State's IT strategic plan for Fiscal Year 2020 focused on four goals: (i) to embark on a process of setting a new five year plan which is expected to increase agency cooperation; (ii) to establish digital government services, which will increase online services to residents and businesses; (iii) to improve cybersecurity statewide; and (iv) to empower agencies through the use of Microsoft Office 365 cloud based tools.

The State's response to the pandemic in this area built on this existing platform and strategic plan. The Governor's executive orders requiring remote working required augmentation of the State's telecommunication capacity, employee equipment, altered training and support services. Certain of the State's systems needed also to be adapted to present modern front-end interfaces to legacy back-end systems. More specifically:

- The State significantly increased its VOIP and data capacity. Because of its move to cloud-based solutions, these could be done with minimal disruption.
- The State could move much of its internal interactions to a Microsoft Teams based videoconferencing solution.
- The State had been in the process of upgrading many workstations and surplus the old equipment, and this equipment in the short run could instead be repurposed for employees operating from home.
- In the longer term many employees working remotely are being upgraded to laptops and tablets to improve efficiency. Tablets using virtual desktops have been particularly useful to employees in the social services area operating in the field.
- The State's implementation of MFA in this environment led to a significant hardening of its systems to intrusion.

The activities of DAS/BEST in calendar 2020 were a significant alteration of the original priorities. Staff were more involved in training, for example, in adding capacity and in the development of front-end interfaces. This has led to delaying some of the original priorities. In this fiscal year DAS/BEST intend to continue its efforts and endeavor to return to its strategic plan. BEST itself has a workforce of approximately 140 employees. IT personnel in the State's various agencies bring the total IT workforce to approximately 630 employees. DAS/BEST anticipates it will continue to operate with its existing personnel and historical budget.

Climate Change and the State's Responses

Climate change refers to the effect 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 and in general, Connecticut has been getting warmer and wetter. Although climate change is already impacting the State, the State is planning for these changes using locally-scaled science and investing in clean and renewable energy to mitigate the State's Greenhouse Gas ("GHG") emissions. Connecticut has taken a proactive and informed approach to ensure that the State's environment and economy continue to be sustainable. In this section we discuss the findings of the State's climate science planning and the specific actions the State is taking to address these potential impacts through adaptation and by increasing resiliency and sustainability. The effect of climate change extends to potential impacts on ecological habitats, species, agricultural products, air quality and diseases. These potential effects are not discussed here.

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. The Governor's Council on Climate Change ("GC3") relaunched under Governor Lamont by Executive Order 3 in September 2019 has drafted recommendations and proposals for funding sources and financing mechanisms to advance investment in resilience and adaptation. These draft recommendations are under review by the GC3 for adoption and presentation to the Governor for his consideration in January 2021. There is no assurance that any such recommendations or proposals will not be revised, or will be adopted by the State, and such proposals are not discussed here.

Rising Sea Levels

While Connecticut is less susceptible to flooding and rising sea levels than some other coastal states, it has 618 miles of coastline bordering 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. Increases in sea level 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 without elevation.

The current sea level rise planning scenario adopted by the Department of Energy and Environmental Protection ("DEEP") is a projection of a rise in sea level by 2050 of up to 20 inches from the 1983-2001 national tidal datum in Long Island Sound. It is estimated approximately 4 inches of this rise had occurred by 2016. According to the Connecticut Institute for Resilience & Climate Adaptation ("CIRCA"), this means that areas that have in the past flooded once every ten years on average will likely flood every two years.

Much of the Connecticut coastline is rocky, and the loss of land area is likely to be limited to areas already affected by tidal flooding. Areas that could be affected by increased tidal flooding, particularly urban areas, may require extensive renovation to harden construction in these areas 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 to account for the rise. These relatively slow-moving effects are continually studied and addressed at the state and local level.

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. The State has also experienced, and is 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. Extreme heat events pose a significant threat to public health in the State.

Extreme Storms

Like other New England states, Connecticut 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, according to the most recent report of the 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. There may be less snow and more rain, but high snowfall events will be more probable. In addition, land infrastructure along the Connecticut 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 Connecticut's power grid is above ground and exposed to such hazards. Like other states, in recent years, Connecticut has had extensive damage and power outages due to storms.

State Actions to Improve Sustainability and Resiliency

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, there is a recognized need for more investment on the operations and maintenance of current flood control structures and new structures.

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.

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 program to support local distributed energy generation to ensure critical facilities remain powered during outages. The Connecticut Public Utilities Regulatory Authority ("PURA") and the electric distribution companies in the State have undertaken significant efforts to improve electrical systems resilience. 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 2011 the State created the first energy finance authority in the nation, the Connecticut Green Bank, to drive investment and increase clean energy deployment in the State through the creation of cleaner, less expensive and more reliable sources of energy. The Connecticut Green Bank incentivizes the installation of residential and commercial solar power installations and assists with their financing, assists with other ways of reducing usage, and assists with wind and fuelcell electric generation. These efforts are intended to confront climate change and to increase and accelerate the flow of private capital into the green economy.

State Response to Reduce Its Impact on 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. These efforts will have a limited impact over the next thirty years, but may help mitigate impacts in the latter half of this century.

The Governor, 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. Connecticut's economy-wide GHG emissions in 2016 were 41.1 million metric tons of carbon dioxide equivalent, 9% below 1990 levels and 16% below 2001 levels.

The Governor, in his third Executive Order, relaunched and expanded the GC3 to address reducing GHG emissions statewide, not just within state-owned or operated facilities covered under Executive Order 1, and planning for how to adapt and make Connecticut resilient to the impacts of climate change. The GC3, which includes representatives from both state agencies and from outside state government, monitors and reports on the State's progress with respect to the development and implementation of carbon mitigation strategies and climate adaptation strategies. The Executive Order charged the GC3 to report on strategies to reduce GHG emissions in keeping with the State's statutory mandate to reduce emissions 45% by 2030 and 80% by 2050. The GC3 is also charged with preparing a revised statewide Adaptation and Resilience Plan. In response to this charge, on January 15, 2021, the GC3 finalized 61 recommendations for near term climate mitigation and adaptation actions to begin implementation in 2021 and early 2022 in its initial report, "Taking Action on Climate Change and Building a More Resilient Connecticut for All." A second report with long-term actions will be released by December 31, 2021. The draft Integrated Resources Plan, also required under the Executive Order, was released for public review on December 17, 2020. The draft plan confirmed that Connecticut is on the path to achieving the Governor's goal of a 100% carbon-free electric supply by 2040.

The State is committed to increasing its portfolio of renewable energy sources and in 2020 confirmed the largest purchase of renewable energy in the State's history with the 804 MW Park City Wind offshore wind project, located in Bridgeport, Connecticut, that will provide the equivalent of 14% of the State's electricity supply when it comes online in 2025. Connecticut released its Electric Vehicle Roadmap in April 2020 that provides a pathway to meet the State's commitment of putting between 125,000 to 150,000 electric vehicles on the road by 2025. The electric sector and the transportation section collectively represent 58% of the State's emissions making these investments a significant step towards significant reductions in GHG emissions. With respect to buildings, there are rebates and efficiency solutions to decrease the GHG emissions from our built environment through EnergizeCT, funded by a fee on utility bills.

On December 21, 2020, Governor Ned Lamont joined Governor Charlie Baker of Massachusetts, Governor Gina Raimondo of Rhode Island, and May Bowser of the District of Columbia in signing a Memorandum of

Understanding (MOU) agreeing to work to implement the Transportation and Climate Initiative Program (TCI-P). TCI-P is a multi-jurisdictional collaboration to cap and reduce greenhouse gases from the transportation sector and accelerate investment in cleaner transportation system in Connecticut as well as the surrounding region. The cap will require wholesale fuel suppliers to purchase “allowances” at auction to cover the emissions from covered transportation fuels. Over time the cap will decline, guaranteeing at least a 26% reduction in carbon emissions from transportation from 2023 to 2032. Auction proceeds will generate approximately \$90 to \$115 million per year and will be set aside to be reinvested in clean transportation projects and programs, including transit services. As per the MOU, investments will focus 35% of those proceeds to communities overburdened by air pollution and underserved by the transportation system.

These ongoing efforts will help identify and prioritize efforts by the State and its population to adapt to climate change. At this stage it is not possible to set out precisely what these efforts may entail, whether and how they will be undertaken and by whom, what the costs and financing possibilities for these efforts may be, and whether they will be successful in their intended goals.

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BUDGET APPROPRIATIONS OF THE STATE SPECIAL TRANSPORTATION FUND FOR
FISCAL YEARS 2019-2020 AND 2020-2021

| APPROPRIATIONS | 2019-2020 | 2020-2021 |
|--|----------------------|----------------------|
| I. DEPARTMENT OF TRANSPORTATION | | |
| A. Personal Services | 186,011,005 | 196,012,288 |
| B. Other Expenses | 53,346,796 | 53,346,796 |
| C. Equipment | 1,341,329 | 1,341,329 |
| D. Minor Capital Projects | 449,639 | 449,639 |
| E. Highway Planning and Research | 3,060,131 | 3,060,131 |
| F. Rail Operations | 215,598,790 | 215,927,417 |
| G. Bus Operations | 196,616,501 | 201,522,710 |
| H. ADA Para-Transit Program | 43,303,827 | 44,819,461 |
| I. Non-ADA Dial-A-Ride Program | 576,361 | 576,361 |
| J. Pay-As-You-Go Transportation Projects | 13,652,577 | 13,676,378 |
| K. Port Authority | 400,000 | 400,000 |
| L. Transportation to Work | 2,370,629 | 2,370,629 |
| AGENCY TOTAL TRANSPORTATION FUND | 716,727,585 | 733,503,139 |
| II. MOTOR VEHICLE DEPARTMENT | | |
| A. Personal Services | 51,720,146 | 54,672,496 |
| B. Other Expenses | 15,405,556 | 15,405,556 |
| C. Equipment | 468,756 | 468,756 |
| D. Commercial Vehicle Information Systems and Networks Project | 324,676 | 324,676 |
| AGENCY TOTAL | 67,919,134 | 70,871,484 |
| III. GENERAL GOVERNMENT | | |
| DEPARTMENT OF ADMINISTRATIVE SERVICES | | |
| A. State Insurance and Risk Mgmt Operations | 8,934,370 | 8,934,370 |
| TOTAL GENERAL GOVERNMENT | 8,934,370 | 8,934,370 |
| IV. CONSERVATION AND DEVELOPMENT | | |
| DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION | | |
| A. Personal Services | 2,051,204 | 2,163,394 |
| B. Other Expenses | 701,974 | 701,974 |
| TOTAL CONSERVATION AND DEVELOPMENT | 2,753,178 | 2,865,368 |
| V. NON-FUNCTIONAL | | |
| DEBT SERVICE - STATE TREASURER | | |
| Debt Service - State Treasurer | 697,080,233 | 767,938,231 |
| RESERVE FOR SALARY ADJUSTMENT | | |
| Reserve for Salary Adjustment | 1,932,200 | 2,055,500 |
| DEPARTMENT OF ADMINISTRATIVE SERVICES | | |
| Worker's Compensation Claims | 6,723,297 | 6,723,297 |
| APPROPRIATIONS ADMINISTERED BY THE COMPTROLLER | | |
| Unemployment Compensation | 203,548 | 203,548 |
| INSURANCE - GROUP LIFE | | |
| Other Expenses | 282,900 | 288,600 |
| EMPLOYERS SOCIAL SECURITY TAX | | |
| Other Expenses | 16,471,765 | 17,222,866 |
| STATE EMPLOYEES HEALTH SERVICE COST | | |
| Other Expenses | 51,210,045 | 54,613,417 |
| OTHER POST EMPLOYMENT BENEFITS | | |
| Other Expenses | 6,099,123 | 5,235,623 |
| SERS DEFINED CONTRIBUTION MATCH | | |
| Other Expenses | 236,758 | 354,879 |
| STATE EMPLOYEES RETIREMENT CONTRIBUTIONS - Normal Cost | | |
| Other Expenses | 21,610,640 | 19,091,316 |
| STATE EMPLOYEES RETIREMENT CONTRIBUTIONS - UAL | | |
| Other Expenses | 141,193,360 | 156,836,684 |
| OTHER | | |
| Non-functional - Change to Accruals | 1,181,008 | 1,296,031 |
| TOTAL NON-FUNCTIONAL | 944,224,877 | 1,031,859,992 |
| TOTAL - Special Transportation Fund | 1,740,559,144 | 1,848,034,353 |
| Less: Estimated Lapse | (30,300,000) | (31,700,000) |
| NET - SPECIAL TRANSPORTATION FUND | 1,710,259,144 | 1,816,334,353 |

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**STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020**

CONTENTS

| | Page |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Balance Sheet | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-GAAP Budgetary Basis - Special Revenue Fund | 5 |
| Notes to Financial Statements | 6 |

INDEPENDENT AUDITOR'S REPORT

To the Honorable Edward M. Lamont, Jr.,
Governor of the State of Connecticut

Report of the Financial Statements

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, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Special Transportation Fund of the State of Connecticut as of June 30, 2020, and the respective changes in financial position thereof, and the respective 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.

Emphasis of a Matter

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, 2020, and 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 opinion is not modified with respect to this matter.

Other Matter

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

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
October 26, 2020

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(Amounts Expressed in Thousands)

| | Special Revenue Fund | Debt Service Fund | Restricted Grants Fund | Total |
|--|-------------------------|----------------------|---------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 128,787 | \$ - | \$ 75,005 | \$ 203,792 |
| Restricted investments held by Trustee | - | 1,024,577 | - | 1,024,577 |
| Receivables: | | | | |
| Taxes, net of allowance for doubtful accounts of \$164 for the Special Revenue Fund | 146,242 | - | - | 146,242 |
| Accounts, net of allowance for doubtful accounts of \$16,033 and \$243 for the Special Revenue Fund and Restricted Grants Fund, respectively | 38,077 | - | 4,251 | 42,328 |
| Interest | 260 | 274 | - | 534 |
| Restricted federal grants | - | - | 123,398 | 123,398 |
| Due from other funds of the State | 274 | - | - | 274 |
| Inventories | 25,250 | - | - | 25,250 |
| Total assets | <u>\$ 338,890</u> | <u>\$ 1,024,851</u> | <u>\$ 202,654</u> | <u>\$ 1,566,395</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 15,447 | \$ - | \$ 68,119 | \$ 83,566 |
| Wages and benefits payable | 14,726 | - | 4,083 | 18,809 |
| Due to other funds of the State | - | 274 | 339 | 613 |
| Total liabilities | <u>30,173</u> | <u>274</u> | <u>72,541</u> | <u>102,988</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Receivables to be collected in future periods | 41,524 | - | 1,951 | 43,475 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Inventories | 25,250 | - | - | 25,250 |
| Restricted for: | | | | |
| Transportation programs | 241,943 | - | - | 241,943 |
| Debt service | - | 1,024,577 | - | 1,024,577 |
| Federal programs | - | - | 128,162 | 128,162 |
| Total fund balances | <u>267,193</u> | <u>1,024,577</u> | <u>128,162</u> | <u>1,419,932</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 338,890</u> | <u>\$ 1,024,851</u> | <u>\$ 202,654</u> | <u>\$ 1,566,395</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(Amounts Expressed in Thousands)

| | Special Revenue Fund | Debt Service Fund | Restricted Grants Fund | Total |
|---|-------------------------|----------------------|---------------------------|---------------------|
| REVENUES | | | | |
| Motor fuel taxes | \$ 677,172 | \$ - | \$ - | \$ 677,172 |
| Sales taxes | 474,034 | - | - | 474,034 |
| License, permit and fee revenues | 315,415 | - | - | 315,415 |
| Sales and other services | 23,337 | - | - | 23,337 |
| Fines and rents | 17,720 | - | - | 17,720 |
| Investment income | 5,628 | 14,321 | - | 19,949 |
| Intergovernmental grants | 12,315 | - | 809,074 | 821,389 |
| Miscellaneous | 5,958 | - | 35,617 | 41,575 |
| Total revenues | <u>1,531,579</u> | <u>14,321</u> | <u>844,691</u> | <u>2,390,591</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,731 | - | 290 | 8,021 |
| Regulation and protection | 113,079 | - | 1 | 113,080 |
| Conservation and development | 4,866 | - | - | 4,866 |
| Transportation | 890,978 | - | 817,924 | 1,708,902 |
| Debt service: | | | | |
| Principal retirement | - | 382,935 | - | 382,935 |
| Interest and fiscal charges | 518 | 289,156 | 285 | 289,959 |
| Total expenditures | <u>1,017,172</u> | <u>672,091</u> | <u>818,500</u> | <u>2,507,763</u> |
| Excess (deficiency) of revenues over expenditures | 514,407 | (657,770) | 26,191 | (117,172) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other State funds | 14,393 | 704,952 | 550 | 719,895 |
| Transfers to other State funds | (656,247) | (14,393) | - | (670,640) |
| Total other financing sources (uses) | <u>(641,854)</u> | <u>690,559</u> | <u>550</u> | <u>49,255</u> |
| Net changes in fund balances | (127,447) | 32,789 | 26,741 | (67,917) |
| FUND BALANCES, beginning of year | 392,950 | 991,788 | 101,421 | 1,486,159 |
| CHANGE IN RESERVE FOR INVENTORIES | 1,690 | - | - | 1,690 |
| FUND BALANCES, end of year | <u>\$ 267,193</u> | <u>\$ 1,024,577</u> | <u>\$ 128,162</u> | <u>\$ 1,419,932</u> |

The accompanying notes are an integral part of these 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
FOR THE YEAR ENDED JUNE 30, 2020
(Amounts Expressed in Thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|---------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Budgeted: | | | | |
| Taxes, net of refunds | \$ 1,315,800 | \$ 1,147,900 | \$ 1,152,186 | \$ 4,286 |
| License, permit, and fee revenues | 425,600 | 376,900 | 370,350 | (6,550) |
| Federal grants | 12,100 | 12,300 | 12,315 | 15 |
| Other | 36,100 | 21,700 | 21,754 | 54 |
| Refunds of payments | (5,000) | (4,500) | (4,520) | (20) |
| Operating transfers in | (30,000) | (30,000) | (30,000) | - |
| Operating transfers out | (5,500) | (5,500) | (5,500) | - |
| Total revenues | <u>1,749,100</u> | <u>1,518,800</u> | <u>1,516,585</u> | <u>(2,215)</u> |
| EXPENDITURES | | | | |
| Budgeted: | | | | |
| General government | 9,635 | 9,635 | 9,635 | - |
| Regulation and protection | 76,344 | 76,383 | 63,678 | (12,705) |
| Transportation | 2,753 | 2,753 | 2,704 | (49) |
| Conservation and development | 731,733 | 731,899 | 715,397 | (16,502) |
| Non-functional | 953,395 | 953,190 | 878,354 | (74,836) |
| Total expenditures | <u>1,773,860</u> | <u>1,773,860</u> | <u>1,669,768</u> | <u>(104,092)</u> |
| Appropriations lapsed | <u>30,300</u> | <u>72,504</u> | <u>-</u> | <u>(72,504)</u> |
| Excess of revenues over expenditures | 5,540 | (182,556) | (153,183) | 29,373 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Prior year appropriations carried forward | 33,300 | 33,300 | 33,300 | - |
| Appropriations continued to fiscal year 2020-2021 | - | - | (31,803) | (31,803) |
| Total other financing sources (uses) | <u>33,300</u> | <u>33,300</u> | <u>1,497</u> | <u>(31,803)</u> |
| Net change in fund balance | <u>\$ 38,840</u> | <u>\$ (149,256)</u> | <u>(151,686)</u> | <u>\$ (2,430)</u> |
| BUDGETARY FUND BALANCE, beginning of year | | | 353,417 | |
| CHANGE IN RESERVE FOR CONTINUING APPROPRIATIONS | | | <u>28,503</u> | |
| BUDGETARY FUND BALANCE, end of year | | | <u>\$ 230,234</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 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.

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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 (the "2017 Budget Act"). 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 (99.5% in fiscal year 2020, 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. The General Assembly may not alter the State's obligation to comply with such cap on Special Transportation Fund aggregate appropriations prior to June 20, 2023.

During the 2019 legislative session, the General Assembly passed Public Act 19-117 (the "Appropriations Act"), which made several adjustments to the revenues credited to the Special Transportation Fund. Sections 317 and 218 of the Appropriation Act partially modified the phase-in schedule for the transfer of motor vehicle sales and use tax as follows: 8% in fiscal year 2019, 17% (previously 33%) in fiscal year 2020, 25% (previously 56%) in fiscal year 2021, 75% in fiscal year 2022, and 100% in fiscal year 2023. In addition, the Appropriations Act included various expansions to the sales and use tax.

During the 2019 legislative session, the General Assembly passed Public Act 19-165 (the "DMV Act"), which increased the renewal period for operator licenses and registrations. For operator licenses, the DMV Act increased the renewal period by two years, from six to eight years. For operator registration, the DMV Act increased the renewal period by one year, from two to three years.

During the 2020 legislative session, the General Assembly passed Public Act 20-1 (the "Bond Act"), which provides for special tax obligation bond authorizations for transportation projects of \$777.6 billion in fiscal year 2020 and \$782.4 billion in fiscal year 2021. The Bond Act also provides for general obligation bond authorizations for transportation projects of \$200 million in each of fiscal year 2020 and fiscal year 2021.

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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Basis of Presentation (*Continued*)

Fund Financial Statements (*Continued*)

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 non-federal grant revenues and expenditures.

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. Resources received in advance are reported as unearned revenue.

Intergovernmental Grants and Similar Non-Exchange Transactions - Intergovernmental grants and similar non-exchange 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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus and Basis of Accounting *(Continued)*

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.

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, are measured at the net asset value per share as determined by the pool.

Inventories

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

Deferred Inflows of Resources

Deferred inflows of resources represents 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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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 Fund's intent to be used for specific purposes, but are not 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
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - BUDGETARY INFORMATION AND LEGAL COMPLIANCE

Amounts expressed in thousands

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 (99.5% in fiscal year 2020, 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. The General Assembly may not alter the State's obligation to comply with such cap on Special Transportation Fund aggregate appropriations prior to June 20, 2023.

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 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent 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 percent 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 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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - BUDGETARY INFORMATION AND LEGAL COMPLIANCE *(Continued)*

Amounts expressed in thousands

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 | \$ (151,686) |
| Decrease in receivables | (5,208) |
| Decrease in accounts payable | 944 |
| Statutory surplus reserve for fiscal year 2020-2021* | 30,000 |
| Decrease in continuing appropriations | (1,497) |
| Net change in fund balance - GAAP basis | \$ (127,447) |

*Section 371 of Public Act 19-117 authorized a \$30 million transfer of resources of the Special Transportation Fund for the fiscal year ended June 30, 2020, to be accounted for as revenue of the Special Transportation Fund for the fiscal year ending June 30, 2021.

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 \$821.4 million for the year ended June 30, 2020 and are not available for debt service.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CASH DEPOSITS - CUSTODIAL CREDIT RISK

Amounts expressed in thousands

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 percent, 25 percent, 100 percent or 120 percent 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 \$51,743 as of June 30, 2020. 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, 2020.

Investments in the State Treasurer's Short-Term Investment Fund ("STIF") totaling \$152,048 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

Amounts expressed in thousands

As of June 30, 2020, the Fund's investments consist of the following:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities (In Years)</u> | | |
|-------------------------------|---------------------|---|---------------|------------------|
| | | <u>Less Than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> |
| Debt Securities | | | | |
| Short-Term Investment Fund | \$ 1,156,459 | \$ 1,156,459 | \$ - | \$ - |
| Federal Fixed Rate Securities | 20,166 | - | - | 20,166 |
| | <u>\$ 1,176,625</u> | <u>\$ 1,156,459</u> | <u>\$ -</u> | <u>\$ 20,166</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 investments as presented in the accompanying balance sheet as of June 30, 2020 is as follows:

| | |
|---|---------------------|
| Bond service account | \$ 370,287 |
| Debt service reserve account | <u>654,290</u> |
| Restricted investments held by Trustee | 1,024,577 |
| Investments presented as cash equivalents | <u>152,048</u> |
| | <u>\$ 1,176,625</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
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - INVESTMENTS (*Continued*)

Amounts expressed in thousands

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, 2020:

| <u>Debt Securities</u> | <u>Fair Value</u> | <u>Standard & Poors</u> | <u>Moody's</u> | <u>Fitch</u> |
|-------------------------------|---------------------|-----------------------------|----------------|--------------|
| Short-Term Investment Fund | \$ 1,156,459 | AAA | Unrated | Unrated |
| Federal Fixed Rate Securities | 20,166 | AA+ | Aaa | AAA |
| | <u>\$ 1,176,625</u> | | | |

Concentrations of Credit Risk

The Fund places no limit on the amount of investment in any one issuer. As of June 30, 2020, 98.3% of the Fund's investments were invested in the State Treasurer's Short-Term Investment Fund.

NOTE 6 - FAIR VALUE MEASUREMENTS

Amounts expressed in thousands

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Fund categorizes its fair value measurements as either Level 1 (inputs which are based on quoted prices in active markets for identical assets or liabilities), Level 2 (inputs, other than quoted prices, which are based on observable prices for the asset or liability), and Level 3 (inputs which are based on unobservable prices).

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Amounts expressed in thousands

The Fund's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2020, by level within the fair value hierarchy are presented in the table below.

| Financial Assets Measured at Fair Value | Prices in Active Market (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|--|---|--|-----------|
| Federal Fixed Rate Securities | \$ - | \$ 20,166 | \$ - | \$ 20,166 |

NOTE 7 - SPECIAL TAX OBLIGATION BONDS

Amounts expressed in thousands

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, 2020 is as follows.

| Issue | Interest Rates | Dated Date | Maturing Through Fiscal Year | Amount of Original Issue | Principal Balance at June 30, 2020 |
|-----------------------|-------------------|--------------------|------------------------------------|--------------------------------|--|
| Senior Bonds: | | | | | |
| 2009A Bonds | 2.50% - 5.00% | November 10, 2009 | 2030 | \$ 195,970 | \$ 2,450 |
| 2009B Bonds | 4.86% - 5.74% | November 10, 2009 | 2030 | 304,030 | 304,030 |
| 2010B Bonds | 4.13% - 5.46% | November 10, 2010 | 2031 | 400,430 | 400,430 |
| 2010C Refunding Bonds | 2.00% - 5.00% | November 10, 2010 | 2023 | 137,675 | 54,010 |
| 2011A Bonds | 3.38% - 5.00% | December 15, 2011 | 2032 | 221,230 | 162,635 |
| 2011B Refunding Bonds | 2.00% - 5.00% | December 15, 2011 | 2023 | 233,845 | 53,340 |
| 2012A Bonds | 2.00% - 5.00% | December 21, 2012 | 2033 | 502,290 | 369,725 |
| 2012B Refunding Bonds | 5.00% | December 21, 2012 | 2025 | 125,100 | 76,675 |
| 2013A Bonds | 2.00% - 5.00% | November 21, 2013 | 2034 | 600,000 | 476,460 |
| 2014A Bonds | 2.00% - 5.00% | October 16, 2014 | 2035 | 600,000 | 505,910 |
| 2014B Refunding Bonds | 3.00% - 5.00% | October 16, 2014 | 2026 | 131,545 | 92,310 |
| 2015A Bonds | 3.00% - 5.00% | October 15, 2015 | 2036 | 700,000 | 609,340 |
| 2015B Refunding Bonds | 2.00% - 5.00% | October 15, 2015 | 2028 | 139,770 | 116,940 |
| 2016A Bonds | 3.00% - 5.00% | September 28, 2016 | 2037 | 800,000 | 723,785 |
| 2016B Refunding Bonds | 2.00% - 5.00% | September 28, 2016 | 2029 | 68,265 | 55,995 |
| 2018A Bonds | 4.00% - 5.00% | February 8, 2018 | 2038 | 800,000 | 746,385 |
| 2018B Bonds | 5.00% | October 25, 2018 | 2039 | 750,000 | 724,180 |
| 2018C Refunding Bonds | 3.00% - 5.00% | October 25, 2018 | 2027 | 100,105 | 100,105 |
| 2020A Bonds | 3.00% - 5.00% | May 29, 2020 | 2040 | 850,000 | 850,000 |
| | | | | | <u>\$ 6,424,705</u> |

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - SPECIAL TAX OBLIGATION BONDS (*Continued*)

Amounts expressed in thousands

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 A Bonds maturing after December 1, 2019 will be subject to redemption, at the election of the State, on or after December 1, 2019 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 percent of the principal amount outstanding on December 1, 2019 and thereafter.

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.

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 2010 Series C Bonds maturing on or after November 1, 2021 will be subject to redemption, at the election of the State, on or after November 1, 2020 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 percent of the principal amount outstanding on November 1, 2020 and thereafter.

The 2011 Series A Bonds maturing on or after December 1, 2022 will be subject to redemption, at the election of the State, on or after December 1, 2021 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 percent of the principal amount outstanding on December 1, 2021 and thereafter.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - SPECIAL TAX OBLIGATION BONDS (*Continued*)

Amounts expressed in thousands

The 2011 Series B Bonds maturing on or after December 1, 2022 will be subject to redemption, at the election of the State, on or after December 1, 2021 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 percent of the principal amount outstanding on December 1, 2021 and thereafter.

The 2012 Series A Bonds maturing on or after January 1, 2024 will be subject to redemption, at the election of the State, on or after January 1, 2023 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 percent of the principal amount outstanding on January 1, 2023 and thereafter.

The 2012 Series B Bonds maturing on or after January 1, 2024 will be subject to redemption, at the election of the State, on or after January 1, 2023 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 percent of the principal amount outstanding on January 1, 2023 and thereafter.

The 2013 Series A Bonds maturing on or after October 1, 2024 will be subject to redemption, at the election of the State, on or after October 1, 2023 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 percent of the principal amount outstanding on October 1, 2023 and thereafter.

The 2014 Series A Bonds maturing on or after September 1, 2025 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 percent of the principal amount outstanding on September 1, 2024 and thereafter.

The 2014 Series B Bonds maturing on or after September 1, 2025 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 percent 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 percent of the principal amount outstanding on August 1, 2025 and thereafter.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - SPECIAL TAX OBLIGATION BONDS (*Continued*)

Amounts expressed in thousands

The 2015 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 percent of the principal amount outstanding on August 1, 2025 and thereafter.

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 percent of the principal amount outstanding on September 1, 2026 and thereafter.

The 2016 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 percent 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 percent 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 percent of the principal amount outstanding on October 1, 2028 and thereafter.

The 2018 Series C 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 percent of the principal amount outstanding on May 1, 2030 and thereafter.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - SPECIAL TAX OBLIGATION BONDS (Continued)

Amounts expressed in thousands

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> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2021 | \$ 339,585 | \$ 308,066 | \$ 647,651 |
| 2022 | 354,150 | 294,684 | 648,834 |
| 2023 | 380,895 | 277,123 | 658,018 |
| 2024 | 384,040 | 259,189 | 643,229 |
| 2025 | 393,295 | 239,620 | 632,915 |
| 2026-2030 | 1,980,775 | 896,319 | 2,877,094 |
| 2031-2035 | 1,731,990 | 418,439 | 2,150,429 |
| 2036-2040 | 859,975 | 86,688 | 946,663 |
| | <u>\$ 6,424,705</u> | <u>\$ 2,780,128</u> | <u>\$ 9,204,833</u> |

Bonds Authorized But Not Issued

As of June 30, 2020, the State has \$4.2 billion of special tax obligation bonds that have been authorized 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, 2020, accrued interest on the special tax obligations bonds paid from the Debt Service Fund totaled \$93.3 million and will be recognized as a debt service expenditure when paid.

NOTE 8 - CHANGES IN LONG TERM OBLIGATIONS

Amounts expressed in thousands

Although the Fund does pay certain long-term obligations, these obligations have not been reported in the accompanying fund financial statements. A summary of changes in long-term obligations of the Fund for the year ended June 30, 2020 is as follows:

| <u>Description</u> | <u>Balance, July 1, 2019</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance, June 30, 2020</u> |
|---|----------------------------------|-------------------|---------------------|-----------------------------------|
| Special tax obligation bonds and refunding bonds | \$ 5,957,640 | \$ 850,000 | \$ (382,935) | \$ 6,424,705 |
| Compensated absences | 51,122 | 1,524 | - | 52,646 |
| Claims and judgements (See Note 10) | 1,749 | - | (1,082) | 667 |
| | <u>\$ 6,010,511</u> | <u>\$ 851,524</u> | <u>\$ (384,017)</u> | <u>\$ 6,478,018</u> |

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 - INTERFUND BALANCES

Interfund Receivables and Payables

Amounts expressed in thousands

A summary of interfund receivables and payables as of June 30, 2020 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|------------------------|---------------|
| Special Revenue Fund | Debt Service Fund | <u>\$ 274</u> |
| Other funds of the State | Restricted Grants Fund | <u>\$ 339</u> |

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.

Interfund Transfers

Amounts expressed in thousands

A summary of interfund transfers for the year ended June 30, 2020 is as follows:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| Special Revenue Fund | Debt Service Fund | <u>\$ 14,393</u> |
| Debt Service Fund | Special Revenue Fund | \$ 650,747 |
| | Other funds of the State | <u>54,205</u> |
| | | <u>\$ 704,952</u> |
| Restricted Grants Fund | Other funds of the State | <u>\$ 550</u> |
| Other funds of the State | Special Revenue Fund | <u>\$ 5,500</u> |

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.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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 \$667 thousand as of June 30, 2020. 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 totaled approximately \$7.8 million as of June 30, 2020.

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, 2020. There was no liability for arbitrage rebate as of June 30, 2020.

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, 2020, the aggregate contractual commitments for such projects totaled approximately \$660.6 million. 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 Post-employment 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 post-employment 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 post-employment 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 Comprehensive Annual 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 \$162.8 million for pension benefits and \$6.1 million for other post-employment benefits for the year ended June 30, 2020.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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.

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 \$342.5 thousand for the year ended June 30, 2020.

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 \$9.6 million for the year ended June 30, 2020.

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 \$5.0 million for the year ended June 30, 2020.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT AND UNCERTAINTIES (*Continued*)

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.

Impact of COVID-19

In early March 2020, there was a global outbreak of COVID-19 that was declared a Public Health Emergency of International Concern by the World Health Organization and was subsequently declared a state of emergency by the Governor of Connecticut and a national emergency by the President of the United States. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

On March 27, 2020, the United States Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess of \$2 trillion of relief to industries and entities throughout the country, including state and local governments. In addition to funding received by the State under the CARES Act to cover statewide costs associated with the response to the outbreak, the State of Connecticut Department of Transportation has been awarded \$487.5 million in CARES Act funding from the Federal Transit Administration for the support of operational expenses of statewide public transportation, including bus and rail.

The extent to which COVID-19 will impact the State's operations and its financial condition, including the activities of the Special Transportation Fund, will depend on future developments that are uncertain and cannot be fully predicted with confidence at this time.

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SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE

The following statements are summaries of certain provisions of the Senior Indenture. All such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the Senior Indenture.

Definitions

The following are definitions of certain terms as used in the Senior Indenture:

“Accountant” means the independent accountant or firm of independent accountants appointed by the State pursuant to Section 7.4 of the Senior Indenture.

“Act” means collectively, Public Act No. 84-254, Special Act No. 84-52 and any other action of the General Assembly of the State, authorizing Senior Bonds to be issued under the Senior Indenture, as the same may be amended from time to time.

“Additional Bonds” means one or more series of additional Bonds, other than the Bonds initially issued under the Senior Indenture in 1984, authorized and issued by the State pursuant to the Senior Indenture, provided that the term “Additional Bonds” does not include Refunding Bonds issued pursuant to Section 2.5 of the Senior Indenture.

“Amortization Requirement” for any period (as applied to term bonds issued under the provisions of Sections 2.2, 2.4 and 2.5 of the Senior Indenture), means the respective amount of principal of term bonds to be amortized in such period with respect to such Senior Bonds as fixed by resolution of the State Bond Commission prior to the delivery of such Senior Bonds. Such Amortization Requirement shall be accrued ratably over the period for which such Amortization Requirement was fixed, and the Amortization Requirement on term bonds of any series accruing for any period other than that for which the State Bond Commission shall have fixed an Amortization Requirement 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 the State Bond Commission shall determine and shall not end later than the year immediately preceding the maturity of such term bonds.

“Debt Service Requirements” means for any period, the sum of (A) the principal and interest accruing during such period with respect to Senior Bonds, the interest accruing during such period with respect to Senior Notes and the unrefunded principal accruing during such period with respect to Senior Notes, (B) the purchase price of Senior Bonds and Senior Notes which are subject to purchase or redemption at the option of the holder of such Senior Bond or Senior Note, (C) the amounts, if any, required during such period to establish or maintain the funds or accounts existing under the Senior Indenture at the respective levels required to be established or maintained as provided in the Senior Indenture, (D) expenses of issuance and administration with respect to Senior Bonds and Senior Notes, as determined by the State 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 Senior Bonds or Senior Notes and (F) any other costs or expenses deemed by the State Treasurer to be necessary or proper to be paid in connection with the Senior Bonds and Senior 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 Senior Bonds or Senior Notes.

“Debt Service Reserve Requirement” means an amount equal to the maximum Principal and Interest Requirements on Senior Bonds for the current or any succeeding Fiscal Year on account of all Senior Bonds then outstanding.

“Fiscal Year” means 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.

“Infrastructure Improvement Fund” means the Infrastructure Improvement Fund of the State, as provided in Section 5.8 of the Senior Indenture.

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

“Pledged Revenues” means the taxes, fees, charges and other receipts of the State credited to the Special Transportation Fund pursuant to Section 13b-61 of the General Statutes of the State, as amended from time to time.

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

- (i) the amount of interest accruing on all Senior Bonds of such series in such period; plus
- (ii) the amount of principal accruing in such period with respect to all serial bonds of such series then outstanding, assuming the principal of any serial bond accrues ratably over the year preceding the maturity of such serial bond; plus
- (iii) the Amortization Requirement accruing for the term bonds of such series for such period; plus
- (iv) any other amortization or accrual of original issue discount or principal with respect to Senior Bonds of such series required to be made for such period pursuant to the proceedings authorizing Senior Bonds of such series; plus
- (v) the amount accruing 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 of Senior Bonds.

In computing the Principal and Interest Requirements on Senior Bonds for any period for the Senior Bonds of any series, the Trustee assumes 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 Senior Bond bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Senior Bond at the time of calculation.

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

“Senior Bond” means any bond issued pursuant to the Senior Indenture.

“Senior Note” means any note issued in anticipation of Senior Bonds pursuant to Section 2.6 of the Indenture, including any renewal and replacement Senior Notes.

“Special Transportation Fund” means the Special Transportation Fund of the State created under Section 1 of Public Act No. 83-30 of the State, as amended.

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

“Trustee” means U.S. Bank National Association successor to The Connecticut National Bank, original trustee, and its successor or successors hereafter appointed in the manner provided in the Senior Indenture.

Pledge of Trust Estate

To secure the payment of the Debt Service Requirements on the Senior Bonds and Senior Notes, and all other amounts due in connection therewith and the performance and observance by the State of all the covenants expressed or implied in the Senior Indenture and in the Senior Bonds and Senior Notes, the State, in the Senior Indenture, has granted to the Trustee a first call on Pledged Revenues as they are received by the State and credited to the Special Transportation Fund, and has granted to the Trustee a lien upon and a 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 of Connecticut, 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 the Senior Indenture (collectively, the “Trust Estate”).

The Senior Bonds, including the principal thereof and interest and premium, if any, thereon, are payable solely from the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Senior Indenture. The Senior Bonds shall be equally and ratably secured under the Senior Indenture by the assignments, pledges and charges made or created in the Senior Indenture of or on the properties of the Trust Estate for the payment and security of the Senior Bonds and by a co-equal

lien thereon. The aforesaid lien and charge of the Senior 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 Senior Bonds and from time to time held under the Senior Indenture, subject only to the provisions of the Senior 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 thereof, 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 thereafter be created or incurred. The pledges, liens, charges and assignments to the Trustee of the Trust Estate made in the Senior Indenture are to be valid and binding from the time of the delivery of and payment for the first series of Senior Bonds issued under the Senior Indenture and the moneys representing the Pledged Revenues and other receipts, funds or moneys so pledged received by the State are to be subject immediately to the lien of such pledge, upon receipt thereof by the State or the Trustee or a Paying Agent under the Senior Indenture without any physical delivery thereof or further act.

The Senior Bonds and Senior Notes are special obligations of the State and are not payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Senior Indenture. Neither the State nor any political subdivision thereof is subject to any liability on the Senior Bonds and Senior Notes except to the extent of the Pledged Revenues, or other receipts, funds and moneys pledged under the Senior Indenture to secure the same. See "Nature of Obligation-State General Taxing Power Not Pledged" above.

Funds and Accounts

Under the Senior Indenture, the following funds and accounts are to be administered as follows:

1. *Special Transportation Fund.* On or before the last day of each month in which Senior 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 the following sums 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 sum so withdrawn if less than the required amount, in which case such sum shall be allocated among the purposes set forth in this subparagraph 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 sum of the aggregate unpaid principal accruing on outstanding serial bonds through the dates in the next ensuing month which are the respective anniversary dates of such bonds, assuming the principal of any serial bond accrues ratably over the twelve months preceding its maturity, plus the unpaid interest accruing on each of the Senior Bonds then outstanding through the dates in the next ensuing month which are the respective anniversary dates of such Senior Bonds, plus the amount accruing 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 Senior 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 accruing through the end of the next ensuing month and unpaid interest accruing 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 anniversary dates of the Senior 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 month shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each subsequent month thereafter until such time as such deficiency shall have been made up; and

(ii) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subparagraph (i) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain the Reserve Account at the Debt Service Reserve Requirement.

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.

2. *Note Repayment Account.* Proceeds of Additional Bonds in respect of which Senior Notes have been issued, proceeds of renewal or replacement Senior Notes issued pursuant to the Senior Indenture, and the monthly deposit described above, shall be deposited by the Trustee to the credit of the Note Repayment Account in the amounts specified in Sections 2.3(a), 2.4(c)(1), 2.6(a) and 5.1(a) of the Senior Indenture. Moneys held to the credit of the Note Repayment Account are to be used by the Trustee for the purpose of paying the interest on outstanding Senior Notes, interest pursuant to any reimbursement

agreement entered into with respect to a credit facility for the payment of principal of Senior Notes, and principal on refunded Senior Notes. Upon such deposit to the credit of the Note Repayment Account of amounts to refund Senior Notes, the principal of Senior 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 Senior Note the principal of such Senior Note shall be deemed for purposes of the Senior Indenture to be unrefunded. Any moneys remaining in the Note Repayment Account after the last maturity date of such outstanding Senior Notes in excess of the amount of principal due and payable thereon are to be transferred to the credit of the Special Transportation Fund. All proceeds realized from the investment of moneys held to the credit of the Note Repayment Account are to remain therein.

3. *Debt Service Account.* Within the Debt Service Account are three separate sub-accounts known as the “Bond Service Sub-Account,” the “Redemption Sub-Account” and the “Unrefunded Note Sub-Account.” Moneys held to the credit of the Bond Service Sub-Account, the Redemption Sub-Account, and the Unrefunded Note Sub-Account are to be held in trust and disbursed by the Trustee, as more particularly described below, for (a) the payment of the interest on Senior Bonds as such interest becomes due, (b) the payment of principal on Senior Bonds at their respective maturities, (c) the payment of the purchase or redemption price of the Senior 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 Senior Bonds, and interest pursuant to such a reimbursement agreement entered into with respect to payment of principal of Senior Notes, and under the Senior Indenture such moneys are pledged to and charged with such payments as follows:

a. *Bond Service Sub-Account.* The Trustee, from time to time as required, is to withdraw from the Bond Service Sub-Account and, if necessary, from the Reserve Account and the Unrefunded Note Sub-Account, and is to deposit in trust with the Paying Agent sufficient moneys for paying the principal of and the interest on the Senior 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 Senior Bonds. To the extent necessary to comply with Section 7.6 of the Senior Indenture, the Bond Service Sub-Account is to be depleted, and in order to comply with this requirement, the Trustee, from time to time, is to 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 to the Bond Service Sub-Account on the sale of Senior Bonds may be used to pay costs of issuance of such Senior Bonds as directed by the Treasurer.

b. *Redemption Sub-Account.* Moneys held to the credit of the Redemption Sub-Account are to be applied to the retirement of Senior Bonds issued under the provisions of the Indenture as follows:

(1) Subject to the provisions of (3) below, the Trustee is to endeavor to purchase Senior Bonds secured by the Senior Indenture and then outstanding, whether or not such Senior Bonds are subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to the interest rate and price, such price, including brokerage expenses, not to exceed the principal of such Senior Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Senior Bonds under the provisions of Article IV of the Senior Indenture if such Senior Bonds should be called for redemption on such date. The Trustee is to pay the interest accrued on such Senior 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 Senior Bonds are subject to call for redemption under the provisions of the Senior Indenture except from moneys in excess of the amounts set aside or deposited for the redemption of Senior Bonds.

(2) Subject to the provisions of (3) below, the Trustee is to call for redemption on each interest payment date on which Senior Bonds are subject to redemption from moneys in the Debt Service Account such amount of Senior 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 not less than One Hundred Thousand Dollars (\$100,000.00) in principal amount of Senior Bonds are to be called for redemption at any one time. Such redemption is to be made pursuant to Article IV of the Senior Indenture. Not less than five (5) days before the redemption date the Trustee shall withdraw from the Bond Service Sub-Account and from the Redemption Sub-Account and set aside in separate accounts on deposit with the Paying Agents the respective amounts required for paying the interest on the Senior Bonds so called for redemption and the principal of, and the premium on, such Senior Bonds.

(3) Moneys in the Redemption Sub-Account are to be applied to the purchase or redemption of Senior Bonds in the following order: (a) term bonds of each series, if any, issued under the Senior Indenture, in the 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; provided, however, that if none of the term bonds of a series is subject to redemption from moneys in the Debt Service Account and if the Trustee is at any time unable to exhaust the moneys applicable to the Senior Bonds of such series in the purchase of such Bonds, such moneys or the balance of such moneys, as the case may be, is to be retained and, as soon as feasible, applied to the retirement of the Senior Bonds of such series; (b) to the purchase of any Senior Bonds secured by the Senior Indenture and then

outstanding whether or not such Senior Bonds are subject to redemption; (c) to the redemption of the term bonds of each series in proportion (as nearly as practicable) to the aggregate principal amount of the Senior Bonds of such series originally issued; and (d) after the retirement of all term bonds, to the redemption of the serial bonds issued under the provisions of the Senior Indenture in the manner provided therein 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.

c. *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 Senior Notes becoming due and payable; provided, however, that no such withdrawal and credit shall be made unless all amounts required to be deposited by the State to the Debt Service, Reserve and Note Repayment Accounts have been so deposited. Moneys held to the credit to the Unrefunded Note Sub-Account will be used by the Trustee for the purpose of paying the unrefunded principal on outstanding Senior 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 by the State to the Debt Service, Reserve and Note Repayment Accounts have been so deposited. Any moneys remaining in the Unrefunded Note Sub-Account after the last maturity date of outstanding Senior Notes will be transferred to the credit of the Special Transportation Fund.

4. *Reserve Account.* Moneys held to the credit of the Reserve Account are to be used for the purpose of paying the principal and interest on the Senior 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, are insufficient for such purposes. To the extent that moneys held to the credit of the Reserve Account exceed the Debt Service Reserve Requirement, the Trustee shall withdraw such excess from the Reserve Account and deposit it with the State to the credit of the Special Transportation Fund. To the extent necessary to comply with Section 7.6 of the Senior Indenture, if at any time the moneys held for the credit of the Reserve Account (as calculated pursuant to the Senior Indenture) exceed fifteen percent (15%) of the original proceeds of the Senior Bonds then outstanding, then at the option of the State Treasurer either such excess is to be withdrawn by the Trustee from the Reserve Account and deposited to the credit of the Special Transportation Fund, or invested at restricted yield.

In lieu of any deposit required to be made to the Reserve Account by the terms of any provisions of the Senior Indenture, the State will be entitled to substitute a bond of insurance or indemnity in favor of the Trustee in like amount and issued by an insurer under the supervision of an agency of the United States or any State whose outstanding bonds of insurance or indemnity are rated "AA" or better by a nationally recognized rating agency at the time of issuance of such bonds of insurance or indemnity.

5. *Infrastructure Improvement Fund.* The proceeds of Senior Bonds and Senior Notes, to the extent required by the Senior Indenture, are to be deposited in this fund held and administered by the State. The moneys so deposited are to 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, are not to be subject to any lien or pledge in favor of the holders of Bonds.

Application of Proceeds of Bonds and Notes

Issuance of Senior Bonds. From the net proceeds of the sale of the Senior Bonds received by or on behalf of the State, including the interest accrued thereon from the date thereof to the date of delivery thereof and payment therefor, and after any permitted payment of issuance costs, there will be deposited:

(a) to the credit of the Note Repayment Account 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 all Senior Notes then outstanding and issued in anticipation of such Senior Bonds;

(b) to the credit of the Reserve Account that amount, if any, which when added to the amount then held for the credit of the Reserve Account, will make the total amount held for the credit of the Reserve Account equal to the Debt Service Reserve Requirement;

(c) 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 Senior Bonds were issued;

(d) to the credit of such other Funds or accounts, such deposits or credits, if any, as shall be specified in the Supplemental Indenture providing for the issuance of such series of Senior Bonds; and

(e) any balance of such proceeds to the credit of the Infrastructure Improvement Fund.

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

Issuance of Senior Notes and Application of Note Proceeds. The Senior Indenture authorizes the issuance of one or more series of Senior Notes to provide temporary financing for transportation purposes pending the issuance of Senior Bonds. No Senior Notes 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 fifty million dollars (\$50,000,000), 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, coming due in equal annual installments of principal and interest, the last installment of which shall be due 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 Senior Bonds been issued at such time.

Said Senior Notes shall be special obligations of the State payable solely from the proceeds of the Senior Bonds issued under the Senior Indenture and, to the extent provided in the Senior Indenture or deemed necessary or desirable by the State, from the Special Transportation Fund. 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 principal and interest with respect to 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 Senior Noteholder inconsistent with the terms of the Senior Indenture. The full faith and credit of the State will not be pledged to the repayment of such Senior Notes and the State will not be obligated to make appropriations from its general fund for the repayment of such Senior Notes. Such Senior Notes may be renewed and refunded from time to time as may be determined by the Treasurer. Said Senior Notes may be made redeemable. The proceeds of the sale of any issue of Senior Notes is to be applied as follows:

(a) There will 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 Senior 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 paragraph 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 Senior Notes then outstanding which are to be renewed or refunded.

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

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

Depositories of Moneys/Investments

All moneys held by the State under the provisions of the Senior Indenture are to be deposited in the name of the State in one or more funds and accounts with such depository or depositories as the State Treasurer shall designate, except that the Note Repayment Account, the Debt Service Account and the Reserve Account are to be held only by the Trustee. All moneys deposited under the provisions of the Senior Indenture with any depository, or held in a special trust fund prior to payment to the Trustee as aforesaid, are to be trust funds under the terms of the Senior Indenture and are not to the full extent permitted by law to be subject to any lien or attachment by any creditor of the State. Such moneys are to be held in trust and applied in accordance with the terms of the Senior Indenture.

Moneys on deposit in the Note Repayment Account, the Debt Service Account, and the Reserve Account and the sub-accounts in such accounts are to be invested and reinvested by the Trustee, at the direction of the State, to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as 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 is to invest and reinvest moneys on deposit in the Note Repayment Account, the Debt Service Account, and 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.

Investment Securities include (i) such obligations, securities and investments as are set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes, as the same may be amended from time to time, including without limitation, obligations of, or guaranteed by, the State or the United States, or agencies or instrumentalities of the United States, or in certificates of deposit, commercial paper, savings accounts and bank acceptances, and (ii) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes as amended.

Junior Lien Obligations

Nothing contained in the Senior 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 Debt Service Account, Note Repayment Account, or the Reserve 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 created in the Indenture for the payment and security of the Senior Bonds.

Covenants

The State covenants with the purchasers and holders of all Senior Bonds, among other things:

(1) *Amount of Pledged Revenues.* 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 Debt Service Requirements in each year in which Senior Bonds or Senior Notes are outstanding;

(2) *Coverage Requirements.* To provide Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture in each Fiscal Year beginning in the first full Fiscal Year after the issuance of Senior Bonds, after deducting payments out of Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required in the Senior Indenture, computed as of the final business day of such Fiscal Year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on all Senior Bonds outstanding in such Fiscal Year and the Interest Requirements on Senior Notes in such Fiscal Year.

(3) *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 the Senior Indenture shall have been made, the State will not make any payments from the Special Transportation Fund on account of any obligation whatsoever other than the Senior Bonds and Senior Notes, except from amounts held to the credit of the Special Transportation Fund which represent amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the Connecticut General Statutes. If at any time any such amounts required to be paid to the Trustee have not been so paid, the Trustee is 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 will be paid by the Treasurer forthwith to the Trustee, and will not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full.

(b) At all times to 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 are 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.

(4) *Payment of Principal of and Premium and Interest on Senior Bonds.* To duly and punctually pay, or cause to be paid, but solely from the Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, the principal of and interest and premium, if any, on each and every Senior Note and Senior Bond at the place, on the dates and in the manner provided in the Senior Indenture and in such Senior Notes and Senior Bonds according to the true intent and meaning of such Senior Notes and Senior Bonds and the Senior Indenture.

(5) *Books and Accounts; Audits.* To 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 are to show the amount of Pledged Revenues available for the purposes of the Senior Indenture and the application of such Pledged Revenues and amounts in the Infrastructure Improvement Fund to the purposes specified in the Indenture and the Act.

The State is to prepare balance sheets and statements of revenues, expenditures and changes in fund balances for each of the above specified funds and is to cause the Special Transportation Fund to be audited by the Accountant, with such restrictions on audit procedures performed by the Accountant with respect to operating expenses and program costs of the Department 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 is to be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit is to be made annually and the audit report of the Accountant is to be delivered to the State within one hundred twenty (120) days after the close of each Fiscal Year. A copy of each such annual audit is to be open for public inspection, and is to be mailed to any holder of Senior Bonds filing with the

State Treasurer a request for the same. The Trustee is to cooperate fully with the Accountant in completing such audit, and is to make available all books and accounts in its possession pertaining to the Senior Bonds for this purpose.

At the time of delivery of each audit report, the Accountant is also to deliver to the Trustee and the State a letter as to compliance with the coverage covenant described in (2) above.

(6) *Prosecution and Defense of Suits.* To 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 the Senior Indenture, or involving the rights of any Bondholder under the Senior Indenture and to 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 his election may appear in and defend any suit, action or proceeding. This covenant is to remain in full force and effect even though the Senior Bonds are no longer outstanding and all indebtedness and obligations secured by the Senior Indenture may have been fully paid and satisfied and the lien, pledge and charge of the Senior Indenture may have been released and discharged.

(7) *State Taxation.* To keep principal and interest of the Senior Notes and Senior Bonds at all times free from taxation, except for estate and gift taxes, imposed by the State or by any political subdivision thereof, provided that interest paid on the Senior Notes or Senior Bonds shall be included in the definition of "gross income" for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes. See "Tax Exemption" above.

In addition, the State covenants:

(1) not to 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 Senior Bonds with respect to application of Pledged Revenues or other receipts, funds or moneys pledged for the payment of Debt Service Requirements as provided in the Senior Indenture and in the Act;

(2) not to issue any bonds, notes or other evidences of indebtedness, other than the Senior Bonds or Senior 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 Senior Bonds or Senior Notes;

(3) not to 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 the Senior Indenture prevents the State from issuing evidences of indebtedness (i) 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 (ii) 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 (iii) 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 shall be discharged and satisfied;

(4) to 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 Senior Bonds or Senior Notes;

(5) not to in any way impair the rights, exemptions or remedies of the holders of any Senior Bonds or Senior Notes; and

(6) not to 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 Senior Bonds, including Pledged Revenue coverage requirements set forth in Section 2.4 of the Senior Indenture, and provided nothing in the Indenture precludes 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 Revenue coverage requirement set forth in Section 2.4 of the Senior Indenture.

Events of Default

Each of the following constitutes an Event of Default under the Senior Indenture:

(a) the State fails to pay the principal of any Senior Bonds when the same becomes due and payable, either at maturity or by proceedings for redemption; or

(b) the State fails to pay any installment of interest on Senior Bonds when the same becomes due and payable or within thirty (30) days thereafter; or

(c) the State defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Senior Bonds, the Senior Indenture or any Supplemental Indenture on the part of the State to be performed, other than required deposits to the Debt Service Account, and such default continues for ninety (90) days after written notice specifying such failure and requiring the same to be remedied has been given to the State by the Trustee or by the holders of not less than twenty percent (20%) in principal amount of the Senior Bonds then outstanding; provided that if any such failure is such that it cannot be cured or corrected within such ninety (90) day period, it does not constitute an Event of Default 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 as to the amount of Pledged Revenues 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 the Senior Indenture could have been satisfied if Additional Bonds were then to be issued; or

(d) the State is adjudged insolvent by a court of competent jurisdiction; or

(e) any proceedings are 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 the Senior 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 is for any reason rendered incapable of fulfilling its obligations under the Indenture.

Remedies for Defaults

Upon the happening and continuance of any of the Events of Default, and in addition to other remedies provided in the Senior Indenture, the Trustee, for and on behalf of the holders of the Senior Bonds (A) shall have the same rights under the Senior Indenture which are possessed by any of the holders of the Senior Bonds; (B) is authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of the holders of not less than ten percent (10%) in aggregate principal amount of the Senior Bonds then outstanding, is required to pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of interest and premium, if any, on the Senior 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 the Trustee and of the holders of the Senior Bonds allowed in any judicial proceeding relative to the State, or its creditors, its property, or the Senior Bonds.

Defeasance

The obligations of the State under the Senior Indenture and the liens, pledges, charges, trusts and assignments, covenants and agreements of the State therein made or provided for, are to be fully discharged and satisfied as to any Senior Bond and such Senior Bond is no longer to be deemed to be outstanding and will be deemed to have been paid for all purposes of Section 11.2 of the Senior Indenture:

(i) when such Senior Bond is canceled, or surrendered for cancellation and is subject to cancellation, or has been purchased by the Trustee from moneys in the Debt Service Account held by it under the Senior Indenture; or

(ii) as to any Senior Bond not canceled 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 Senior 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) has been made or caused to be made in accordance with the terms of the Senior Indenture, or (B) has been provided by irrevocably depositing with the Trustee or Paying Agent for such Senior Bond, in trust, and irrevocably appropriated and set aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations, as defined in the Senior Indenture, 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 Senior Bond with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee and such Paying Agent; provided, however, that nothing shall require or be deemed to require the State to redeem term bonds in accordance with any optional fund installment schedule specified in the Senior Indenture or any Supplemental Indenture authorizing the issuance of Senior Bonds.

At such time as a Senior Bond is deemed to be no longer outstanding, such Senior 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 the Senior Indenture.

Supplemental Indentures

The Trustee and the State, from time to time and at any time and without the consent or concurrence of any holder of any Senior Bond, may enter into Supplemental Indentures (i) for the purpose of providing for the issuance of Additional Bonds and Refunding Bonds, (ii) to make any changes to or modifications of the Senior Indenture, or amendments, additions or deletions to the Senior Indenture which may be required to permit the Senior Indenture to be qualified under the Trust Indenture Act of 1939, as amended, (iii) to provide for the issuance of Senior Bonds or any series of Senior Bonds in book-entry form, in coupon form or registered as to principal only, and (iv) if the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of Senior Bonds then outstanding, for any one or more of the purposes enumerated in Section 10.1 of the Senior Indenture. Except for Supplemental Indentures of the type referred to in (i) to (iii) above, the State and the Trustee will not enter into any Supplemental Indenture authorized by the above unless (A) in the opinion of counsel, the adoption of such Supplemental Indenture is permitted by the foregoing provisions, (B) the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of the Senior Bonds then outstanding, and (C) except for a Supplemental Indenture which has no effect as to any Senior Bond or Senior Bonds then outstanding, the provisions of such Supplemental Indenture are not contrary to or inconsistent with the covenants or agreements of the State contained in the Senior Indenture as originally executed by the State and the Trustee or as amended or supplemented with the consent of the holders of the Senior Bonds.

The Senior Indenture may be amended, by the State and the Trustee, upon the consent of not less than sixty percent (60%) of the Senior Bonds then outstanding in aggregate principal amount, for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Senior Indenture, or modifying or amending the rights and obligations of the State and the Trustee thereunder, or modifying in any manner the rights of the holders of the Senior Bonds then outstanding; provided, however, that, without the specific consent of the holder of each such Senior Bond which would be affected thereby, no such Supplemental Indenture amending or supplementing the provisions of the Senior Indenture may: (1) change the fixed maturity date for the payment of the principal of any Senior Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Senior 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 Senior Bonds, the holders of which are required to consent to any such Supplemental Indenture amending or supplementing the provisions of the Senior Indenture; or (3) give to any Senior Bond or Senior Bonds any preference over any other Senior Bond or Senior Bonds; or (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 thereof prior, superior or equal to the pledge of and lien and charge thereon created in the Indenture for the payment of the Senior Bonds; or (5) deprive any holder of the Senior Bonds of the security afforded by the Senior Indenture.

FORM OF OPINION – 2021 SERIES A AND B BONDS

Form of Opinion of

PULLMAN & COMLEY, LLC
Bond Counsel

And

LEWIS & MUNDAY, A PROFESSIONAL CORPORATION
Co-Bond Counsel

[Date of Closing]

Honorable Shawn T. Wooden
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 \$875,000,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2021 Series A (the “2021 Series A Bonds”) and its \$11,695,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series B (the “2021 Series B Bonds,” together with the 2021 Series A Bonds, the “2021 Series A and B 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) an Indenture of Trust, by and between the State and The Connecticut National Bank (successor trustee is now U.S. Bank National Association), as Trustee, dated September 15, 1984, as amended by the Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 by and between the State of Connecticut and Shawmut Bank Connecticut, National Association (successor trustee is now U.S. Bank National Association), as Trustee, as supplemented by the Fiftieth Supplemental Indenture, by and between the State of Connecticut and U.S. Bank National Association, as Trustee, dated as of the date of delivery of the 2021 Series A and B Bonds (the “Senior Indenture”) and (iii) a record of proceedings relative to the issuance of the 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 and Reserve 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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 calculating the Federal alternative minimum tax.

9. Under existing law, interest on the 2021 Series A and B 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 2021 Series A and B Bonds in order that interest on the 2021 Series A and B Bonds be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code. The State has covenanted in a Tax Regulatory Agreement (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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B 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,

FORM OF OPINION – 2021 SERIES C BONDS

Upon the issuance of the 2021 Series C Bonds on the Forward Settlement Date, Bond Counsel and Co-Bond Counsel expects to issue its opinions as to the 2021 Series C Bonds in substantially the same form as below. However, see “THE 2021 SERIES A, B AND C BONDS-Forward Delivery of the 2021 Series C Bonds-Risks Related to the Forward Delivery Period-Opinion of Bond Counsel and Co-Bond Counsel: Tax Law Risk” and “TAX EXEMPTION-The 2021 Series C Bonds.”

Form of Opinion of

PULLMAN & COMLEY, LLC
Bond Counsel

And

LEWIS & MUNDAY, A PROFESSIONAL CORPORATION
Co-Bond Counsel

[Forward Settlement Date]

Honorable Shawn T. Wooden
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 \$144,190,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery) (the “2021 Series C 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) an Indenture of Trust, by and between the State and The Connecticut National Bank (successor trustee is now U.S. Bank National Association), as Trustee, dated September 15, 1984, as amended by the Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 by and between the State of Connecticut and Shawmut Bank Connecticut, National Association (successor trustee is now U.S. Bank National Association), as Trustee, as supplemented by the Fifty-First Supplemental Indenture, by and between the State of Connecticut and U.S. Bank National Association, as Trustee, dated as of the date of delivery of the 2021 Series C Bonds (the “Senior Indenture”) and (iii) a record of proceedings relative to the issuance of the 2021 Series C 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 2021 Series C 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 2021 Series C 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 2021 Series C 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 2021 Series C 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 and Reserve 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 2021 Series C 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 2021 Series C 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 2021 Series C 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 2021 Series C 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 calculating the Federal alternative minimum tax.

9. Under existing law, interest on the 2021 Series C 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 2021 Series C Bonds in order that interest on the 2021 Series C Bonds be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code. The State has covenanted in a Tax Regulatory Agreement (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 2021 Series C 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 2021 Series C 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 2021 Series C 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 2021 Series C 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,

FORM OF CONTINUING DISCLOSURE AGREEMENT – SERIES A AND B BONDS

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 2021 Series A and B 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 2021 Series A and B 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 2021 Series A and B Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (“Agreement”) is made as of the 12th day of May, 2021 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$875,000,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2021 Series A (the “2021 Series A Bonds”), and \$11,695,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series B (the “2021 Series B Bonds,” together with the 2021 Series A Bonds, collectively; the “Bonds”) dated May 12, 2021, and U.S. Bank National Association, as Trustee for the Bonds (the “Trustee”) under the Indenture (as hereinafter defined), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the State dated April 23, 2021 prepared in connection with the 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.

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 and operating data (commencing with information and data for the fiscal year ending June 30, 2021) as follows:

(i) 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. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting as described in Appendix A to the Final Official Statement under the caption **FINANCIAL PROCEDURES** - "Accounting Procedures"). As of the date of this Agreement, 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. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) 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," "THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND" and "THE DEPARTMENT OF TRANSPORTATION" and Appendices B and C in the Final Official Statement; provided, however, that reference to such headings in the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements.

(b) The financial statements and other financial information and operating data described above will be provided 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.

(c) Annual financial information and operating data 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 financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) 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 information or data, 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, in a timely manner, not in excess of ten business days after the occurrence of the event to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (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.

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 events listed in (a) - (p) above 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; 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 date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data 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 upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the 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. 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 the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. 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: _____
Shawn T. Wooden
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

FORM OF CONTINUING DISCLOSURE AGREEMENT – SERIES C BONDS

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 2021 Series C 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 2021 Series C 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 2021 Series C Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (“Agreement”) is made as of the 19th day of October, 2021 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$144,190,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2021 Series C (Forward Delivery) (the “Bonds”) dated October 19, 2021, and U.S. Bank National Association, as Trustee for the Bonds (the “Trustee”) under the Indenture (as hereinafter defined), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the State dated April 23, 2021, as updated on or about October 14, 2021. prepared in connection with the 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.

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 and operating data (commencing with information and data for the fiscal year ending June 30, 2021) as follows:

(i) 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. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e.,

on the basis of the modified cash method of accounting as described in Appendix A to the Final Official Statement under the caption **FINANCIAL PROCEDURES** - "Accounting Procedures"). As of the date of this Agreement, 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. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) 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," "THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND" and "THE DEPARTMENT OF TRANSPORTATION" and Appendices B and C in the Final Official Statement; provided, however, that reference to such headings in the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements.

(b) The financial statements and other financial information and operating data described above will be provided 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.

(c) Annual financial information and operating data 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 financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) 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 information or data, 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, in a timely manner, not in excess of ten business days after the occurrence of the event to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (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.

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 events listed in (a) - (p) above 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; 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 date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data 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 upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the 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. 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 the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. 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: _____
Shawn T. Wooden
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

FORM OF FORWARD DELIVERY CONTRACT

DELAYED DELIVERY CONTRACT

_____, 2021

Goldman Sachs & Co. LLC
200 West Street, 30th Floor
New York, New York 10282
Attn: Municipal Underwriting Desk

Re: State of Connecticut
Forward Delivery of
Special Tax Obligation Refunding Bonds Transportation Infrastructure
Purposes, 2021 Series C (Forward Delivery)

Ladies and Gentlemen:

This letter agreement (the “*Contract*”), together with the related confirmation (the “*Confirmation*”), shall apply to the purchase by the undersigned purchaser (the “*Purchaser*”) of the Bonds set forth in the Confirmation (the “*Bonds*”), on or about October 19, 2021 (the “*Settlement Date*”) from Goldman Sachs & Co. LLC (the “*Representative*”), as representative of the underwriters (the “*Underwriters*”) set forth in Schedule 1 to the Forward Delivery Contract of Purchase dated April 23, 2021, by and among the State of Connecticut (the “*Issuer*” or the “*State*”) and the Representative, when, as, and if issued and delivered to the Representative from the Issuer, and the Representative agrees to sell to the Purchaser the Bonds offered by the Issuer under the Preliminary Official Statement, dated April 13, 2021, as supplemented on April 16, 2021 (the “*Preliminary Official Statement*”), at the purchase price specified in the Confirmation. Any capitalized term not otherwise defined herein shall have the respective meaning given to such term as set forth in the Preliminary Official Statement.

The Purchaser acknowledges that, on or prior to the date hereof, the Purchaser has received copies of the Preliminary Official Statement and the Confirmation. The Purchaser acknowledges further that it has reviewed the Preliminary Official Statement (including without limitation the section entitled “*Risks Related to the Forward Delivery Period*” therein) and the Confirmation, has considered the risks associated with purchasing the Bonds and is duly authorized to purchase the Bonds. Payment for the Bonds, which the Purchaser has agreed to purchase on the Settlement Date, shall be made to the Representative or its order on the Settlement Date upon delivery to the Purchaser of the Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Representative or the Issuer be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Issuer does not for any reason deliver or issue the Bonds.

1. *Purchase and Settlement.* Unless otherwise agreed in writing by the Representative and the Purchaser, on the Settlement Date the Purchaser shall pay for and accept delivery of the Bonds if the Bonds shall have been issued and delivered by the Issuer and purchased, accepted and paid for by the Representative. Upon issuance by the Issuer and purchase thereof by the Representative, the obligation of the Purchaser to take delivery hereunder shall be unconditional except in the event that any of the following shall have occurred on or prior to the Settlement Date:

- a. there has been a Change in Law. A “Change in Law” means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the date of the Forward Settlement Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Forward Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, (A) as to the Underwriters, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the 2021 Series C Bonds as provided in the Forward Purchase Agreement or selling the 2021 Series C Bonds or beneficial ownership interests therein to the public; or (B) as to the State, make the issuance, sale or delivery of the 2021 Series C Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or
- b. as a result of any legislation, regulation, ruling, order, release, court decision or judgment or action by the U.S. Department of Treasury, the Internal Revenue Service, or the State either enacted, issued, effective, adopted or proposed, or for any other reason, Bond Counsel and Co-Bond Counsel cannot issue an opinion to the effect that (x) the interest on the 2021 Series C Bonds is not subject to Federal income tax under Section 103 of the Code (or comparable provisions of any successor federal tax laws) and (y) the interest on the 2021 Series C Bonds is exempt from the State of Connecticut income taxation; or
- c. a war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national or international emergency or calamity relating to the effective operation of government or of the financial community shall have occurred or accelerated, the effect of which, in the reasonable opinion of the Representative, materially adversely affects the market for the 2021 Series C Bonds or the sale, at the contemplated offering prices by the Underwriters of the 2021 Series C Bonds; or
- d. there shall have occurred a suspension of trading on the New York Stock Exchange continuing for more than one full daily session; or
- e. a general banking moratorium shall have been declared by the United States of America, New York or Connecticut state authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred; or
- f. at any time subsequent to the date of this Contract any event occurs which, for any reason, including a Change of Law, has the effect of requiring the 2021 Series C Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended, or has the effect of requiring the Indenture to be qualified under the Trust Indenture Act of 1939, as amended; or
- g. there shall occur any event which, in the reasonable judgment of the Representative, either (A) makes untrue or incorrect in any material respect any statement or information contained in this Official Statement, as amended (if applicable), between the date of this Official Statement to and including the Forward Settlement Date (other than any statement or information provided by the Underwriters) or (B) is not reflected in this Official Statement but should be reflected herein in order to make the statements and information contained herein not misleading in any material respect and, in either such event, the State refuses to permit this Official Statement to be supplemented to correct or supply such statement or

information, or the effect of this Official Statement as so corrected or supplemented is, in the reasonable judgment of the Representative, to materially adversely affect the market for the 2021 Series C Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the 2021 Series C Bonds; or

- h. Bond Counsel and Co-Bond Counsel determine that for any reason, including a Change of Law, Bond Counsel and Co-Bond Counsel will not be able to render their opinions due on the Forward Settlement Date substantially in the form attached as Appendix E-2 to this Official Statement and Bond Counsel and Co-Bond Counsel provide written notice thereof to the State and the Representative (the “Bond Counsel Notice”), and the State does not notify the Representative within five (5) business days of receipt of the Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion; or
- i. as of the Settlement Date, the 2021 Series C Bonds are not rated by any national rating agency; or
- j. for any reason whatsoever, the 2021 Series C Bonds shall not have been delivered by the Issuer to the Underwriter prior to 5:00 PM prevailing New York time on the next day following the Settlement Date on which securities settlement services are available with respect to the 2021 Series C Bonds.

If a Change in Law (as defined above) involves the enactment of legislation that only diminishes the value of, as opposed to eliminating the exclusion from gross income for Federal income tax purposes of, interest payable on “state or local bonds,” the State may, nonetheless, be able to satisfy the requirements for the delivery of the 2021 Series C Bonds. In such event, the Underwriters would be obligated to purchase the 2021 Series C Bonds from the State and the purchasers would be required to accept delivery of the purchased 2021 Series C Bonds from the Underwriters.

The Purchaser’s obligation to pay for and accept the Bonds in accordance herewith is not subject to any other condition not otherwise set forth herein, including an adverse change in the market price or marketability of the Bonds or any adverse change in the business, affairs or financial condition of the Issuer or any other obligor.

Settlement of the Bonds shall occur on a delivery versus payment basis. Payment shall be made in federal funds to an account or otherwise as designated by the Representative and the Bonds shall be transferred to an account designated by the Purchaser.

The Purchaser acknowledges and agrees that the Bonds are being sold on a “forward” or “delayed delivery” basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Bonds on the Settlement Date unless the Purchaser terminates its obligation to purchase the Bonds to the extent permitted herein. In the event of a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Contract to the Representative before the Settlement Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur on or after the Settlement Date. The Purchaser acknowledges that it will not be able to withdraw its order except as provided herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Bonds between the Preliminary Closing Date and the Settlement Date or changes in the credit associated with the Bonds generally (except as permitted pursuant to clause (e) above), and (b) changes in the financial condition, operations, performance, properties or prospects of the Issuer from the Preliminary Closing Date to the Settlement Date. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Bonds in accordance with the terms hereof, even if the Purchaser decides to sell the Bonds following the date hereof, unless the Purchaser sells Bonds to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

2. *Representations and Warranties.* The Purchaser represents and warrants that: (a) it is duly authorized to execute and deliver this Contract and to perform its obligations hereunder and has taken all necessary action (corporate and otherwise) to authorize such execution, delivery and performance; (b) it is acting hereunder as principal (or, if previously agreed in writing by the Representative, as agent for a disclosed principal); (c) the person signing this Contract on the Purchaser's behalf is duly authorized to do so on the Purchaser's behalf; (d) it has obtained all authorizations of any governmental body required in connection with this Contract and such authorizations are in full force and effect; (e) this Contract constitutes a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with the terms hereof; (f) the execution, delivery and performance of this Contract do not and will not violate any law, regulation, ordinance, charter, by-law or rule applicable to the Purchaser or any agreement by which the Purchaser is bound or by which any of its assets are affected; and (g) the Purchaser is knowledgeable of and experienced in the investment risks of entering into this Contract and purchasing bonds on a forward delivery basis, is capable of evaluating the merits and risks and is able to bear the economic risks associated with this Contract.

The Representative represents and warrants that: (i) it is duly authorized to execute and deliver this Contract and to perform its obligations hereunder and has taken all necessary action (corporate and otherwise) to authorize such execution, delivery and performance; (ii) the person signing this Contract on the Representative's behalf is, as of the date hereof, duly authorized to do so on the Representative's behalf; (iii) it has obtained all authorizations of any governmental body required in connection with this Contract and such authorizations are in full force and effect; (iv) this Contract constitutes a legal, valid and binding obligation of the Representative enforceable against the Representative in accordance with the terms hereof; (v) the execution, delivery and performance of this Contract do not and will not violate any law, regulation, ordinance, charter, by-law or rule applicable to the Representative or any agreement by which the Representative is bound or by which any of its assets are affected; and (vi) the Representative is an underwriter of the Bonds and has no knowledge of any material fact or circumstance that it is required to disclose under the relevant securities laws. The Representative shall be deemed to repeat all of the foregoing representations and warranties on each day prior to and including the Settlement Date.

3. *Provision of Official Statement and Other Information.* The Purchaser acknowledges that, as described in the Preliminary Official Statement, one of the conditions to the Representative's obligation under the Contract of Purchase to purchase the Bonds is that the Issuer provide an updated Official Statement as it relates to the Bonds not more than twenty-five (25) days nor less than five (5) days prior to the Settlement Date, and which is supplemented to the extent information contained in the Official Statement has changed in any material respect (the "Updated Official Statement"). The Representative agrees to furnish a copy of the Official Statement and the Updated Official Statement to the Purchaser and, upon request by the Purchaser, to furnish on the date of delivery of the Bonds such further information as may be required by the rules and regulations of the Securities and Exchange Commission and any other body having jurisdiction over the transaction contemplated by this Contract. The Purchaser agrees that between the date hereof and the date of the Updated Official Statement neither the Representative nor the Issuer shall be required by the Purchaser to deliver to the Purchaser additional information or supplements to the Preliminary Official Statement (other than the Official Statement).

4. *Default.* Upon any Event of Default, the non-defaulting party shall be entitled (without limiting any other rights or remedies the non-defaulting party may have under applicable law or regulation or by reason of normal business practice) to (i) cancel and otherwise liquidate and close out the transaction without prior notice to the defaulting party, whereupon the defaulting party shall be liable to the non-defaulting party for any resulting loss, damage, cost and expense (including, but not limited to, attorney's fees), including loss equal to the cost of entering into replacement transactions and any damages resulting from the non-defaulting party's entering into or canceling, or otherwise liquidating or closing out, any related hedge transactions; and (ii) take any other action necessary or appropriate to protect and enforce its rights and preserve the benefits of its bargain under this Contract.

Solely for purposes of this paragraph 4, "Event of Default" means (i) the occurrence of an Insolvency Event (as defined below); (ii) any representation made by a party in paragraph 2 hereof is

incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated; or (iii) a party disaffirms, rejects or repudiates any of its obligations under this Contract.

For purposes hereof, "Insolvency Event" means (i) the commencement by a party as debtor of any case or proceeding under any bankruptcy, insolvency, rehabilitation, delinquency, reorganization, liquidation, dissolution or similar law, or the seeking by a party of the appointment of a receiver, conservator, administrator, rehabilitator, custodian, liquidator, trustee, or similar official for such party or any part of such party's property; (ii) the commencement of any such case or proceeding against a party, or the seeking of such an appointment by another, or the filing against a party, of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970; or (iii) an acknowledgment by a party that such party has a negative net worth or is insolvent or is not paying or is unable to pay its debts as they become due.

5. **GOVERNING LAW.** THIS CONTRACT SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK.

6. *Counterparts.* This Contract may be executed by either of the parties thereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

7. *Miscellaneous.* Any and all notices, statements, demands or other communications hereunder may be sent by a party to the other by mail (electronic or via post), facsimile, messenger or otherwise to the address specified on the face of this Contract, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices and requests hereunder may be made orally, to be confirmed promptly in writing. The rights of the Representative and the Purchaser under this Contract shall not be assigned without the prior written consent of the other party hereto and any purported assignment without such consent shall be null and void.

It is understood that the acceptance by the Representative of any letter agreement, including this Contract is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail to its regular business address or deliver by electronic delivery one of the counterparts hereof to the Purchaser. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

Purchaser: _____

Address: _____

Telephone: _____

By: _____

Title: _____

Date: _____

Agreed and accepted:

Goldman Sachs & Co. LLC

By: _____

Title: _____

Date: _____

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