

NEW ISSUE/REFUNDING ISSUE



\$912,365,000
State of Connecticut
General Obligation Bonds

\$400,000,000 General Obligation Bonds (2022 Series E)
\$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds)
\$262,365,000 General Obligation Refunding Bonds (2022 Series G)

RATINGS:

Moody's: Aa3
S&P: AA-
Fitch: AA-
Kroll: AA

(See RATINGS herein)

Dated: Date of delivery

Due: As shown on inside front cover pages

The \$912,365,000 State of Connecticut General Obligation Bonds consist of \$400,000,000 General Obligation Bonds (2022 Series E) (the "Series E Bonds"), \$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds) (the "Series F Bonds") and \$262,365,000 General Obligation Refunding Bonds (2022 Series G) (the "Series G Bonds", and together with the Series E Bonds and the Series F Bonds, the "Bonds"). The Bonds will be general obligations of the State of Connecticut (the "State") and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due.

See **THE BONDS - Nature of Connecticut's General Obligation** herein. Interest on the Bonds will be payable semiannually on May 15 and November 15 in each year, commencing May 15, 2023, until maturity or earlier redemption, as applicable. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover pages. **The Series E Bonds and the Series F Bonds are subject to optional redemption prior to maturity as more fully described herein. The Series G Bonds are not subject to optional redemption prior to maturity.** See **THE BONDS - Redemption Provisions** herein.

(See inside front cover pages for maturities, interest rates, yields and prices.)

The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of \$5,000 or any integral multiple thereof. When issued, the Bonds will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, reference herein to the Bondowner or owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See **THE BONDS - Book-Entry-Only System** herein. Principal of and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, as Paying Agent, at its corporate trust office in Hartford, Connecticut, so long as DTC or its nominee, Cede & Co., is the Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

*In the opinion of Bond Counsel and Tax Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. See **TAX EXEMPTION OF THE BONDS** herein.*

*In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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. See **TAX EXEMPTION OF THE BONDS** herein.*

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval as to legality by Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the State by its Disclosure Counsel. Certain legal matters will be passed upon for the State by its Tax Counsel. Certain legal matters will be passed upon for the Underwriters by Underwriters' Counsel. The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about December 14, 2022.

Honorable Shawn T. Wooden
Treasurer of the State of Connecticut

Citigroup

UBS

Barclays

Blaylock Van, LLC

Morgan Stanley

American Veterans Group, PBC

Bancroft Capital, LLC

Cabrera Capital Markets LLC

FHN Financial Capital Markets

Fidelity Capital Markets

Janney Montgomery Scott

Jefferies

Multi-Bank Securities, Inc.

Oppenheimer & Co.

PNC Capital Markets

Ramirez & Co., Inc.

Rice Financial Products Company

Roberts & Ryan Investments Inc.

Siebert Williams Shank & Co., LLC

TD Securities

UMB Bank, n.a.

Wells Fargo Securities

Dated: December 1, 2022

**State of Connecticut
\$400,000,000 General Obligation Bonds (2022 Series E)**

| <u>Maturity (November 15)</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP¹</u> |
|-----------------------------------|---------------|--------------------------|--------------|--------------|--------------------------|
| 2023 | \$32,500,000 | 5.000% | 2.540% | 102.219% | 20772KRZ4 |
| 2024 | 32,500,000 | 5.000 | 2.630 | 104.405 | 20772KSA8 |
| 2025 | 32,500,000 | 5.000 | 2.700 | 106.413 | 20772KSB6 |
| 2026 | 32,500,000 | 5.000 | 2.750 | 108.303 | 20772KSC4 |
| 2027 | 32,500,000 | 5.000 | 2.780 | 110.139 | 20772KSD2 |
| 2028 | 32,500,000 | 5.000 | 2.830 | 111.748 | 20772KSE0 |
| 2029 | 32,500,000 | 5.000 | 2.860 | 113.345 | 20772KSF7 |
| 2030 | 32,500,000 | 5.000 | 2.920 | 114.609 | 20772KSG5 |
| 2031 | 32,500,000 | 5.000 | 2.950 | 115.971 | 20772KSH3 |
| 2032 | 32,500,000 | 5.000 | 2.990 | 117.140 | 20772KSJ9 |
| 2033* | 32,500,000 | 5.000 | 3.080 | 116.301 | 20772KSK6 |
| 2034* | 32,500,000 | 5.000 | 3.200 | 115.192 | 20772KSL4 |
| 2035* | 10,000,000 | 5.000 | 3.330 | 114.006 | 20772KSM2 |

(plus accrued interest, if any)

**State of Connecticut
\$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds)**

| <u>Maturity (November 15)</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP¹</u> |
|-----------------------------------|---------------|--------------------------|--------------|--------------|--------------------------|
| 2035* | \$22,500,000 | 5.000% | 3.330% | 114.006% | 20772KSN0 |
| 2036* | 32,500,000 | 5.000 | 3.460 | 112.834 | 20772KSP5 |
| 2037* | 32,500,000 | 5.000 | 3.540 | 112.120 | 20772KSQ3 |
| 2038* | 32,500,000 | 5.000 | 3.600 | 111.588 | 20772KSR1 |
| 2039* | 32,500,000 | 5.000 | 3.630 | 111.323 | 20772KSS9 |
| 2040* | 32,500,000 | 5.000 | 3.670 | 110.971 | 20772KST7 |
| 2041* | 32,500,000 | 5.000 | 3.720 | 110.533 | 20772KSU4 |
| 2042* | 32,500,000 | 5.000 | 3.740 | 110.359 | 20772KSV2 |

(plus accrued interest, if any)

* Priced at the stated yield to the November 15, 2032 optional redemption date at a redemption price of 100%; however, any such redemption is at the election of the Treasurer. See **THE BONDS – Redemption Provisions** herein.

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc., which is not affiliated with the State, and are included solely for the convenience of the holders of the 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 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 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 Bonds.

State of Connecticut
\$262,365,000 General Obligation Refunding Bonds
(2022 Series G)

| <u>Maturity</u> <u>(November 15)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> ¹ |
|---|---------------|--------------------------------|--------------|--------------|---------------------------|
| 2023 | \$ 14,795,000 | 5.000% | 2.540% | 102.219% | 20772KSW0 |
| 2024 | 47,440,000 | 5.000 | 2.630 | 104.405 | 20772KSX8 |
| 2025 | 27,245,000 | 5.000 | 2.700 | 106.413 | 20772KSY6 |
| 2026 | 27,180,000 | 5.000 | 2.750 | 108.303 | 20772KSZ3 |
| 2027 | 27,145,000 | 5.000 | 2.780 | 110.139 | 20772KTA7 |
| 2028 | 27,405,000 | 5.000 | 2.830 | 111.748 | 20772KTB5 |
| 2030 | 32,670,000 | 5.000 | 2.920 | 114.609 | 20772KTC3 |
| 2031 | 32,895,000 | 5.000 | 2.950 | 115.971 | 20772KTD1 |
| 2032 | 25,590,000 | 5.000 | 2.990 | 117.140 | 20772KTE9 |

(plus accrued interest, if any)

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc., which is not affiliated with the State, and are included solely for the convenience of the holders of the 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 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 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 Bonds.

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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 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 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. 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 Bonds and the resolutions and proceedings of the State Bond Commission relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 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 PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY

This Summary does not constitute a part of the Official Statement for the issuance and sale by the State of Connecticut of its \$912,365,000 State of Connecticut General Obligation Bonds consisting of \$400,000,000 General Obligation Bonds (2022 Series E) (the "Series E Bonds"), \$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds) (the "Series F Bonds") and \$262,365,000 General Obligation Refunding Bonds (2022 Series G) (the "Series G Bonds", and together with the Series E Bonds and the Series F Bonds, the "Bonds"). This Summary is for informational purposes only and is subject in all respects to a more complete discussion contained in the Official Statement.

| | |
|---|---|
| Security | The Bonds will be general obligation bonds of the State of Connecticut (the "State"), and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. |
| Federal Tax Exemption of the Bonds | In the opinion of Bond Counsel and Tax Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. See TAX EXEMPTION OF THE BONDS herein. |
| State of Connecticut Tax Exemption of the Bonds | In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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. See TAX EXEMPTION OF THE BONDS herein. |
| Interest and Principal Payment Dates | Interest on the Bonds will be payable semiannually on May 15 and November 15 in each year, commencing May 15, 2023, until maturity or earlier redemption, as applicable. Principal of the Bonds is payable on the dates and in the years and in the amounts shown on the inside front cover pages. Interest on the Bonds is calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover pages. |
| Denominations | The Bonds will be issued in registered book-entry-only form, without coupons, in denominations of \$5,000 or any integral multiple thereof. |
| Redemption | The Series E Bonds and the Series F Bonds are subject to optional redemption prior to maturity at the election of the Treasurer as specified in the final Official Statement. The Series G Bonds are not subject to optional redemption prior to maturity. See THE BONDS – Redemption Provisions herein. |
| Delivery and Clearance | The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about December 14, 2022. |
| Paying Agent | U.S. Bank National Association, 185 Asylum Street, Hartford, Connecticut 06103, is the State's Paying Agent. |
| Legal Counsel | Day Pitney LLP of Hartford, Connecticut is Lead Bond Counsel; Hardwick Law Firm, LLC of Hartford, Connecticut; Pullman & Comley, LLC of Bridgeport, Connecticut; Robinson & Cole LLP of Hartford, Connecticut; Shipman & Goodwin LLP of Hartford, Connecticut and Squire Patton Boggs (US) LLP of New York, New York are Bond Counsel with respect to certain series of the Bonds. Day Pitney LLP is Lead Disclosure Counsel and Soeder & Associates, LLC of Hartford, Connecticut, is Co-Disclosure Counsel. Robinson & Cole LLP is Lead Tax Counsel and Soeder & Associates, LLC is Co-Tax Counsel. Locke Lord LLP of Boston, Massachusetts and Harris Beach PLLC of New York, New York are Co-Underwriters' Counsel. |
| Additional Information | Additional information may be obtained upon request to the Office of the State Treasurer, Shawn T. Wooden, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 165 Capitol Avenue, Hartford, Connecticut 06106, (860) 702-3288. |

OFFICIAL STATEMENT
\$912,365,000
STATE OF CONNECTICUT
GENERAL OBLIGATION BONDS

\$400,000,000 General Obligation Bonds (2022 Series E)
\$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds)
\$262,365,000 General Obligation Refunding Bonds (2022 Series G)

INTRODUCTION

This Official Statement, including the cover page and inside front cover pages, this Introduction, Parts I and II and the Appendices thereto, of the State of Connecticut (the “State”) is provided for the purpose of presenting certain information relating to the State in connection with the sale of \$400,000,000 aggregate principal amount of its General Obligation Bonds (2022 Series E) (the “Series E Bonds”), \$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds) (the “Series F Bonds”) and \$262,365,000 General Obligation Refunding Bonds (2022 Series G) (the “Series G Bonds”, and together with the Series E Bonds and the Series F Bonds, the “Bonds”).

Part I of this Official Statement, including the cover page and inside front cover pages and the Appendices thereto, contains information relating to the Bonds. Part II of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date. The cover page, inside front cover pages, this Introduction, and Parts I and II and the Appendices thereto should be read collectively and in their entirety.

COVID-19 OUTBREAK

Specific information about the outbreak of COVID-19 in Connecticut, its effects on the State’s finances and the State’s response, is included in Part II in “*COVID-19 Impact on General Fund*” included in **STATE GENERAL FUND** and “*COVID-19 Outbreak*” included in **COVID-19 AND OTHER MATTERS**. See also **FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS**.

**PART I
INFORMATION CONCERNING THE BONDS**

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PART I

INFORMATION CONCERNING THE BONDS

\$912,365,000

STATE OF CONNECTICUT

GENERAL OBLIGATION BONDS

\$400,000,000 General Obligation Bonds (2022 Series E)

\$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds)

\$262,365,000 General Obligation Refunding Bonds (2022 Series G)

THE BONDS

Description of the Bonds

The State of Connecticut (the “State”) is issuing \$400,000,000 General Obligation Bonds (2022 Series E) (the “Series E Bonds”) comprised of the following issues:

| | |
|---------------|--|
| \$ 77,035,000 | General Obligation Bonds (2022 Series E-1) |
| \$ 31,605,000 | General Obligation Bonds (2022 Series E-2) |
| \$165,340,000 | General Obligation Bonds (2022 Series E-3) |
| \$ 57,025,000 | General Obligation Bonds (2022 Series E-4) |
| \$ 68,995,000 | General Obligation Bonds (2022 Series E-5) |

and \$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds) (the “Series F Bonds”) comprised of the following issue:

| | |
|---------------|--|
| \$250,000,000 | General Obligation Bonds (2022 Series F-1) |
|---------------|--|

and \$262,365,000 General Obligation Refunding Bonds (2022 Series G) (the “Series G Bonds”, and together with the Series E Bonds and the Series F Bonds the “Bonds”) comprised of the following issues:

| | |
|---------------|--|
| \$ 29,525,000 | General Obligation Refunding Bonds (2022 Series G-1) |
| \$225,940,000 | General Obligation Refunding Bonds (2022 Series G-2) |
| \$ 6,900,000 | General Obligation Refunding Bonds (2022 Series G-3) |

The Bonds will be dated their date of delivery, and will bear interest from their date payable semiannually on May 15 and November 15 in each year, commencing May 15, 2023, until maturity or earlier redemption, as applicable, at the rate or rates indicated on the inside front cover pages of this Official Statement.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable to the registered owner as of the close of business on the last business day of April and October in each year. The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of \$5,000 or any integral multiple thereof.

The Bonds will mature on the dates and in the years and in the principal amounts set forth on the inside front cover pages of this Official Statement.

The Bonds will be general obligation bonds of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. The Bonds will be issued pursuant to the State General Obligation Bond Procedure Act (Section 3-20 of the General Statutes of Connecticut, as amended). The Series E Bonds and the Series F Bonds are issued pursuant to resolutions adopted by the State Bond Commission, and other proceedings related thereto, including a Certificate of Determination of the Treasurer. The Series G Bonds are issued pursuant to a Bond Determination of the Treasurer. See **THE BONDS - Nature of Connecticut’s General Obligation** herein.

Principal of and interest on the Bonds will be paid directly to The Depository Trust Company (“DTC”) by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See **THE BONDS - Book-Entry-Only System** herein.

The Series E Bonds are being issued for various projects and purposes and are authorized by the bond acts listed in **Appendix I-A herein**. The Series E Bonds of each series will mature on November 15 in the years and in the principal amounts set forth in the following table:

\$400,000,000 Series E Bonds

| <u>Maturity</u> | <u>Series</u> | <u>Series</u> | <u>Series</u> | <u>Series</u> | <u>Series</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|-----------------------|
| <u>November 15,</u> | <u>2022 E-1</u> | <u>2022 E-2</u> | <u>2022 E-3</u> | <u>2022 E-4</u> | <u>2022 E-5</u> | <u>2022 Series E</u> |
| 2023 | \$32,500,000 | | | | | \$32,500,000 |
| 2024 | 32,500,000 | | | | | 32,500,000 |
| 2025 | 12,035,000 | \$20,465,000 | | | | 32,500,000 |
| 2026 | | 11,140,000 | \$21,360,000 | | | 32,500,000 |
| 2027 | | | 32,500,000 | | | 32,500,000 |
| 2028 | | | 32,500,000 | | | 32,500,000 |
| 2029 | | | 32,500,000 | | | 32,500,000 |
| 2030 | | | 32,500,000 | | | 32,500,000 |
| 2031 | | | 13,980,000 | \$18,520,000 | | 32,500,000 |
| 2032 | | | | 32,500,000 | | 32,500,000 |
| 2033 | | | | 6,005,000 | \$26,495,000 | 32,500,000 |
| 2034 | | | | | 32,500,000 | 32,500,000 |
| 2035 | | | | | 10,000,000 | 10,000,000 |
| TOTAL | \$77,035,000 | \$31,605,000 | \$165,340,000 | \$57,025,000 | \$68,995,000 | \$ 400,000,000 |

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The Series F Bonds are being issued for various projects and purposes and are authorized by the bond acts listed in **Appendix I-A herein**. The Series F Bonds will mature on November 15 in the years and in the principal amounts set forth in the following table:

\$250,000,000 Series F Bonds

| <u>Maturity</u> <u>November 15,</u> | <u>Series</u> <u>2022 F-1</u> | <u>Total</u> <u>2022 Series F</u> |
|--|----------------------------------|--------------------------------------|
| 2035 | \$ 22,500,000 | \$ 22,500,000 |
| 2036 | 32,500,000 | 32,500,000 |
| 2037 | 32,500,000 | 32,500,000 |
| 2038 | 32,500,000 | 32,500,000 |
| 2039 | 32,500,000 | 32,500,000 |
| 2040 | 32,500,000 | 32,500,000 |
| 2041 | 32,500,000 | 32,500,000 |
| 2042 | 32,500,000 | 32,500,000 |
| TOTAL | \$250,000,000 | \$250,000,000 |

The Series G Bonds are being issued for the purpose of refunding the principal amount of all or a portion of the outstanding State general obligation bonds set forth in the “Plan of Refunding” described in **Appendix I-A**. The Series G Bonds of each series will mature on November 15 in the years and in the principal amounts set forth in the following table:

\$262,365,000 Series G Bonds

| <u>Maturity</u> <u>November 15,</u> | <u>Series</u> <u>2022 G-1</u> | <u>Series</u> <u>2022 G-2</u> | <u>Series</u> <u>2022 G-3</u> | <u>Total</u> <u>2022 Series G</u> |
|--|----------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| 2023 | \$ 14,795,000 | | | \$ 14,795,000 |
| 2024 | 14,730,000 | \$ 32,710,000 | | 47,440,000 |
| 2025 | | 27,245,000 | | 27,245,000 |
| 2026 | | 27,180,000 | | 27,180,000 |
| 2027 | | 27,145,000 | | 27,145,000 |
| 2028 | | 27,405,000 | | 27,405,000 |
| 2030 | | 32,670,000 | | 32,670,000 |
| 2031 | | 32,895,000 | | 32,895,000 |
| 2032 | | 18,690,000 | \$ 6,900,000 | 25,590,000 |
| TOTAL | \$ 29,525,000 | \$225,940,000 | \$ 6,900,000 | \$ 262,365,000 |

Redemption Provisions

The Series E Bonds and Series F Bonds

The Series E Bonds and the Series F Bonds maturing after November 15, 2032 are subject to optional redemption, at the election of the Treasurer, on or after November 15, 2032 at any time, in whole or in part prior to maturity. The redeemed Series E Bonds and Series F Bonds may be in such amounts and in such order of maturity and in such Series and bear such interest rate or rates (but by lot among bonds bearing the same interest rate within a maturity of a Series) as the Treasurer may determine. The redemption price (expressed as percentages of the principal amounts of bonds to be redeemed) is set forth in the following table, to which will be added interest accrued and unpaid to the redemption date:

Redemption Date
From November 15, 2032 and thereafter

Redemption Price
100%

The Series G Bonds

The Series G Bonds are **not** subject to redemption prior to maturity.

Notice of Redemption

Notice of redemption shall be mailed not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the registered owner of such Series E Bonds or Series F Bonds, as applicable, at such Bondowner's address as it appears on the registration books of the State. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series E Bonds and Series F Bonds, all notices of redemption will be sent only to DTC.

Designation of the Series F Bonds as Social Bonds

Overview

The State has designated the Series F Bonds as "Social Bonds" based on the use of proceeds for education-related purposes. The State's Social Bonds designation reflects the use of proceeds of the Series F Bonds in a manner that the State believes follows the spirit of the "Social Bond Principles" as promulgated by the International Capital Market Association ("ICMA") and updated most recently in June 2021. The Social Bond Principles include project categories for the most commonly used types of projects (defined as "Social Projects") supported by or expected to be supported by the social bond market. Social Projects include access to essential services including education. In addition, by reference to the ICMA's "Green and Social Bonds: High-Level Mapping to the Sustainable Development Goals," the State further believes that the State's Social Bonds designation reflects the use of the proceeds of the Series F Bonds in a manner that is consistent with "Goal 4: Quality Education" of the United Nations 17 Sustainable Development Goals (the "UNSDGs"). The State believes that the State's school construction program described below, including the determination of a priority list for school construction projects, furthers the access to education.

The term "Social Bonds" is not defined in the Series F Bonds. The use of such term herein is for identification purposes only and is not intended to provide or imply that an owner of the Series F Bonds is entitled to any additional security or benefits. Holders of the Series F Bonds do not assume any specific risk with respect to any of the funded projects by reason of the Series F Bonds being designated as Social Bonds.

The designation of the Series F Bonds as "Social Bonds" is intended to generally comport with the ICMA Social Bond Principles and the UNSDGs. No party, including the State or the Underwriters, assumes any obligation to ensure that the Series F Bonds comply with any legal or other standards or principles that may be related to "Social Bonds." The designation of the Series F Bonds as Social Bonds does not entitle the holders of such bonds to any benefit under the Internal Revenue Code of 1986, as amended.

Use of Proceeds and Project Selection and Methodology

The Series F Bonds will be used for a reimbursement program for local school construction projects. See ***Description of Social Bonds Program*** below for additional information concerning the program.

Management of Proceeds

Proceeds of the Series F Bonds will be deposited into a segregated dedicated account from which spending from the account can be tracked.

Reporting

Until all of the proceeds of the Series F Bonds have been spent, on or before February 28th of each year beginning February 28, 2023, the State will voluntarily report the remaining balance of the unspent proceeds of the Series F Bonds through EMMA (defined hereafter). The reporting related to the Series F Bonds in this **Designation of the Series F Bonds as Social Bonds** section is voluntary and is not included in the State’s continuing disclosure requirements under the Rule (as defined herein) as set forth in the State’s Continuing Disclosure Agreement (as defined herein). See “**CONTINUING DISCLOSURE AGREEMENT**” and **Appendix I-C** herein.

Description of Social Bonds Program

School Construction

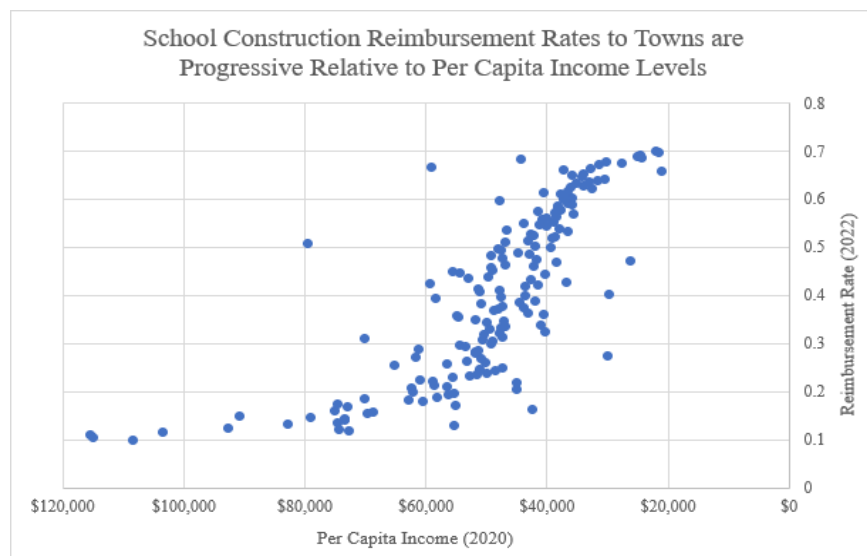
Unlike many state issuers, school construction in Connecticut is largely financed through a combination of local funding and state reimbursement of a portion of construction costs. Localities propose local school projects, and apply for state reimbursement for a portion of the costs of those projects. Most projects are approved through a priority list system, and approved projects are eligible for reimbursement based on a rate of reimbursement developed through a statutory formula. The program administrators have the discretion to approve smaller projects outside of the priority list (representing approximately 5% of the total). The statutory formula generally means that school construction in poorer localities is eligible for a higher rate of State funding than school construction in wealthier localities.

The Reimbursement Formula

The public school building projects program including the reimbursement formula is set out in C.G.S. 10-282, *et seq.* and is based on a fairly complicated calculation (and annual recalculation), for each of the State’s 169 municipalities, 17 regional school districts and six Regional Educational Service Centers, of (i) a three-year average of equalized net grand list per capita and (ii) income per capita. Very generally, the State reimburses poorer towns at a higher rate than wealthier towns. Consequently, the State’s spending on school construction is heavily weighted to the poorest towns in the State. Regional School Districts and Regional Educational Service Centers are similarly ranked based by a weighted average of the rankings of the member municipalities. Certain projects are eligible for increased reimbursement, increasing the reimbursement rate to up to 95%.

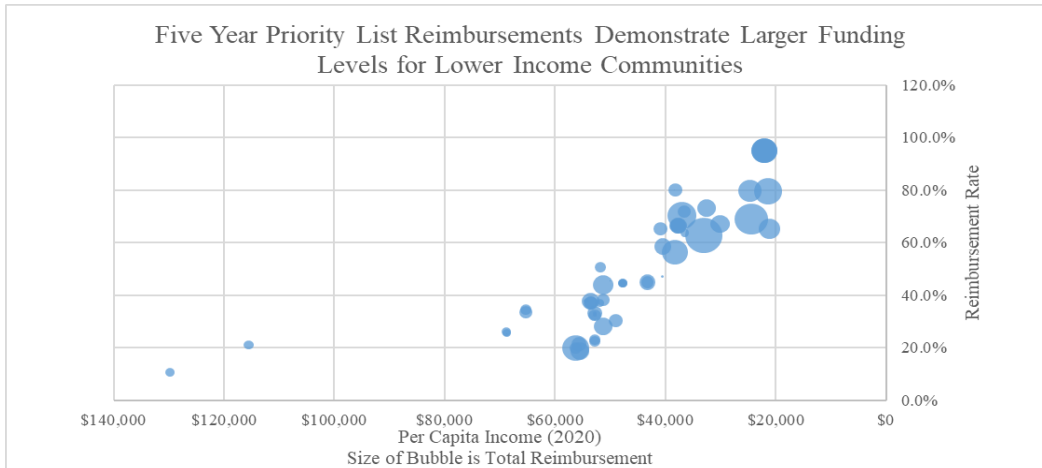
In Fiscal Year 2022, the State provided \$240,106,815 in reimbursements for public school building projects of which \$189,051,725 (79%) was spent on projects in towns and regional school districts with a per capita income under \$40,000.

The following chart shows the reimbursement percentages for Fiscal Year 2022 for new construction to the 2020 per capita income of the corresponding town receiving reimbursement. The reimbursement percentages for general construction (remodeling) is 10 percentage points higher than new construction (that is, 80% instead of 70% for some towns). In addition, certain projects may qualify for additional reimbursement, resulting in a higher reimbursement percentage.

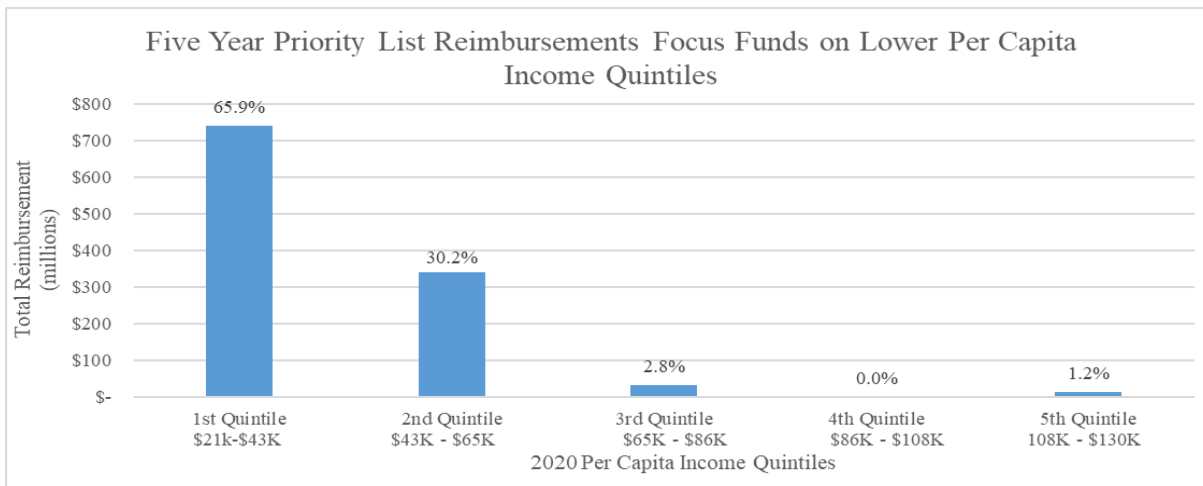


The following charts represent the amount of estimated State spending for the projects included in the State’s priority list for the last five fiscal years (see discussion regarding priority lists below). The charts exclude two special education school projects open to districts generally, and projects for two regional school districts that span multiple smaller towns.

In the below chart, the size of the circle represents the amount of estimated State spending for the projects on the priority lists. As reflected below, higher reimbursement rates are applied to lower income areas.



Similarly, as reflected below, the State has focused its reimbursements on projects in municipalities in the bottom two per capita income quintiles.



NOTE: Quintiles based on simple average of per capita income.

The Priority List Process

The Office of School Construction Grants & Review annually compiles a list of school construction projects that have applied for State aid. To be eligible, the project must be authorized by the appropriate local legislative body and be approved by the Commissioner of the Department of Administrative Services according to certain criteria. Projects are classed in three priority categories: A) being new facilities or alterations of existing facilities for mandatory instructional programs, physical education facilities or correction of code violations; B) being new facilities or alterations of existing facilities to enhance mandatory instructional programs or provide comparable facilities among schools; or C), being new facilities or alterations of existing facilities to provide supportive services (but not swimming pools, auditoriums, outdoor athletic facilities, tennis courts, elementary school

playgrounds, site improvement or garages or storage, parking or general recreation areas). This list is submitted to the Governor and the Education Committee (made up of legislative leadership) of the General Assembly on December 15th of each year. Projects that are approved by the Committee are submitted by February 1st for approval by the General Assembly during the next legislative session. This list varies in number of projects and usually adds 10 to 15 projects a year. Once approved by the General Assembly and the Governor, the projects on the list, which are referred to as the Priority List, may begin to be reimbursed for eligible costs, together with the projects already approved. Projects being funded must have plans reviewed and approved, must meet certain bidding requirements, and satisfy other state contracting requirements. The Priority Lists for the last 20 years can be obtained from the following website: <https://portal.ct.gov/DAS/Office-of-School-Construction-Grants/School-Construction-Priority-List-Projects>.

Bonding for Projects on the Priority Lists

The State reimburses expenses of the towns as incurred, and funds the expenses with periodic bond issues. All of the bond proceeds are spent usually within three years, and in most cases more rapidly. Because some projects are constructed over years, and some are delayed or accelerated, it is generally not possible to trace the net bond proceeds of particular bond issues to particular projects, except to say that all of the net bond proceeds of particular bond issues are spent on the program.

Nature of Connecticut's General Obligation

Each Bond when duly issued and paid for will constitute a contract between the State and the owner thereof.

The State General Obligation Bond Procedure Act, pursuant to which the Bonds are issued, provides that the Bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on said Bonds as the same become due. Such act further provides that, as part of the contract of the State with the owners of said Bonds, appropriation of all amounts necessary for the punctual payment of such principal and interest is made, and the Treasurer shall pay such principal and interest as the same become due.

The doctrine of governmental immunity (the right of a state not to be sued without its consent) applies to the State, however, legislation gives jurisdiction to the Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including the Bonds, reserving to the State all legal defenses except governmental immunity.

In the opinion of Bond Counsel, the above provisions impose a clear legal duty on the Treasurer to pay principal of and interest on the Bonds when due and, in the event of failure by the State to make such payment when due, a bondowner may sue the Treasurer to compel such payment from any monies available. Chapter 9 of Title 11 of the United States Code does not apply to the State of Connecticut or any other U.S. state.

For the payment of principal of or interest on the Bonds, the State, acting through the General Assembly, has the power to levy ad valorem taxes on all taxable property in the State without limitation as to rate or amount. The State does not presently levy such a tax.

The State has never failed to provide funds for the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

Book-Entry-Only System

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The 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 and interest rate of a given series of the 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 Paying Agent, 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 Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal 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 Paying Agent, 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 Bonds at any time by giving reasonable notice to the State or the Paying Agent. 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been provided by DTC. The State and the Underwriters take no responsibility for the accuracy thereof.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

| Sources: | <u>Series E</u> | <u>Series F</u> | <u>Series G</u> |
|--|--------------------------|--------------------------|--------------------------|
| Par Amount of Bonds..... | \$ 400,000,000.00 | \$ 250,000,000.00 | \$ 262,365,000.00 |
| Net Original Issue Premium..... | 45,530,725.00 | 29,062,950.00 | 26,806,328.00 |
| Total Sources | <u>\$ 445,530,725.00</u> | <u>\$ 279,062,950.00</u> | <u>\$ 289,171,328.00</u> |
| Uses: | | | |
| Project Fund Deposit..... | \$ 400,000,000.00 | \$ 250,000,000.00 | |
| Escrow Fund Deposit..... | | | \$ 288,140,936.81 |
| Other Monies Available to State ¹ | 43,793,579.34 | 27,616,687.08 | |
| Costs of Issuance..... | 394,578.92 | 246,611.83 | 263,484.13 |
| Underwriters’ Discount..... | 1,342,566.74 | 1,199,651.09 | 766,907.06 |
| Total Uses | <u>\$ 445,530,725.00</u> | <u>\$ 279,062,950.00</u> | <u>\$ 289,171,328.00</u> |

¹Funds to be used to pay capitalized interest.

LEGALITY FOR INVESTMENT

Under existing State law, the Bonds are legal investments for the State and for municipalities, regional school districts, fire districts, and any municipal corporation or authority authorized to issue bonds, notes or other obligations, State chartered or organized insurance companies, bank and trust companies, savings banks, savings and loan associations and credit unions, as well as executors, administrators, trustees and certain other fiduciaries. Subject to any contrary provisions in any agreement with noteholders or bondholders or other contract, the Bonds also are legal investments for virtually all public authorities in the State.

The Bonds may be accepted by the Comptroller as a substitution for amounts paid as retainage under any State contract or subcontract.

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, AA-, AA- and AA respectively, to the Bonds. Moody’s, S&P, Fitch and Kroll have each assigned a “stable” credit outlook on the State’s general obligation debt. Each such rating and credit outlook reflects only the views of the respective rating agency, and an explanation of the significance of such rating and credit outlook may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A downward revision or withdrawal of any such rating may have an adverse effect on the market prices of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

American Municipal Tax Exempt Compliance Corporation d/b/a AMTEC of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant), of Morrisville, North Carolina (together, the “Verification Agent”), will deliver to the State and the Underwriters on or before the date of delivery of the Series G Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of certain computations showing the adequacy of the cash and the maturing principal of and interest on certain investments deposited with the Escrow Holder, as each such term is defined in **Appendix I-A** to provide for the payment when due of the principal of and interest and redemption premiums, if any, on the Refunded Bonds as defined in **Appendix I-A**. Such verifications will be used by Bond Counsel and Tax Counsel in their determination that the interest on the Series G Bonds is excluded from gross income for federal income tax purposes, as a condition to the delivery of the Series G Bonds. The verification report will state that

the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

TAX EXEMPTION OF THE BONDS

Opinion of Bond Counsel and Tax Counsel - Federal Tax Exemption

In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

Bond Counsel’s and Tax Counsel’s opinions with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Code. The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. Failure to comply with the continuing requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Tax Compliance Agreement and the Tax Certificate, which will be delivered concurrently with the respective date of issuance of the Bonds, the State will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code.

Pursuant to Section 3-20 of the General Statutes of the State, as amended, the State covenants that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds will be excluded from gross income of the owners thereof for federal income tax purposes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

No other opinion is expressed by Bond Counsel or Tax Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds are more than their stated principal amounts (the “OIP Bonds”). An owner who purchases an OIP Bond must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the OIP Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations with excess net passive income, and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability and impact of such consequences. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes

In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of OIP Bonds should consult their tax advisors with respect to the determination for state and local income tax purposes of original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of OIP Bonds.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof.

General

The opinions of Bond Counsel and Tax Counsel are rendered as of their date and Bond Counsel and Tax 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.

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the 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 exclusion from gross income of interest on the Bonds. Such proposals, whether or not enacted, also could adversely affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

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 Bonds. Prospective owners of the 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 Bonds.

CONTINUING DISCLOSURE AGREEMENT

The General Statutes of Connecticut give the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The State will enter into Continuing Disclosure Agreements with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the forms attached as **Appendix I-C** to this Official Statement (collectively, the “Continuing Disclosure Agreement”), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule: (i) certain annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events, and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters’ obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the respective delivery of the Bonds, executed copies of the Continuing Disclosure Agreement.

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 timely file an event notice for (i) a rating downgrade of its Certificates of Participation (Connecticut Juvenile Training School Energy Center Project) in April 2018, (ii) 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 (iii) 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.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

State Treasurer's Certificate

Upon each delivery of the Bonds, the State shall furnish a certificate of the Treasurer, dated the date of delivery of the applicable Bonds, stating that the Official Statement, as of its date, did 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 (other than 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 this Official Statement. In providing such certificate, the Treasurer will state that he has not undertaken independently to verify information obtained or derived from various publications of agencies of the Federal government and presented in **Appendix II-B** to this Official Statement under the caption **STATE ECONOMY**.

Absence of Litigation

Upon each delivery of the Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the applicable Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of monies to the payment of the Bonds. In addition, such certificate shall state that, except as disclosed in this Official Statement, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds.

Approving Opinions of Bond Counsel and Opinions of Disclosure Counsel, Tax Counsel and Underwriters' Counsel

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed the following firms to serve as Bond Counsel with respect to the Series E Bonds, and delivery of the Series E Bonds will be subject to the approving opinions of Bond Counsel as follows:

- (a) Hardwick Law Firm, LLC with respect to \$77,035,000 General Obligation Bonds (2022 Series E-1);
- (b) Pullman & Comley, LLC with respect to the \$31,605,000 General Obligation Bonds (2022 Series E-2);
- (c) Robinson & Cole LLP with respect to the \$165,340,000 General Obligation Bonds (2022 Series E-3);
- (d) Shipman & Goodwin LLP with respect to the \$57,025,000 General Obligation Bonds (2022 Series E-4); and
- (e) Squire Patton Boggs (US) LLP with respect to the \$68,995,000 General Obligation Bonds (2022 Series E-5).

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed the following firm to serve as Bond Counsel with respect to the Series F Bonds, and delivery of the Series F Bonds will be subject to the approving opinion of Bond Counsel as follows:

- (a) Shipman & Goodwin LLP with respect to the \$250,000,000 General Obligation Bonds (2022 Series F-1).

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed the following firms to serve as Bond Counsel with respect to the Series G Bonds, and delivery of the Series G Bonds will be subject to the approving opinions of Bond Counsel as follows:

- (a) Robinson & Cole LLP with respect to the \$29,525,000 General Obligation Refunding Bonds (2022 Series G-1);

- (b) Shipman & Goodwin LLP with respect to the \$225,940,000 General Obligation Refunding Bonds (2022 Series G-2);
and
- (c) Squire Patton Boggs (US) LLP with respect to the \$6,900,000 General Obligation Refunding Bonds (2022 Series G-3).

The opinion of each Bond Counsel with respect to the series of the Bonds indicated above will be substantially in the form included as **Appendix I-B** to this Official Statement. Certain Bond Counsel have served as underwriters' counsel in connection with other State bond issues.

Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP of Hartford, Connecticut. In addition, the firm of Soeder & Associates, LLC of Hartford, Connecticut, serves as Co-Disclosure Counsel.

Certain legal matters will be passed upon for the State by its Tax Counsel, Robinson & Cole LLP of Hartford, Connecticut. In addition, the firm of Soeder & Associates, LLC serves as Co-Tax Counsel.

Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord LLP of Boston, Massachusetts and Harris Beach PLLC of New York, New York.

MUNICIPAL ADVISORS

The State has appointed Acacia Financial Group, Inc., having offices in Mt. Laurel, New Jersey and TKG & Associates LLC, having offices in New York, New York to serve as co-municipal advisors to assist the State in the issuance of the Bonds.

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UNDERWRITING

The aggregate initial offering price of the Series E Bonds to the public is \$445,530,725.00 plus accrued interest, if any. The Underwriters have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase the Series E Bonds from the State at an aggregate purchase price of \$444,188,158.26, reflecting an underwriters' discount of \$1,342,566.74.

The aggregate initial offering price of the Series F Bonds to the public is \$279,062,950.00 plus accrued interest, if any. The Underwriters have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase the Series F Bonds from the State at an aggregate purchase price of \$277,863,298.91, reflecting an underwriters' discount of \$1,199,651.09.

The aggregate initial offering price of the Series G Bonds to the public is \$289,171,328.00 plus accrued interest, if any. The Underwriters have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase the Series G Bonds from the State at an aggregate purchase price of \$288,404,420.94, reflecting an underwriters' discount of \$766,907.06.

The Underwriters for the Bonds will be obligated to purchase all of the Bonds, if any such bonds are purchased. The 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 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 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.

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ADDITIONAL INFORMATION

It is the present policy of the State to make available, upon request to the Office of the State Treasurer, electronic copies of this Official Statement and subsequent official statements relating to the issuance of its general obligation bonds.

Additional information may be obtained upon request to the Office of the State Treasurer, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 165 Capitol Avenue, Hartford, Connecticut 06106, (860) 702-3288.

STATE OF CONNECTICUT

Dated at Hartford, Connecticut
this 1st day of December, 2022

/s/ Shawn T. Wooden
Shawn T. Wooden
State Treasurer

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TABLE OF STATUTORY AUTHORIZATIONS – SERIES E BONDS

Each series of Series E Bonds includes the following authorizations, which have been consolidated for purposes of sale:

| | | |
|----|------------------|---|
| A. | \$ 77,035,000.00 | General Obligation Bonds (2022 Series E-1) |
| 1. | \$ 77,035,000.00 | Water Pollution control Bonds (1986 Act, Series VV) authorized by Sections 1 through 12 of Public Act No. 86-420 of the General Assembly of the State of Connecticut, as amended. |
| B. | \$ 31,605,000.00 | General Obligation Bonds (2022 Series E-2) |
| 1. | \$ 1,065,000.00 | Housing Trust Fund Bonds (2005 Act, Sections 16 through 22, Series O) authorized by Sections 16 through 22 of Public Act No. 05-5 of the General Assembly of the State of Connecticut, June 2005 Special Session, as amended. |
| 2. | \$ 5,000,000.00 | General State Purposes Bonds (2017 Act, Section 408(f), Series A) authorized by Section 408(f) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended. |
| 3. | \$ 25,000,000.00 | Crumbling Foundations Assistance Fund Bonds (2017 Act, Section 553, Series D) authorized by Section 553 of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended. |
| 4. | \$ 540,000.00 | Connecticut Manufacturing Innovation Fund Bonds (2021 Act, Section 32(c)(3), Series A) authorized by Section 32(c)(3) of Public Act No. 21-111 of the General Assembly of the State of Connecticut, January 2021 Session, as amended. |
| C. | \$165,340,000.00 | General Obligation Bonds (2022 Series E-3) |
| 1. | \$ 1,000,000.00 | General State Purposes Bonds (2007 Special Session Act, Sections 21(a) through 21(k) and 21(n) through 21(p), Series M) authorized by Sections 21(a) through 21(k) and 21(n) through 21(p) of Public Act No. 07-7 of the General Assembly of the State of Connecticut, June 2007 Special Session, as amended. |
| 2. | \$ 9,996,767.00 | General State Purposes Bonds (2014 Act, Sections 9(a) through 9(d), 9(e)(2) through 9(e)(5) and 9(g) through 9(i), Series M) authorized by Sections 8 through 15 and more particularly subsections 9(a) through 9(d), 9(e)(2) through 9(e)(5) and 9(g) through 9(i) of Public Act No. 14-98 of the General Assembly of the State of Connecticut, February 2014 Session, as amended. |
| 3. | \$ 3,000,000.00 | General State Purposes Bonds (2015 Special Session Act, Sections 13(a) through 13(d), 13(e)(1), 13(e)(3), 13(e)(4), 13(h)(2) and 13(j), Series R) authorized by Sections 12 through 19 and more particularly subsections 13(a) through 13(d), 13(e)(1), 13(e)(3), 13(e)(4), 13(h)(2) and 13(j) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended. |
| 4. | \$ 15,022,403.00 | General State Purposes Bonds (2015 Special Session Act, Sections 32(a) through 32(j) and 32(l), Series J) authorized by Sections 31 through 38 and |

more particularly subsections 32(a) through 32(j) and 32(l) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

5. \$ 30,000,000.00 General State Purposes Bonds (2015 Special Session Act, Section 52, Series D) authorized by Section 52 of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.
6. \$ 500,000.00 General State Purposes Bonds (2017 Special Session Act, Sections 378(a) through 378(e), 378(g) through 378(h), and 378(j) through 378(k), Series G) authorized by Sections 378(a) through 378(e), 378(g) through 378(h), and 378(j) through 378(k) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended.
7. \$ 200,600.00 General State Purposes Bonds (2017 Special Session Act, Sections 389(a) through 389(e) and 389(h) through 389(k), Series I) authorized by Sections 388 through 395 and more particularly 389(a) through 389(e) and 389(h) through 389(k) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended.
8. \$ 7,885,000.00 General State Purposes Bonds (2017 Special Session Act, Sections 397(a) through 397(d), 397(f) through 397(g), and 397(i) through 397(j), Series E) authorized by Sections 397(a) through 397(d), 397(f) through 397(g), and 397(i) through 397(j) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended.
9. \$ 330,928.00 General State Purposes Bonds (2017 Special Session Act, Sections 408(a) through 408(d) and 408(g) through 408(j), Series E) authorized by Sections 407 through 414 and more particularly subsections 408(a) through 408(d) and 408(g) through 408(j) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended.
10. \$ 21,682,849.00 General State Purposes Bonds (2020 Act, Sections 2(a) through 2(f), 2(h) and 2(k), Series D) authorized by Sections 2(a) through 2(f), 2(h) and 2(k) of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended.
11. \$ 43,538,151.00 General State Purposes Bonds (2020 Act, Section 21(a) through 21(d), 21(f) and 21(j), Series B) authorized by Section 21(a) through 21(d), 21(f) and 21(j) of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended.
12. \$ 14,911,766.00 General State Purposes Bonds (2020 Act, Sections 32(a), 32(c) through 32(i) and 32(k) Series C) authorized by Sections 31 through 38 and more particularly subsections 32(a), 32(c) through 32(i) and 32(k) of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended.
13. \$ 917,536.00 General State Purposes Bonds (2020 Act, Section 45, Series B) authorized by Section 45 of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended.
14. \$ 3,000,000.00 General State Purposes Bonds (2021 Act, Section 13(a) through 13(c) and 13(e) through 13(h), Series B) authorized by Section 13(a) through 13(c) and 13(e) through 13(h) of Public Act No. 21-111 of the General Assembly of the State of Connecticut, January 2021 Session, as amended.

| | | |
|-----|------------------|---|
| 15. | \$ 13,354,000.00 | General State Purposes Bonds (2021 Act, Section 2(a) through 2(k) and 2(n) through 2(p), Series A) authorized by Section 2(a) through 2(k) and 2(n) through 2(p) of Public Act No. 21-111 of the General Assembly of the State of Connecticut, January 2021 Session, as amended. |
| D. | \$ 57,025,000.00 | General Obligation Bonds (2022 Series E-4) |
| 1. | \$ 5,000,000.00 | General State Purposes Bonds (2013 Act, Section 85, Series H) authorized by Section 85 of Public Act No. 13-3 of the General Assembly of the State of Connecticut, June 2013 Session, as amended. |
| 2. | \$ 5,600,000.00 | General State Purposes Bonds (2017 Special Session Act, Section 397(h), Series E) authorized by Section 397(h) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended. |
| 3. | \$ 28,320,000.00 | General State Purposes Bonds (2020 Act, Section 2(j), Series B) authorized by Section 2(j) of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended. |
| 4. | \$ 205,000.00 | General State Purposes Bonds (2021 Act, Section 2(l), Series B) authorized by Section 2(l) of Public Act No. 21-111 of the General Assembly of the State of Connecticut, January 2021 Session, as amended. |
| 5. | \$ 17,900,000.00 | General State Purposes Bonds (2021 Act, Section 2(m), Series A) authorized by Section 2(m) of Public Act No. 21-111 of the General Assembly of the State of Connecticut, January 2021 Session, as amended. |
| E. | \$ 68,995,000.00 | General Obligation Bonds (2022 Series E-5) |
| 1. | \$ 30,000,000.00 | Local Capital Improvement Fund Bonds (1987 Act, Sections 11 through 14, Series NNN) authorized by Sections 11 through 14 of Public Act No. 87-584 of the General Assembly of the State of Connecticut, January 1987 Session, as amended. |
| 2. | \$ 25,000,000.00 | State Equipment Purchase Bonds (1987 Act, Section 2, Series EE) authorized by Section of Public Act No. 87-361 of the General Assembly of the State of Connecticut, as amended. |
| 3. | \$ 1,995,000.00 | General State Purposes Bonds (2015 Special Session Act, Section 21(j), Series C) authorized by Section 21(j) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended. |
| 4. | \$ 1,500,000.00 | General State Purposes Bonds (2017 Special Session Act, Section 378(f), Series A) authorized by Sections 377 through 383 and more particularly subsection 378(f) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended. |
| 5. | \$ 500,000.00 | General State Purposes Bonds (2017 Special Session Act, Section 408(e), Series A) authorized by Sections 407 through 414 and more particularly subsection 408(e) of Public Act No. 17-2 of the General Assembly of the State of Connecticut, June 2017 Special Session, as amended. |
| 6. | \$ 10,000,000.00 | General State Purposes Bonds (2020 Act, Section 13(g), Series A) authorized by Section 13(g) of Public Act No. 20-1 of the General Assembly of the State of Connecticut, February 2020 Session, as amended. |

TABLE OF STATUTORY AUTHORIZATIONS – SERIES F BONDS

Each series of Series F Bonds includes the following authorizations, which have been consolidated for purposes of sale:

- A. \$250,000,000.00 General Obligation Bonds (2022 Series F-1)
 - 1. \$250,000,000.00 School Construction Bonds (Series IIIII) authorized by Chapter 173 of the General Statutes of the State of Connecticut, as amended.

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PLAN OF REFUNDING – SERIES G BONDS

The proceeds of the Series G Bonds, if issued, will be used to refund some or all of the following maturities and principal amounts of outstanding general obligation bonds of the State on the redemption dates and at the redemption prices set forth below (the “Refunded Bonds”).

The State may amend the list of Refunded Bonds prior to the date of issuance of the Series G Bonds by removing certain maturities of bonds from the list of Refunded Bonds, changing the principal amounts to be redeemed or by adding certain series and maturities not shown below.

| <u>Series</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Coupon</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP¹</u> |
|---------------|----------------------|-------------------------|---------------|------------------------|-------------------------|--------------------------|
| 2012 Series G | 10/15/2023 | \$ 6,400,000 | 4.000% | 12/22/2022 | 100.0% | 20772JKR2 |
| 2012 Series G | 10/15/2023 | 8,600,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLC4 |
| 2012 Series G | 10/15/2024 | 7,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JKS0 |
| 2012 Series G | 10/15/2024 | 23,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLD2 |
| 2012 Series G | 10/15/2025 | 5,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JKT8 |
| 2012 Series G | 10/15/2025 | 10,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLG5 |
| 2012 Series G | 10/15/2026 | 10,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JKU5 |
| 2012 Series G | 10/15/2026 | 5,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLH3 |
| 2012 Series G | 10/15/2027 | 10,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JKV3 |
| 2012 Series G | 10/15/2027 | 5,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLJ9 |
| 2012 Series G | 10/15/2028 | 10,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JKW1 |
| 2012 Series G | 10/15/2028 | 5,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLK6 |
| 2012 Series G | 10/15/2030 | 2,500,000 | 3.000 | 12/22/2022 | 100.0 | 20772JLA8 |
| 2012 Series G | 10/15/2030 | 5,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JLN0 |
| 2012 Series G | 10/15/2030 | 7,500,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLP5 |
| 2012 Series G | 10/15/2031 | 5,480,000 | 3.000 | 12/22/2022 | 100.0 | 20772JKX9 |
| 2012 Series G | 10/15/2031 | 5,000,000 | 4.000 | 12/22/2022 | 100.0 | 20772JLE0 |
| 2012 Series G | 10/15/2031 | 4,520,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLL4 |
| 2012 Series G | 10/15/2032 | 2,500,000 | 4.000 | 12/22/2022 | 100.0 | 20772JLF7 |
| 2012 Series G | 10/15/2032 | 5,000,000 | 5.000 | 12/22/2022 | 100.0 | 20772JLM2 |
| 2013 Series B | 03/01/2024 | 2,745,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMN9 |
| 2013 Series B | 03/01/2025 | 560,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMP4 |
| 2013 Series B | 03/01/2025 | 19,440,000 | 5.000 | 03/01/2023 | 100.0 | 20772JMX7 |
| 2013 Series B | 03/01/2026 | 200,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMQ2 |
| 2013 Series B | 03/01/2026 | 14,800,000 | 5.000 | 03/01/2023 | 100.0 | 20772JMY5 |
| 2013 Series B | 03/01/2027 | 520,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMR0 |
| 2013 Series B | 03/01/2027 | 14,480,000 | 5.000 | 03/01/2023 | 100.0 | 20772JMZ2 |
| 2013 Series B | 03/01/2028 | 14,700,000 | 3.000 | 03/01/2023 | 100.0 | 20772JMC3 |
| 2013 Series B | 03/01/2028 | 300,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMS8 |
| 2013 Series B | 03/01/2029 | 1,605,000 | 3.125 | 03/01/2023 | 100.0 | 20772JMD1 |
| 2013 Series B | 03/01/2029 | 13,395,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMT6 |

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc., which is not affiliated with the State, and are included solely for the convenience of the holders of the 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 Refunded Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of 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 such bonds.

| <u>Series</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Coupon</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP¹</u> |
|---------------|----------------------|-------------------------|---------------|------------------------|-------------------------|--------------------------|
| 2013 Series B | 03/01/2031 | \$ 505,000 | 3.200% | 03/01/2023 | 100.0% | 20772JME9 |
| 2013 Series B | 03/01/2031 | 19,495,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMU3 |
| 2013 Series B | 03/01/2032 | 845,000 | 3.250 | 03/01/2023 | 100.0 | 20772JMF6 |
| 2013 Series B | 03/01/2032 | 19,155,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMV1 |
| 2013 Series B | 03/01/2033 | 3,080,000 | 3.300 | 03/01/2023 | 100.0 | 20772JMG4 |
| 2013 Series B | 03/01/2033 | 16,920,000 | 4.000 | 03/01/2023 | 100.0 | 20772JMW9 |

Upon delivery of the Series G Bonds, the State and U.S. Bank Trust Company National Association (“Escrow Holder”), will enter into one or more Escrow Agreements (the “Escrow Agreement”) to provide for the payment of the above listed Bonds (collectively, the “Escrowed Bonds”). Under the Escrow Agreement, the Escrow Holder will deposit into an irrevocable trust fund (the “Escrow Deposit Fund”), a portion of the net proceeds of the Series G Bonds and will use a portion of such proceeds to purchase (i) shares in the State’s Short Term Investment Fund (“Investments”), and/or (ii) direct obligations of, or obligations guaranteed by, the United States of America (the “Government Obligations”), the maturing principal of and interest on which, together with the uninvested money then held in the Escrow Deposit Fund, if any, will provide amounts sufficient to pay the principal or redemption price of, and interest on the Escrowed Bonds on the dates such payments are due. All investment income on and maturing principal of the Investments and the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal, and redemption price of and interest on the Escrowed Bonds will be irrevocably deposited by the State in the Escrow Deposit Fund for payment of the Escrowed Bonds.

FORM OF BOND COUNSEL OPINION – SERIES E BONDS

The opinion of each Bond Counsel with respect to the series of the Series E Bonds for which such firm has been appointed to serve as Bond Counsel will be dated the date of original issuance of the Series E Bonds and will be substantially in the following form:

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, and have examined a record of proceedings relative to, the issuance of \$ _____ General Obligation Bonds (2022 Series E-_) of the State (the “Bonds”). The Bonds are issued contemporaneously with other general obligation bonds of the State of the same series in the aggregate principal amount of \$400,000,000.

The Bonds are comprised of the issues of bonds identified within the Bonds which were authorized by the statutory provisions identified therein and have been consolidated as a single issue. The Bonds are issued under and pursuant to proceedings taken in accordance with Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended, resolutions adopted by the State Bond Commission and proceedings taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer and filed with the Secretary of the State Bond Commission, a Tax Certificate and a Tax Compliance Agreement.

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 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).

We are of the opinion that (i) the Bonds, when duly certified by U.S. Bank National Association, as Registrar, will be valid and legally binding general obligations of the State for the payment of the principal of and interest on which the full faith and credit of the State are pledged, and (ii) the State, acting through the General Assembly, has the power to levy ad valorem taxes upon all taxable property within the State without limitation as to rate or amount to pay the principal of and interest thereon. We are further of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the State and that the Tax Certificate and the Tax Compliance Agreement were duly authorized by the State.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. In the Tax Compliance Agreement and the Tax Certificate, the State has made covenants and representations designed to assure compliance with such requirements of the Code. The State has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall be excluded

from the gross income of the owners thereof for federal income tax purposes, retroactively to the date of issue or otherwise, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

We are of the opinion that, under existing law, interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed without undertaking to verify the same by independent investigation, but have no knowledge of any inaccuracies, (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) the continuing compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters. We also have relied upon, with no independent investigation, the opinions of bond counsel with respect to the other general obligation bonds of the State of Connecticut issued as part of the same issue for federal tax purposes as the Bonds in the aggregate principal amount of \$912,365,000 as to the validity and legality of such bonds and as to the exclusion of the interest thereon from gross income of the owners thereof for federal income tax purposes.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, and the exercise of judicial discretion, whether considered at law or in equity. 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.

Respectfully yours,

FORM OF BOND COUNSEL OPINION – SERIES F BONDS

The opinion of each Bond Counsel with respect to the series of the Series F Bonds for which such firm has been appointed to serve as Bond Counsel will be dated the date of original issuance of the Series F Bonds and will be substantially in the following form:

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, and have examined a record of proceedings relative to, the issuance of \$250,000,000 General Obligation Bonds (2022 Series F-1) of the State (the “Bonds”).

The Bonds are comprised of the issues of bonds identified within the Bonds which were authorized by the statutory provisions identified therein and have been consolidated as a single issue. The Bonds are issued under and pursuant to proceedings taken in accordance with Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended, resolutions adopted by the State Bond Commission and proceedings taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer and filed with the Secretary of the State Bond Commission, a Tax Certificate and a Tax Compliance Agreement.

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 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).

We are of the opinion that (i) the Bonds, when duly certified by U.S. Bank National Association, as Registrar, will be valid and legally binding general obligations of the State for the payment of the principal of and interest on which the full faith and credit of the State are pledged, and (ii) the State, acting through the General Assembly, has the power to levy ad valorem taxes upon all taxable property within the State without limitation as to rate or amount to pay the principal of and interest thereon. We are further of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the State and that the Tax Certificate and the Tax Compliance Agreement were duly authorized by the State.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. In the Tax Compliance Agreement and the Tax Certificate, the State has made covenants and representations designed to assure compliance with such requirements of the Code. The State has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall be excluded from the gross income of the owners thereof for federal income tax purposes, retroactively to the date of issue or otherwise, including covenants regarding, among other matters, the use, expenditure and

investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

We are of the opinion that, under existing law, interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed without undertaking to verify the same by independent investigation, but have no knowledge of any inaccuracies, (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) the continuing compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters. We also have relied upon, with no independent investigation, the opinions of bond counsel with respect to the other general obligation bonds of the State of Connecticut issued as part of the same issue for federal tax purposes as the Bonds in the aggregate principal amount of \$912,365,000 as to the validity and legality of such bonds and as to the exclusion of the interest thereon from gross income of the owners thereof for federal income tax purposes.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, and the exercise of judicial discretion, whether considered at law or in equity. 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.

Respectfully yours,

FORM OF BOND COUNSEL OPINION – SERIES G BONDS

The opinion of each Bond Counsel with respect to the series of the Series G Bonds for which such firm has been appointed to serve as Bond Counsel will be dated the date of original issuance of the Series G Bonds and will be substantially in the following form:

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, and have examined a record of proceedings relative to, the issuance of \$_____ General Obligation Refunding Bonds (2022 Series G-_) of the State (the “Bonds”). The Bonds are issued contemporaneously with other general obligation bonds of the State of the same series in the aggregate principal amount of \$262,365,000.

The Bonds are refunding bonds authorized by Section 3-20(i) of the General Statutes of Connecticut, Revision of 1958, as amended. The Bonds are being issued for the purposes of refunding the issues of bonds identified within the Bonds. The Bonds are issued under and pursuant to proceedings taken in accordance with Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended, a Bond Determination executed by the State Treasurer and filed with the Secretary of the State Bond Commission, a Tax Certificate and a Tax Compliance Agreement.

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 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).

We are of the opinion that (i) the Bonds, when duly certified by U.S. Bank National Association, as Registrar, will be valid and legally binding general obligations of the State for the payment of the principal of and interest on which the full faith and credit of the State are pledged, and (ii) the State, acting through the General Assembly, has the power to levy ad valorem taxes upon all taxable property within the State without limitation as to rate or amount to pay the principal of and interest thereon. We are further of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the State and that the Tax Certificate and the Tax Compliance Agreement were duly authorized by the State.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. In the Tax Compliance Agreement and the Tax Certificate, the State has made covenants and representations designed to assure compliance with such requirements of the Code. The State has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall be excluded from the gross income of the owners thereof for federal income tax purposes, retroactively to the date of issue or otherwise, including covenants regarding, among other matters, the use, expenditure and

investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

We are of the opinion that, under existing law, interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed without undertaking to verify the same by independent investigation, but have no knowledge of any inaccuracies, (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) the continuing compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters. We also have relied upon, with no independent investigation, the opinions of bond counsel with respect to the other general obligation bonds of the State of Connecticut issued as part of the same issue for federal tax purposes as the Bonds in the aggregate principal amount of \$912,365,000 as to the validity and legality of such bonds and as to the exclusion of the interest thereon from gross income of the owners thereof for federal income tax purposes.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded 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.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, and the exercise of judicial discretion, whether considered at law or in equity. 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.

Respectfully yours,

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State will agree, pursuant to a Continuing Disclosure Agreement for the 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, 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 Agreements for the Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (“Agreement”) is made as of the 14th day of December, 2022 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance by the State of \$400,000,000 General Obligation Bonds (2022 Series E), \$250,000,000 General Obligation Bonds (2022 Series F) (Social Bonds) and \$262,365,000 General Obligation Refunding Bonds (2022 Series G) (collectively, the “Bonds”), 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 December 1, 2022 prepared in connection with the Bonds.

“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, 2022) as follows:

(i) Audited financial statements of the State comprising its basic financial statements, currently consisting of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State 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 statutory basis (i.e., following the adopted budget and related statutes as described in Part II to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures**). As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so.

(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 described below (with references to the Final Official Statement); provided, however, that references to 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 or annual information reports:

1. Until such time as the State's only method of presenting its financial statements is substantially in accordance with generally accepted accounting principles ("GAAP"):
 - a. General Fund - Summary of Operating Results - Statutory Basis (for most recent fiscal year) (See Table 2 and Appendices II-D-6 and II-D-7).
 - b. General Fund - Summary of Operating Results - Statutory Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).
 - c. General Fund - Unreserved Fund Balance - Statutory Basis as of the end of the most recent fiscal year) (See Table 4 and Appendices II-D-4 and II-D-5).
 - d. General Fund - Unreserved Fund Balance - Statutory Basis vs. GAAP Basis (as of the end of the most recent fiscal year) (See Table 5).
2. Statutory Debt Limit (as of end of most recent fiscal year or a later date) (See Table 7).
3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date) (See Table 8).
4. Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 10).
5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year) (See Table 11).
6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).
7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action) (See Table 13).
8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date) (See Table 16).
9. Funding status of the State Employees' Retirement Fund and the Teachers' Retirement Fund.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight 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 a financial obligation of the State, any of which reflect financial difficulties.

For purposes of 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 MSRB pursuant to the Rule.

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.

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 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 knowledgeable 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. 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

**INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT**

FEBRUARY 15, 2022

This Information Statement of the State of Connecticut (the "State") contains information through February 15, 2022. The State expects to include this Information Statement in its Official Statements for securities offerings as a "Part II" and has numbered the pages accordingly. The State expects to update this Information Statement from time to time with supplementary information in connection with such offerings, but except as expressly noted all information is as of February 15, 2022. Such updates are expected to include certain interim financial information prepared on a statutory basis, but are not expected to include interim financial information prepared in accordance with GAAP.

This Information Statement is updated as of December 1, 2022 to delete stale information for which new information has been provided and to add supplementary information in connection with the State's general obligation bond offerings. These updates are indicated by shading such information as exemplified by this paragraph. Information not highlighted continues to speak as of February 15, 2022.

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

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

Constitutional Elected Officers*

| | |
|-------------------------------|---|
| Governor | Edward ("Ned") Miner Lamont, Jr. |
| Lieutenant Governor | Susan Bysiewicz |
| Secretary of the State | Denise W. Merrill |
| Treasurer | Shawn T. Wooden |
| Comptroller | Natalie A. Braswell |
| Attorney General | William Tong |

* At a general election held on November 8, 2022 for terms beginning in January 2023, according to unofficial results, the following were respectively elected for a four-year term for the positions of Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General: Edward ("Ned") Miner Lamont, Jr., Susan Bysiewicz, Stephanie Thomas, Erick Russell, Sean Scanlon, and William Tong. Official results are expected to be announced on or before December 15, 2022.

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FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

This Information Statement and its appendices attached hereto include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Information Statement and its appendices are based on information available to the State up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the State assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; (ii) 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; (xii) foreign hostilities or wars; (xiii) foreign or domestic terrorism; and (xiv) other factors contained in this Information Statement and its appendices. Forward-looking statements and reports included in this Information 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. For further information regarding COVID-19, see “*COVID-19 Impact on General Fund*” included in **STATE GENERAL FUND** and “*COVID-19 Outbreak*” included in **COVID-19 AND OTHER MATTERS**. Investors should carefully review all of the factors.

INTRODUCTION

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

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

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

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

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

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

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

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

COVID-19 and Other Matters includes additional matters that do not fall within the other headings.

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

The State’s fiscal year begins on July 1 and ends on June 30. References to “Fiscal Year” throughout this Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2022 refers to the fiscal year beginning July 1, 2021 and ending June 30, 2022.

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

FINANCIAL PROCEDURES

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

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

In addition to the above limitations on the authorization of general budget expenditures, the General Assembly is prohibited from authorizing General Fund and Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed 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. See **STATE DEBT – State Direct General Obligation Debt – Statutory Debt Limit.**

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. See **STATE DEBT – State Direct General Obligation Debt – Statutory Debt Limit.**

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 Treasurer is also required to transfer any unappropriated surplus in the General Fund to the Budget Reserve Fund, unless otherwise directed by law.

Pursuant to CGS Section 4-30a, when the amount in the Budget Reserve Fund in any fiscal year equals 15% of the net General Fund appropriations 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. For management and accounting purposes, the State treats funds that would be transferred to the Budget Reserve Fund but for the 15% cap, as being transferred to the Budget Reserve Fund and then withdrawn after the end of the fiscal year and applied as per the statute.

While Public Act No. 22-118, the omnibus budget, bonding and implementer bill passed by the General Assembly and signed by the Governor (the "2022 Budget Bill") did not amend CGS Section 4-30a, it altered the operation of CGS Section 4-30a, which gives the Treasurer discretion in the application of the funds that would otherwise bring the balance of the Budget Reserve Fund to be greater than 15% of net General Fund appropriations of the current fiscal year, as he determines to be in the best interest of the State subject to certain limitations. The 2022 Budget Bill requires that from passage through June 30, 2023, the Treasurer shall determine it is in the best interest of the State to apply excess funds that otherwise would be transferred to the Budget Reserve Fund as follows: (i) first to 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, (ii) then to 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, and (iii) then to make additional payments to the State Employees' Retirement Fund. While the 2022 Budget Bill did not address the other purposes included within CGS Section 4-30a, specifically the redemption, purchase or extinguishment of outstanding indebtedness or additional contributions to the Teachers' Retirement Fund, it does not direct the application of the funds to purposes or in amounts not already contemplated by CGS Section 4-30a.

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.

The balance in the Budget Reserve Fund as of June 30, 2022 was \$3.31 billion. A volatility transfer of \$3.05 billion of Fiscal Year 2022 revenues would have brought the Budget Reserve Fund balance to \$6.2 billion, which would have been 27.9% of net General Fund appropriations for Fiscal Year 2023. As a result, the Budget Reserve Fund would have been \$2.85 billion above the statutory cap of 15% of net General Fund appropriations for Fiscal Year 2023. Following the legislative direction of Public Act No. 22-118, the Treasurer determined it was in the best interest of the State to transfer the amount of the volatility transfer above the 15% threshold as an additional contribution to the State Employees' Retirement Fund and the Teachers' Retirement System with \$1,942.4 million going to the State Employees' Retirement Fund and \$903.6 million going to the Teachers' Retirement System. Because the balance of the Budget Reserve Fund after these transfers is at the statutory 15% cap, the Treasurer has determined that the \$1,261.4 million General Fund surplus for Fiscal Year 2022 is to be transferred to the State Employees' Retirement Fund, which transfer, when the surplus amount is finally determined, is expected to occur in December 2022.

The balance in the Budget Reserve Fund for the last three fiscal years and application of excess funds is below:

| | (In Millions) | | |
|------------------------------------|------------------|------------------|---------------------------------|
| | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 (unaudited) |
| BRF Beginning Balance | \$ 2,505.5 | \$ 3,012.9 | \$ 3,112.0 |
| Plus Surplus | 38.7 | 475.9 | 1,261.4 |
| Plus Volatility Cap | <u>530.3</u> | <u>1,241.5</u> | <u>3,047.5</u> |
| Total | \$ 3,074.5 | \$ 4,730.3 | \$ 7,421.0 |
| BRF Statutory 15% Cap | \$ 3,012.9 | \$ 3,112.0 | \$ 3,313.4 |
| Excess to Pension Funds (SERF/TRS) | (61.6) | (1,618.3) | (4,107.4) |
| BRF Net Increase / (Decrease) | \$ 507.4 | \$ 99.1 | \$ 201.4 |
| Application of Excess BRF: | | | |
| State Employees' Retirement Fund | \$ 61.6 | \$ 714.7 | \$ 3,203.8 |
| Teachers' Retirement System | <u>--</u> | <u>903.6</u> | <u>903.6</u> |
| Total | \$ 61.6 | \$ 1,618.3 | \$ 4,107.4 |

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. See **STATE DEBT – State Direct General Obligation Debt – Bond Covenant** herein.

Accounting Procedures

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

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

While not required by statute to prepare financial statements in accordance with GAAP, since 1988 the State has issued 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.

The audited statutory basis financial statements for Fiscal Years 2018 through 2021 and unaudited statutory basis financial statements for Fiscal Year 2022 and the audited financial statements of the State prepared using the guidance of GAAP for Fiscal Year 2021 appear in **Appendices II-C and II-D**.

GAAP Based Budgeting. Legislation passed in 2011 required the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not recognize a concept of GAAP budgeting or prescribe standards for GAAP budgeting, the State interprets the policy objectives of the GAAP budgeting requirement as a requirement to authorize expenditures in line with the accrual of the expenditures, to estimate revenues in line with the accrual of revenues, and an intention, over time, to 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. The final maturity of the GAAP Bonds is October 15, 2027, at which time the covenant will no longer be in effect.

In accordance with the second part of the plan, the deferred charge of the Accumulated 2013 GAAP Deficit is required to be fully amortized by June 30, 2028. 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. The first payment of \$47.58 million was made in Fiscal Year 2016 and the second payment of \$75.7 million was made in Fiscal Year 2020.

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, 2021.

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 2022 averaged \$11.6 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. See also **PENSION AND RETIREMENT SYSTEMS** herein.

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

STATE GENERAL FUND

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

GAAP based audited financial statements for certain funds including the General Fund of the State for Fiscal Year 2021 are included as **Appendix II-C**. Statutory basis audited financial statements for the General Fund for Fiscal Years 2018 through 2021 and unaudited financial statements for the General Fund for Fiscal Year 2022 are included in **Appendix II-D**. The adopted budget and audited financial statutory basis results for Fiscal Year 2021, the adopted budget and the unaudited financial statutory basis results for Fiscal Year 2022 and the adopted budget for Fiscal Year 2023 are included as **Appendix II-E**. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the statutory basis of accounting. Financial information presented herein for Fiscal Year 2022 and later is unaudited and subject to change.

General Fund Revenues

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

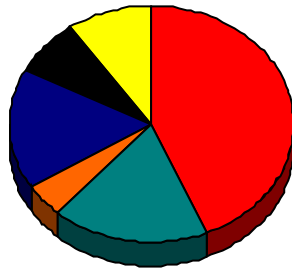
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a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

Fiscal Year 2022 and 2023 Adopted Revenues. General Fund revenues are forecasted by the legislature at the adoption of the budgets for Fiscal Years 2022 and 2023 ("Adopted Revenues") and are reflected in **Appendix II-E**.

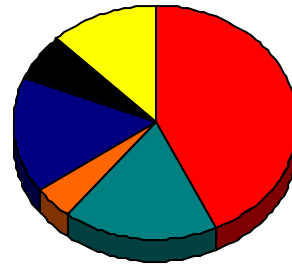
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 66.1 percent and 65.2 percent of its General Fund revenues from these taxes during Fiscal Year 2022 and Fiscal Year 2023, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2022 and 2023, is set forth below:













Adopted General Fund Revenues (In Millions)

**Adopted Revenues
Fiscal Year 2022
\$20,811.1 ^(a)**



**Adopted Revenues
Fiscal Year 2023
\$21,537.2 ^(a)**



| | | | | | | | |
|---|---------------------------------------|-------------|-------|---|---------------------------------------|-------------|-------|
|  | Personal Income Tax | \$ 10,361.0 | 43.5% |  | Personal Income Tax | \$ 10,522.1 | 43.0% |
|  | Sales and Use Tax | 4,274.6 | 17.9% |  | Sales and Use Tax | 4,297.2 | 17.6% |
|  | Corporate Business Tax | 1,115.6 | 4.7% |  | Corporate Business Tax | 1,114.0 | 4.6% |
|  | Other Taxes ^(b) | 3,883.4 | 16.3% |  | Other Taxes ^(b) | 3,931.9 | 16.1% |
|  | Unrestricted Federal Grants | 1,851.9 | 7.8% |  | Unrestricted Federal Grants | 1,628.8 | 6.7% |
|  | Other Non-Tax Revenues ^(c) | 2,328.4 | 9.8% |  | Other Non-Tax Revenues ^(c) | 2,962.7 | 12.1% |

NOTE: Totals may not add to 100% due to rounding.

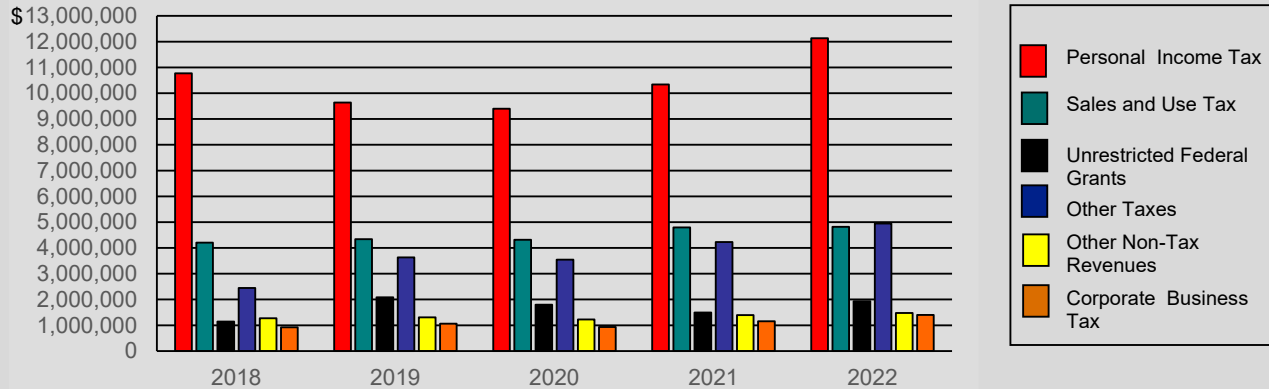
- (a) The pie charts reflect the total of the listed tax and revenue amounts of \$23,814.9 million for Fiscal Year 2022 and \$24,456.7 million for Fiscal Year 2023, while the amounts in the title of the pie charts reflect reductions resulting from tax refunds, earned income tax, R&D Credit Exchange, refunds of payments, transfers to other funds, volatility cap adjustments and revenue cap deductions of \$3,003.8 million for Fiscal Year 2022 and \$2,919.5 million for Fiscal Year 2023. See **Appendix II-E** for anticipated adjustments to adopted tax revenues.
- (b) Other taxes are comprised of inheritance and estate taxes; pass-through entity tax; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on health care providers and other miscellaneous taxes. See **Appendix II-E**.
- (c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix II-E**.

SOURCE: Special Act No. 21-15

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2018 through 2021 (audited) and Fiscal Year 2022 (unaudited) are set forth in Appendix II-D. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

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



| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> (Unaudited) |
|---|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------|
| Taxes: | | | | | |
| Personal Income Tax..... | \$10,770,150 | \$ 9,640,164 ^(b) | \$ 9,397,778 ^(b) | \$10,340,437 ^(b) | \$12,131,800 ^(b) |
| Sales Tax..... | 4,202,246 | 4,338,061 | 4,317,730 | 4,792,675 | 4,818,083 |
| Corporate Business Tax..... | 920,746 | 1,060,877 | 934,499 | 1,153,079 | 1,401,153 |
| Other Taxes ^(c) | <u>2,447,461</u> | <u>3,631,038</u> | <u>3,542,851</u> | <u>4,229,834</u> | <u>4,947,333</u> |
| Subtotal | \$18,340,603 | \$18,670,140 | \$18,192,858 | \$20,516,024 | \$23,298,369 |
| R & D Credit Exchange..... | (5,664) | (5,370) | (8,628) | (7,093) | (5,756) |
| Refunds of Taxes..... | <u>(1,269,667)</u> | <u>(1,465,368)</u> | <u>(1,491,413)</u> | <u>(1,857,512)</u> | <u>(1,811,202)</u> |
| Total Net Taxes | \$17,065,272 | \$17,199,401 | \$16,692,816 | \$18,651,419 | \$21,481,411 |
| Other Revenue: | | | | | |
| Federal Grants (Unrestricted).... | \$ 1,143,075 | \$ 2,083,774 | \$ 1,796,754 | \$ 1,496,315 | \$ 1,934,869 |
| Other Non-Tax Revenues ^(d) | 1,273,461 | 1,307,982 | 1,227,906 | 1,397,789 | 1,474,610 |
| Transfers to Other Funds..... | (1,528,983) ^(e) | (1,051,495) ^(f) | (659,936) ^(g) | (1,128,604) ^(h) | (3,026,155) ⁽ⁱ⁾ |
| Transfers from Other Funds..... | <u>245,726</u> | <u>110,200</u> | <u>136,000</u> | <u>114,500</u> | <u>126,200</u> |
| Total Other Revenues | <u>\$ 1,133,279</u> | <u>\$ 2,450,461</u> | <u>\$ 2,500,724</u> | <u>\$ 1,880,000</u> | <u>\$ 509,524</u> |
| Total Revenues | \$18,198,551 | \$19,649,862 | \$19,193,540 | \$20,531,418 | \$21,990,935 |

- (a) The bar graph reflects the gross listed tax and revenue amounts and does not reflect the listed adjustments for tax credits and refunds and transfers to or from other funds. See **Appendix II-D** for adjustments to revenues.
- (b) Personal Income Tax total in Fiscal Years 2019 through 2022 are comprised of \$6,665.8 million, \$6,815.2 million, \$7,243.8 million and \$7,886.2 million, respectively, in the withholding portion of Personal Income Tax and \$2,974.4 million, \$2,582.6 million, \$3,096.6 million and \$4,245.6 million, respectively, in the estimated and finals portion of Personal Income Tax.
- (c) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, net direct premiums of insurance companies, cigarettes and alcoholic beverages, real estate transfers, admissions and dues, and health care providers; electric generation and other miscellaneous taxes. Fiscal Years 2019 through 2022 also contain a pass-through entity tax in the amount of \$1,172.1 million, \$1,241.9 million, \$1,549.7 million and \$2,307.6 million, respectively.
- (d) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues, designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund less refunds of payments.
- (e) Includes transfer to the Budget Reserve Fund for the volatility adjustment of \$1,471.3 million and transfer to the Pequot/Mohegan Fund.
- (f) Includes transfer to the Budget Reserve Fund for the volatility adjustment of \$949.7 million and transfer to the Pequot/Mohegan Fund.
- (g) Includes transfers from resources of the General Fund and transfers for the volatility adjustment of \$530.3 million and transfer to the Pequot/Mohegan Fund.
- (h) Includes transfers from resources of the General Fund of \$112.9 million and transfers for the volatility adjustment of \$1,241.5 million and transfer to the Pequot/Mohegan Fund.
- (i) Includes transfers from resources of the General Fund of \$21.3 million and transfers for the volatility adjustment of \$3,047.5 million and transfer to the Pequot/Mohegan Fund.

SOURCE: 2018, 2019, 2020 and 2021 Annual Reports of the State Comptroller and 2022 unaudited Annual Report of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a Personal Income Tax on the income of residents of the State (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. The current tax is imposed on a graduated scale, with a maximum rate of 6.99% on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from \$15,000 to \$24,000. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at higher income levels. Under the current structure, the top rate increases to 6.99% with a rate of 3% applicable to taxable income up to certain amounts. The first \$20,000 of taxable income for a joint filer and the first \$10,000 of taxable income for a single filer are taxed at the 3% rate, rising thereafter to 6.99%. Lower rates are phased out for all filers who exceed certain income thresholds. There is an income tax credit available to certain filers for property taxes paid of \$200 per filer for tax years beginning on or after January 1, 2016. Taxpayers also are subject to a Connecticut minimum tax, based on their liability, if any, for payment of the federal alternative minimum tax. Neither the personal exemption nor the tax credits described above are available to trusts or estates.

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

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

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

The State limits corporation credits from reducing tax liability by more than 50.01% for most credits. The State imposed a corporation business tax surcharge of 20% for income years 2012 through 2017 for businesses with over \$100 million in federal adjusted gross income. Under current law, the surcharge decreased to 10% for income years 2018 through 2022 and is phased out completely for income year 2023.

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

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

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest components of federal grants in Fiscal Year 2021 were related to assistance provided to low income individuals under Medicaid and Temporary Assistance for Needy Families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds. With respect to Medicaid expenditures, only the State's share of Medicaid expenditures are appropriated within the Department of Social Services. Prior to calendar year 2017, the Medicaid expansion population was 100% federally reimbursed. Current federal regulations will have the reimbursement rate phased-down to 90% for calendar year 2020. The phase-down of federal reimbursement started in calendar year 2017 at 95% reimbursed and dropped to 94% for calendar year 2018 and 93% in calendar year 2019.

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

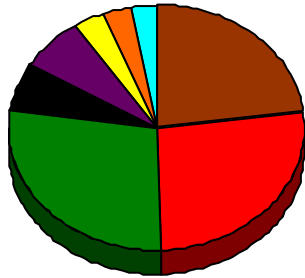
General Fund Expenditures

Fiscal Year 2022 and 2023 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See – **OTHER FUNDS, DEBT AND LIABILITIES - Special Transportation Fund and Debt** herein.

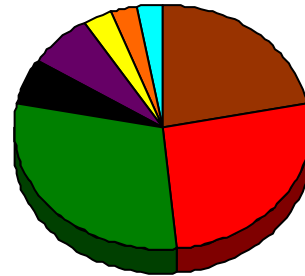
The adopted budgets for Fiscal Year 2022 and 2023 are included as **Appendix II-E**. A summary of appropriated General Fund expenditures for Fiscal Years 2022 and 2023 is set forth below.

















Appropriated General Fund Expenditures (In Millions)

**Appropriated Expenditures
Fiscal Year 2022
\$20,746.4 ^(a)**



**Appropriated Expenditures
Fiscal Year 2023
\$21,543.3 ^(a)**



| | | | | | | | |
|---|-----------------------------------|------------|-------|---|-----------------------------------|------------|-------|
|  | Human Services | \$ 4,618.0 | 22.2% |  | Human Services | \$ 4,859.6 | 22.4% |
|  | Education, Libraries and Museums | 5,556.7 | 26.7% |  | Education, Libraries and Museums | 5,759.4 | 26.6% |
|  | Non-Functional | 5,910.2 | 28.4% |  | Non-Functional | 6,159.4 | 28.4% |
|  | Health and Hospitals | 1,287.4 | 6.2% |  | Health and Hospitals | 1,335.7 | 6.2% |
|  | Corrections | 1,416.3 | 6.8% |  | Corrections | 1,440.8 | 6.7% |
|  | General Government | 811.0 | 3.9% |  | General Government | 871.1 | 4.0% |
|  | Judicial | 629.6 | 3.0% |  | Judicial | 646.6 | 3.0% |
|  | Other Expenditures ^(b) | 571.0 | 2.7% |  | Other Expenditures ^(b) | 589.0 | 2.7% |

(a) The pie charts reflect the total appropriated expenditures of \$20,800.3 million for Fiscal Year 2022 and \$21,661.5 million for Fiscal Year 2023, while the references in the title of the pie charts reflect adjustments for unallocated lapses of \$53.9 million for Fiscal Year 2022 and \$127.2 million for Fiscal Year 2023. See **Appendix II-E** for anticipated adjustments to appropriated expenditures.

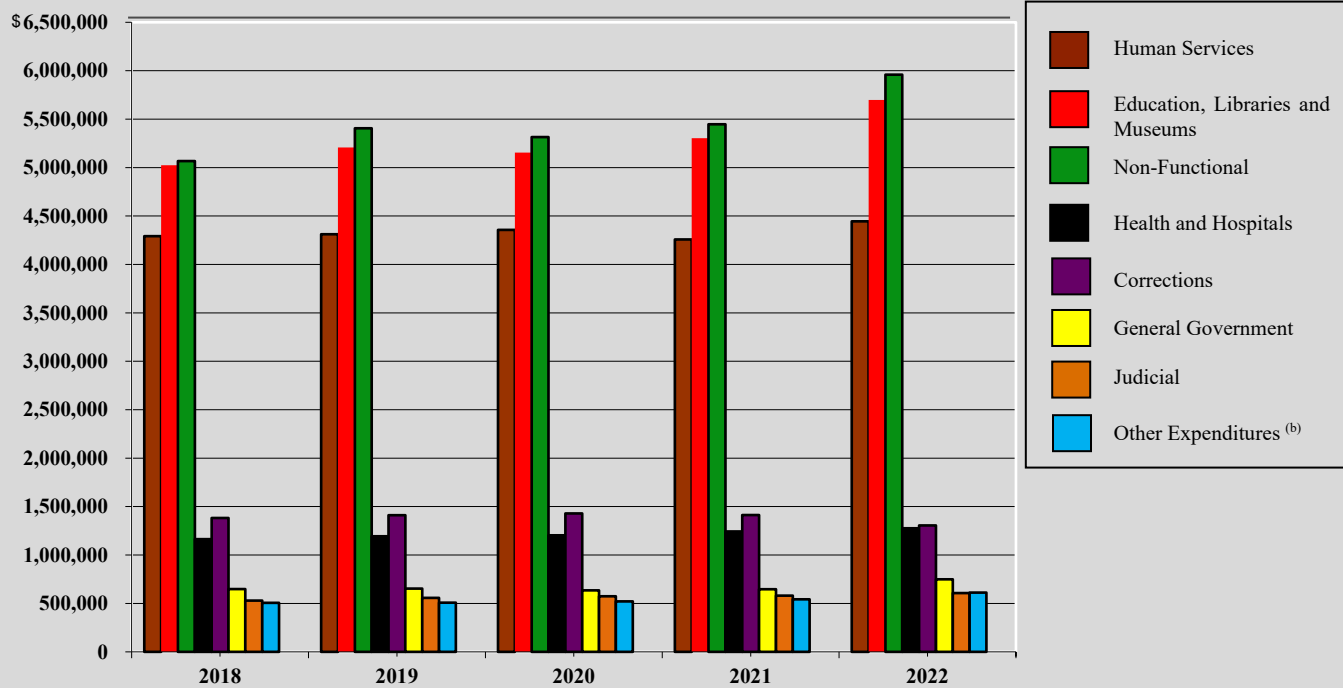
(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

SOURCE: Special Act No. 21-15.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2018 through 2021 (audited) and Fiscal Year 2022 (unaudited) are set forth in Appendix II-D to this Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

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



| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Human Services..... | \$ 4,291,893 | \$ 4,311,721 | \$ 4,356,788 | \$ 4,257,971 | \$ 4,444,985 |
| Education, Libraries and Museums..... | 5,024,541 | 5,208,399 | 5,154,647 | 5,303,847 | 5,697,620 |
| Non-Functional..... | 5,066,694 | 5,405,866 | 5,314,485 | 5,447,513 | 5,958,694 |
| Health and Hospitals..... | 1,163,451 | 1,194,173 | 1,202,891 | 1,243,573 | 1,276,373 |
| Corrections..... | 1,382,304 | 1,410,966 | 1,429,124 | 1,412,659 | 1,305,228 |
| General Government..... | 647,508 | 653,270 | 634,622 | 646,356 | 749,700 |
| Judicial..... | 528,902 | 557,067 | 574,735 | 580,979 | 606,545 |
| Other Expenditures ^(b) | <u>505,415</u> | <u>507,188</u> | <u>521,343</u> | <u>543,306</u> | <u>612,357</u> |
| Totals..... | \$18,610,709 | \$19,248,650 | \$19,188,634 | \$19,436,204 | \$20,651,502 |

- (a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. Amounts shown do not exclude expenditures or appropriations carried over from the prior fiscal year and do not include expenditures of appropriations carried into the next fiscal year. See Appendix II-D.
- (b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

NOTE: Totals may not add due to rounding.

SOURCE: 2018, 2019, 2020 and 2021 Annual Reports of the State Comptroller and 2022 unaudited Annual Report of the State Comptroller.

Components of Expenditures

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

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

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

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

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

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

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

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

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

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

Expenditures by Type

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

Fixed costs consist largely of payments for State employee and teacher benefits including pension contributions, retiree health benefits, entitlement programs such as Medicaid, and payments of debt service. For Fiscal Year 2020, Fiscal Year 2021 and Fiscal Year 2022, fixed costs amount to approximately 51.7%, 51.2% and 51.1%, respectively, of total General Fund expenditures. A summary of non-fixed and fixed costs for the General Fund is shown below.

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

| | Fiscal Year 2020 <u>(Actual)</u> | Fiscal Year 2021 <u>(Actual)</u> | Fiscal Year 2022 <u>(Unaudited)</u> |
|---|---|---|--|
| Total Non-Fixed Costs | \$9,261.5 | \$9,492.1 | \$10,097.0 |
| Fixed Costs: | | | |
| Debt Service | 2,250.2 | 2,275.8 | 2,383.6 |
| Teachers' Pensions | 1,208.8 | 1,249.8 | 1,443.7 |
| State Employees' Retirement System | 1,195.7 | 1,315.6 | 1,460.6 |
| Other State Pensions | 42.1 | 49.2 | 53.3 |
| State and Teachers' OPEB | 772.3 | 779.0 | 758.4 |
| Medicaid | 2,563.8 | 2,444.1 | 2,548.6 |
| All Other Entitlement Accounts ^(b) | <u>1,894.4</u> | <u>1,830.6</u> | <u>1,906.4</u> |
| Total Fixed Costs | \$9,927.2 | \$9,944.1 | \$10,554.6 |
| Fixed Cost Percent of Total Expenditures | 51.7% | 51.2% | 51.1% |

(a) Table 1 includes actual audited expenditures for Fiscal Years 2020-2021 and unaudited expenditures for Fiscal Year 2022.

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

NOTE: Totals may not add due to rounding.

SOURCE: OPM

Forecasted Operation

Consensus Revenue Estimates

Pursuant to CGS Section 2-36c, on November 10, 2022, OPM and OFA issued their consensus revenue estimates for the current biennium and the next three ensuing fiscal years as follows:

| General Fund Consensus Revenue Estimate (in Millions) | | | | |
|--|-------------|-------------|-------------|-------------|
| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Revenue Estimate November 10, 2022 | \$22,959.2 | \$22,312.6 | \$22,903.2 | \$23,557.4 |

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported.

Fiscal Accountability Report

Fiscal accountability reports were submitted by OPM and OFA on November 18, 2022. The reports show the level of expenditure change from current year expenditures allowable by consensus revenue estimates in the General Fund, the changes to current year expenditures necessitated by fixed cost drivers which include, generally, pension and other retiree costs, debt service, Medicaid and certain other costs for the Department of Social Services and the Department of Children and Families, and the aggregate changes to current year expenditures required to accommodate such fixed cost drivers without exceeding current revenue estimates.

Both reports estimated revenue in the General Fund exceeding expenditures for Fiscal Year 2023 resulting in a projected surplus of \$1,005.3 million by OPM and \$931.7 million by OFA.

OFA projected a General Fund surplus of \$6.7 million, \$436.7 million and \$822 million in each of Fiscal Years 2024 to 2026, respectively. OFA noted that there may be pressure in the Fiscal Year 2024-2025 biennial budget cycle to replace some of the Fiscal Year 2023 unspent funds from the prior fiscal year which have been reallocated and the ARP Act funding. OFA further noted that there is a measure of uncertainty in the economic outlook.

The OPM report projected year-over-year revenue growth vs. fixed cost growth beyond Fiscal Year 2023 as follows:

| Year-Over-Year Revenue Growth vs. Fixed Cost Growth (In Millions) | | | |
|--|--|--|--|
| | <u>Fiscal Year 2024 vs. Fiscal Year 2023</u> | <u>Fiscal Year 2025 vs. Fiscal Year 2024</u> | <u>Fiscal Year 2026 vs. Fiscal Year 2025</u> |
| Revenue Growth | \$ (646.6) | \$ 590.6 | \$ 654.2 |
| Total Fixed Cost Growth | <u>409.3</u> | <u>266.9</u> | <u>262.4</u> |
| Difference | \$ (1,055.9) | \$ 323.7 | \$ 391.8 |

According to OPM, the fixed cost growth anticipated to exceed revenue growth for Fiscal Year 2024 is both a reflection of the large decrease in anticipated revenue relative to Fiscal Year 2023 primarily because of the loss of coronavirus state fiscal recovery funds and the diversion of the full 0.5 percent of the Sales and Use Tax to

the Municipal Revenue Sharing Account, among other factors along with one-time increases in the State share of Medicaid costs. Beyond Fiscal Year 2024, the revenue growth anticipated to exceed the growth in fixed cost requirements reflects the State’s discipline in addressing its long-term liabilities which approximate \$88.3 billion, down \$7.1 billion from the level reported last year.

The OFA report estimated that General Fund fixed costs are projected to grow in the out years by approximately \$152.3 million in Fiscal Year 2024, \$160.7 million in Fiscal Year 2025 and \$268.9 million in Fiscal Year 2026, projecting an average annual growth rate of 1.6% in Fiscal Year 2024 through Fiscal Year 2026 across all General Fund fixed cost expenditure categories. OFA noted that fixed costs are anticipated to grow at a slower pace in the out-years than the current biennium largely due to savings in state employee and teachers’ pensions from deposits from the excess in the Budget Reserve Fund. OFA further noted that revenue growth is expected to outpace fixed cost growth in each year from Fiscal Year 2024 to Fiscal Year 2026.

The OPM report projected the State’s spending cap would allow growth in capped expenditures of approximately 5.48% in Fiscal Year 2024 over Fiscal Year 2023, 4.11% in Fiscal Year 2025 over Fiscal Year 2024 and 4.26% in Fiscal Year 2026 over Fiscal Year 2025.

The OPM report further discussed the long-term liabilities facing the State that total approximately \$88.3 billion. The table below details the components of these long-term liabilities:

**Long-Term Obligations
(In Billions)**

| | |
|---|----------------|
| Bonded Indebtedness – As of 6/30/2022 | \$ 27.0 |
| State Employee Pensions – Unfunded as of 6/30/2021 | 22.4 |
| Teachers’ Pension – Unfunded as of 6/30/2022 | 17.1 |
| State Employee Post-retirement Health and Life – Unfunded as of 6/30/2022 | 19.5 |
| Teachers’ Post-Retirement Health and Life – Unfunded as of 6/30/2021 | 1.6 |
| Cumulative GAAP Deficit – As of 6/30/2021 | <u>0.7</u> |
| Total | \$ 88.3 |

OPM estimates that the impact of the additional deposits to the State Employees Retirement Fund and the Teachers Retirement Fund, spread over 25 years (in accordance with the plans’ policies related to recognizing gains and losses), results in ADEC savings over 25 years of over \$9.4 billion.

The reports also estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five year period of \$1.3 billion to 1.6 billion in each year and UCONN 2000/Next Generation bond issuances between \$0.07 billion to \$0.26 billion in each year with the expenditure on debt service generally gradually increasing over such period. In addition, OPM projected the State’s aggregate debt subject to the debt limit to range from 73.71% to 76.01% of the debt limit from Fiscal Year 2023 to Fiscal Year 2027.

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

Adopted Budget for Fiscal Years 2022 and 2023

On June 9, 2021, the General Assembly passed a biennial budget bill which the Governor signed into law (the “2021 Budget Act”). Per the Office of Fiscal Analysis’ fiscal note, the 2021 Budget Act projected revenues of \$21,021.3 million in Fiscal Year 2022 and \$21,809.8 million in Fiscal Year 2023. The budget made net General Fund appropriations of \$20,746.4 million in Fiscal Year 2022, which represents 3.3% growth over Fiscal Year 2021 appropriations and \$21,534.3 million in Fiscal Year 2023, which represents 3.8% growth over Fiscal Year 2022 appropriations. The projected surplus was \$64.7 million in Fiscal Year 2022 and \$2.9 million in Fiscal Year 2023. The projected surplus does not take into account the revenue cap deduction which limits Fiscal Year 2022 appropriations to 99% of projected revenues and Fiscal Year 2023 appropriations to 98.75% of projected revenues. This results in an additional \$210.2 million in surplus funds in Fiscal Year 2022 and an additional \$272.6 million in surplus funds in Fiscal Year 2023.

The 2021 Budget Act included \$1,263.8 million in revenue enhancements in Fiscal Year 2022 and \$1,846.8 million in Fiscal Year 2023. The significant revenue changes included:

- No broad-based tax increases
- Use of federal aid from the American Rescue Plan Act of 2021 to balance the budget (\$559.9 million in Fiscal Year 2022 and \$1,194.9 million in Fiscal Year 2023)
- Modernization of gaming to allow retail and online sports wagering, online casino gaming, online Keno, and fantasy contests resulting in \$29.5 million of revenue in Fiscal Year 2022 and \$42.1 million of revenue in Fiscal Year 2023
- Extension of the 10% corporation tax surcharge for 2 years through income year 2022 resulting in \$80.0 million of revenue in Fiscal Year 2022 and \$50.0 million in Fiscal Year 2023
- Extension of current law eligibility on the Property Tax Credit under the Personal Income Tax resulting in \$53.0 million of additional revenue in each of Fiscal Year 2022 and Fiscal Year 2023
- Delay of GAAP deficit payment to Fiscal Year 2024 which leaves the General Fund with an additional \$85.1 million of revenue in each of Fiscal Year 2022 and Fiscal Year 2023
- Transferring a portion of the Municipal Revenue Sharing Account to the General Fund in the amount of \$262.7 million in Fiscal Year 2022 and \$276.3 million in Fiscal Year 2023

The notable expenditure changes as compared to current services included:

- Additional funding for the growth in caseloads related to the Department of Developmental Services, the Department of Mental Health and Addiction Services, and the Department of Social Services
- Funding for the expansion and enhancement of health care coverage by expanding postpartum care, creating an Affordable Care Act affordability wraparound benefit, and expanding coverage to undocumented children and pregnant women
- Additional funding to support nursing homes and to deliver quality care to residents
- Additional funding to support increases in minimum wage and cost-of-living for certain healthcare and human service private providers
- Fully funding and expansion of the tiered Payment in Lieu of Taxes (PILOT) formula enacted by legislature
- Increased operating support for public institutions of higher education as they resume operations post-COVID

Section 2-33a of the Connecticut General Statutes sets out the State’s expenditure cap. The adopted budget was \$22.2 million below the expenditure cap for Fiscal Year 2022 and \$35.7 million below the expenditure cap for Fiscal Year 2023.

Section 4-30a of the Connecticut General Statutes sets out the State’s volatility cap. The volatility cap diverts excess revenue above a specified threshold from the Pass-Through Entity Tax and the Estimates and Finals portion of the Personal Income Tax from the General Fund to the Budget Reserve Fund (up to its maximum). The 2021 Budget Act projects a volatility cap transfer from the General Fund to the Budget Reserve Fund (before considering the maximum) of \$969.2 million in Fiscal Year 2022 and \$798.2 million in Fiscal Year 2023. See below for updated projections.

Fiscal Year 2022 Operations

Pursuant to the Comptroller’s unaudited statutory based financial report provided on September 30, 2022, as of June 30, 2022, General Fund revenues were \$21,990.9 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were \$20,729.5 million and the General Fund surplus for Fiscal Year 2022 was \$1,261.4 million which surplus is expected to be transferred to the Budget Reserve Fund in December 2022. See **FINANCIAL PROCEDURES – Financial Controls – Unappropriated Surplus – Budget Reserve Fund**.

Fiscal Year 2023 Operations

Pursuant to CGS Section 4-66, by the twentieth day of each month, OPM provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller’s monthly report. By statute, the State’s fiscal position is reported on or before the first day of each month by the Comptroller. The following summarizes OPM’s and the Comptroller’s estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2023 Fiscal Year as of the referenced ending period in accordance with specific budgetary basis accounting standards set forth by statute, which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements:

OPM and Comptroller Estimates Fiscal Year 2023 (in Millions)

| <u>Period Ending</u> ^(a) | <u>OPM’s Report</u> | | | <u>Comptroller’s Report</u> | | |
|-------------------------------------|---------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------------|--|
| | <u>Revenues</u> | <u>Expenditures</u> ^(b) | <u>Surplus/</u> <u>(deficit)</u> | <u>Revenues</u> ^(c) | <u>Expenditures</u> ^{(b)(c)} | <u>Surplus/</u> <u>(deficit)</u> ^(c) |
| August 31, 2022 | \$22,534.4 | \$22,089.8 | \$444.6 | \$22,534.4 | \$22,073.6 | \$460.8 |
| September 30, 2022 | \$22,534.4 | \$22,040.2 | \$494.2 | \$22,534.4 | \$22,040.0 | \$494.4 |
| October 31, 2022 | \$22,959.2 | \$21,953.9 | \$1,005.3 | \$22,959.2 | \$21,952.9 | \$1,006.3 |

- (a) Estimates reflect projections as of the period ending date for full Fiscal Year 2023.
- (b) Expenditures include net appropriations, continued and estimated lapses and miscellaneous adjustments.
- (c) Figures derived from the Comptroller’s monthly letters to the Governor.

In the November 18, 2022 letter of the Secretary of OPM, the Secretary noted the projected surplus represents 4.5% of the General Fund. The November 18, 2022 estimates have *not* been reflected in **Appendix II-E** of this Official Statement.

In the November 18, 2022 letter, prior to taking into account the limit on transfers into the Budget Reserve Fund, the Secretary forecasted the balance in the Budget Reserve Fund as of the end of Fiscal Year 2023 would be

approximately \$6.17 billion, or 27.9% of the current net General Fund appropriations. The Secretary of OPM noted that since this balance would exceed the statutory 15% cap for the Budget Reserve Fund, he anticipates additional significant transfers to the State Employees' Retirement Fund and the Teachers' Retirement Fund.

The next monthly report of OPM is expected on or about December 20, 2022 and the next monthly report of the Comptroller is expected on or about December 1, 2022. The projections discussed above are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2023 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2023 operations of the General Fund.

COVID-19 Impact on General Fund

On March 10, 2020, Governor Lamont declared a public health emergency due to the spread of COVID-19 throughout the State. By agreement with the General Assembly, the declaration expired February 15, 2022.

Economic data showed the State slipped into recession starting in the fourth quarter of Fiscal Year 2020 as a result of significant pullback in consumption and significant increases in unemployment, largely due to the impact of COVID-19. However, this recession was short-lived and the economy began growing again in the first quarter of Fiscal Year 2021 as various measures enacted by the federal government arrested the decline in the nation's economy.

On March 27, 2020, the United States Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act ("CARES Act") that provides aid to industries and entities throughout the country, including state and local governments. The State received \$1.382 billion to cover statewide costs associated with the response to the outbreak of COVID-19. These resources are intended to be broadly available and flexible to respond to direct and indirect costs associated with addressing the COVID-19 pandemic and are not counted towards revenues in the General Fund and cannot be used to offset budgetary deficits caused by a reduction in revenue. Consistent with the State's practice in using federal grant funds, expenditures are not authorized through the General Fund.

The State used the \$1.382 billion as follows:

- \$244.1 million for testing and active clinical monitoring
- \$304.1 million to cover State operations
- \$149.2 million for public school reopening costs
- \$173.6 million for non-profits and other providers
- \$61.5 million to cover additional costs in the State's nursing homes
- \$65.5 million for hospitals
- \$63.8 million for municipal and local governments
- \$320.6 million for various purposes including economic support, housing, workforce development and other purposes

On March 11, 2021, the United States Congress enacted the American Rescue Plan Act of 2021 ("ARP Act") that provides additional relief to individuals, grants to businesses, and support to state and local governments. The State is expected to receive an estimated \$2.8 billion under the ARP Act to respond to the impacts of the COVID-19 pandemic. The adopted budget for the Fiscal Year 2022-2023 biennium programmed the use of ARP Act funds for the State for the upcoming biennium as described below. All plans are subject to the United States Treasury's allowable uses.

The State programmed the use of ARP Act dollars as follows:

- \$899.1 million for government services
- \$195.0 million for the Unemployment Insurance Trust Fund
- \$177.8 million for ongoing COVID-19 response measures
- \$154.3 million for aid to Nonprofit Organization, Small Business, and Impacted Industries
- \$140.2 million for Education Assistance
- \$127.2 million for Economic Assistance and Affordable Housing
- \$100.7 million for Healthy Childhood Initiatives
- \$928.9 million for various other measures

The State's expenditures of these federal funds are subject to audit and review by the federal government to ensure they were and are spent in accordance with the CARES Act and ARP Act. See additional information under the heading *COVID-19 Outbreak* in the **COVID-19 AND OTHER MATTERS** section.

Federal Infrastructure Improvement and Jobs Act (“IIJA”).

On November 15, 2021, President Biden signed into law the IIJA which is expected to provide the State with over \$6 billion of federal investment over five years. It has not yet been determined what effect, if any, these funds will have on the General Fund. Approximately \$5.4 billion of the \$6 billion will be for transportation infrastructure and systems upgrades/projects, which is an increase of \$1.6 billion over the last infrastructure bill that was enacted in 2015. Some project areas that the State is expected to receive funds for include: (1) replacement and repairs to the State's bridges and roads, (2) improving public transportation, (3) expanding electric vehicle (EV) charging networks, (4) expanding broadband coverage, (5) improving water infrastructure, and (6) improving airport infrastructure development. The State is still in the process of reviewing the funds that it will receive under IIJA, along with any required State match, and is reviewing eligible projects for which funds may be expended.

Midterm Budget Revisions for Fiscal Year 2023

Per Section 4-71 of the Connecticut General Statutes, the Governor is required to submit a status report to the General Assembly on the biennial budget enacted in the previous year. The status report is to include any recommendations for adjustments and revisions to the enacted budget. On February 9, 2022, the Governor presented to the General Assembly a status report including detailed projections of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2023. Revenues were projected at \$22,368.5 million and expenditures totaling \$22,072.1 million were proposed, resulting in a surplus of \$296.4 million prior to the application of the revenue cap.

In addition to the proposed midterm budget revisions, the Governor also presented a three year budget report for Fiscal Years 2024, 2025 and 2026. The report indicated out-year projected revenue, expenditures and balances in the General Fund as follows:

**Three Year Budget Report
(in Millions)**

| <u>Fiscal Year</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|--|-------------|-------------|-------------|
| Revenues | \$20,996.8 | \$21,493.5 | \$22,065.2 |
| Expenditures | \$22,369.6 | \$22,868.9 | \$23,355.6 |
| Surplus / (Deficit) ^(a) | \$(1,372.9) | \$(1,375.4) | \$(1,290.4) |

(a) Article 3 Section 18 of the State Constitution requires a balanced budget.

Instead of adopting the Governor’s proposed midterm budget adjustments, the General Assembly passed and the Governor signed into law, H.B. No. 5506 which makes midterm budget revisions for Fiscal Years 2022 and 2023. For Fiscal Year 2023, revenues are anticipated to be \$22,108.3 million, expenditures are anticipated to be \$22,089.2 million (which would be approximately \$8.6 million below the expenditure cap), and the revised budget is estimated to result in a General Fund surplus of \$19.1 million for Fiscal Year 2023. See **State General Fund - Fiscal Year 2023 Operations** above for projections of current surplus estimates.

The revised Fiscal Year 2023 budget includes policy changes that are projected to result in approximately \$995.4 million in reduced revenue from the consensus revenue forecast. The more significant changes include:

- Reduction of approximately \$880.0 million in the amount of revenue replacement in Fiscal Year 2023 from the Coronavirus State Fiscal Recovery Fund under ARPA, leaving approximately \$314.9 million in the Fiscal Year 2023 budget;
- \$125.0 million anticipated revenue reduction for the creation of a new child tax credit valued at \$250 per child for certain taxpayers;
- \$53.0 million anticipated revenue reduction in Fiscal Year 2023 for the acceleration of the property tax credit to full eligibility;
- \$60.0 million anticipated revenue reduction to increase the property tax credit to \$300 from \$200;
- \$42.9 million anticipated revenue reduction from the acceleration of the existing pensions and annuities exemption by three years to 100% in tax year 2022;
- \$12.0 million anticipated revenue reduction for the reestablishment of the Tobacco and Health Trust Fund; and
- \$9.4 million anticipated revenue reduction due to the expansion of the employer student loan tax credit eligibility to all CHESLA borrowers.

The revised budget represents an increase in appropriations of approximately \$554.8 million compared to the originally adopted budget for Fiscal Year 2023. The more significant changes include:

- \$100.0 million to reimburse municipalities for the cost of lowering the maximum mill rate on motor vehicles from 45 mills to 32.46 mills;
- \$100.0 million for childcare service stabilization and expansion;
- \$67.0 million for increased funding towards private providers;
- \$59.9 million towards Community Residential Services; and
- \$58.8 million increase in State Employee’s Retirement System contributions based on the most current actuarial valuation.

The midterm budget adjustments related to bond authorizations as passed by the General Assembly and signed by the Governor, include an increase of \$640.6 million in general obligation bond authorizations to take effect in Fiscal Year 2023 and cancels \$410.5 million in existing authorizations.

The midterm budget adjustments for Fiscal Year 2023 are reflected in **Appendix E** to this Information Statement.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the statutory basis for Fiscal Years 2018 through 2021 (audited) and Fiscal year 2022 (unaudited) are set forth in **Appendix II-D**.

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

| <u>Fiscal Year</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> (Unaudited) |
|--|-------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------------|
| Total General Fund Revenues ^(a) | \$18,198.5 | \$19,649.9 | \$19,193.5 | \$20,531.4 | \$21,990.9 |
| Net Appropriations/Expenditures ^(b) | <u>18,681.4</u> | <u>19,279.3</u> | <u>19,154.8</u> | <u>20,055.6</u> | <u>20,729.5</u> |
| Operating Surplus/(Deficit)^(c) | <u>\$ (482.9)</u> | <u>\$ 370.6^(d)</u> | <u>\$ 38.7^(e)</u> | <u>\$ 475.9^(e)</u> | <u>\$ 1,261.4^(e)</u> |

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

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

(c) The Fiscal Year 2018 deficit was eliminated through the release of funds from the Budget Reserve Fund.

(d) In accordance with State statute, this amount was transferred to the Budget Reserve Fund upon completion of the audit.

(e) In accordance with State statute, because the Budget Reserve Fund had reached the statutory limit of 15%, the Treasurer decided it was in the best interest of the state to transfer the surplus as an additional contribution to the State Employees' Retirement Fund.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual operations surplus (deficit) under the statutory basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2021 are included in **Appendix II-C**.

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

| <u>Fiscal Year</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------|------------------|-----------------|-----------------|-----------------|
| Statutory Basis Operating Surplus/ (Deficit) | \$ (22.7) | \$ (482.9) | \$ 370.6 | \$ 38.7 | \$ 475.9 |
| Volatility Deposit Budget Reserve Fund..... | -- | 1,471.3 | 933.6 | 530.3 | 1,241.5 |
| Statutory Surplus Reserve FY 2020-2021 | -- | -- | 160.0 | (15.6) | (144.4) |
| Amortization Payment on GAAP Bonds..... | -- | -- | -- | 75.7 | -- |
| <u>Adjustments:</u> | | | | | |
| Increases (decreases) in revenue accruals: | | | | | |
| Governmental Receivables | (24.4) | 515.5 | (423.4) | (80.5) | 262.8 |
| Other Receivables..... | 161.8 | 41.9 | 75.0 | (61.5) | 775.6 |
| (Increases) decreases in expenditure accruals: | | | | | |
| Accounts Payable and Other Liabilities | 19.8 | 3.9 | (151.8) | (306.4) | (2,196.4) |
| Salaries and Fringe Benefits Payable | 22.8 | 22.0 | (26.6) | 14.5 | 17.7 |
| Increase (decrease) in Continuing Appropriations.. | (36.3) | 74.1 | 30.2 | (25.4) | 619.3 |
| Transfer of Prior Year Surplus and BRF 15% Excess | -- | -- | -- | -- | (61.6) |
| GAAP Based Operating Surplus/(Deficit)..... | <u>\$ 121.0</u> | <u>\$1,645.8</u> | <u>\$ 967.6</u> | <u>\$ 169.8</u> | <u>\$ 990.4</u> |

SOURCE: Comptroller's Office

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

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

| <u>Fiscal Year</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> (Unaudited) |
|--|---------------|---------------|---------------|---------------|-----------------------------------|
| Operating Surplus/(Deficit) | \$ (482.9) | \$ 370.6 | \$ 38.7 | \$ 475.9 | \$ 1,261.4 |
| Fund Transfers and Reserves | | | | | |
| Transfers to Budget Reserve Fund | 0.0 | 370.6 | 0.0 | 0.0 | 0.0 |
| Transfers from Budget Reserve Fund..... | 482.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers to SERF ^(a) | <u>0.0</u> | <u>0.0</u> | <u>38.7</u> | <u>475.9</u> | <u>1,261.4</u> |
| Total Transfers/Reserves | \$ 482.9 | \$ (370.6) | \$ (38.7) | \$ (475.9) | \$ (1,261.4) |
| Unappropriated Surplus/(Deficit)..... | <u>\$ 0.0</u> | <u>\$ 0.0</u> | <u>\$ 0.0</u> | <u>\$ 0.0</u> | <u>\$ 0.0</u> |

(a) In accordance with State statute, because the Budget Reserve Fund has reached the statutory limit of 15%, the Treasurer decided it was in the best interest of the State to transfer the surplus as an additional contribution to the State Employees' Retirement Fund.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the statutory basis to the GAAP basis of accounting for the last five fiscal years.

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

| <u>Fiscal Year</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|
| Fund Balance (Deficit) Related to | | | | | |
| Statutory GAAP Budgeting | \$ 116.1 | \$ 116.1 | \$ 116.1 | \$ 191.8 | \$ 191.8 |
| GAAP Based Adjustments | | | | | |
| Additional Assets | | | | | |
| Taxes Receivable | | | | | |
| Income Tax Accrual Reduction | (387.5) | (425.0) | (515.8) | (563.0) | (579.2) |
| Eliminate Corporation Accrual | (39.6) | (17.7) | (14.9) | (97.9) | (37.0) |
| Additional Taxes Receivable | <u>5.1</u> | <u>2.8</u> | <u>10.2</u> | <u>2.7</u> | <u>5.0</u> |
| Net Increase (Decrease) Taxes | (422.0) | (439.9) | (520.5) | (658.2) | (611.2) |
| Net Accounts Receivable | 449.5 | 448.7 | 510.3 | 724.4 | 744.4 |
| Federal and Other Grants Receivable ^(a) | 21.9 | 537.3 | 113.9 | 33.3 | 296.2 |
| Due From Other Funds | 43.7 | 45.0 | 47.7 | 44.6 | 56.2 |
| GAAP Conversion Bonds | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Additional Assets | \$ 93.1 | \$ 591.1 | \$ 151.4 | \$ 144.1 | \$ 485.6 |
| Additional Liabilities | | | | | |
| Salaries and Fringe Payable | 113.6 | 135.6 | 109.1 | 123.5 | 141.1 |
| Accounts Payable—Department of | | | | | |
| Social Services | (11.4) | (9.9) | (0.7) | -- | -- |
| Accounts Payable—Trade & Other | (681.1) | (706.2) | (754.2) | (930.8) | (718.5) |
| Payable to Federal Government | (357.7) | (288.7) | (326.9) | (505.2) | (679.9) |
| Due to Other Funds | <u>(93.7)</u> | <u>(79.1)</u> | <u>(66.2)</u> | <u>(95.6)</u> | <u>(80.8)</u> |
| Total Additional Liabilities | \$(1,030.3) | \$ (948.3) | \$(1,038.9) | \$(1,408.1) | \$(1,338.1) |
| Statutory Requirement – Change in | | | | | |
| Accounting Method | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Unreserved Fund Balance (Deficit) | | | | | |
| GAAP Basis | <u>\$ (821.1)</u> | <u>\$ (241.1)</u> | <u>\$ (771.4)</u> | <u>\$ (1,072.2)</u> | <u>\$ (660.7)</u> |

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

SOURCE: Comptroller's Office

The table below sets forth on a GAAP basis the components of the fund balance for the General Fund for the last five fiscal years.

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

| <u>Fiscal Year</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Reserved: | | | | | |
| Budget Reserve..... | \$ 212.9 | \$ 1,201.4 | \$ 2,505.5 | \$ 3,012.9 | \$ 3,112.0 |
| Future Budget Years..... | - | - | 160.0 | 144.4 | - |
| Loans & Advances to Other Funds..... | 40.3 | 43.6 | 47.2 | 51.4 | 56.3 |
| Inventories..... | 13.3 | 12.8 | 15.2 | 17.2 | 20.8 |
| Continuing Appropriations..... | <u>60.2</u> | <u>134.3</u> | <u>164.5</u> | <u>139.1</u> | <u>758.4</u> |
| Total | \$ 326.7 | \$ 1,392.1 | \$ 2,892.4 | \$ 3,365.0 | \$ 3,947.5 |
| Unreserved: | <u>(821.1)</u> | <u>(241.1)</u> | <u>(771.4)</u> | <u>(1,072.2)</u> | <u>(660.7)</u> |
| Total Fund Balance | <u>\$ (494.4)</u> | <u>\$ 1,151.0</u> | <u>\$ 2,121.0</u> | <u>\$ 2,292.8</u> | <u>\$ 3,286.8</u> |

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

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

Statutory Provisions

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

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

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

Statutory Debt Limit. CGS Section 3-21 provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains

outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. Credit revenue bonds issued pursuant to CGS Section 3-20j shall be considered as payable from General Fund tax receipts of the State for purposes of the debt limit. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted:

- the principal amount of revenue anticipation notes having a maturity of one year or less
- refunded indebtedness
- bond anticipation notes
- borrowings payable solely from the revenues of a particular project
- the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer
- the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness
- all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009
- all authorized debt to fund the tax increment bond program of Connecticut Innovations, Inc.
- authorized indebtedness issued pursuant to CGS Section 3-62h in connection with abandoned property
- any indebtedness represented by agreements entered into pursuant to certain provisions of the CGS, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness and
- any indebtedness authorized for transportation projects up to \$500 million pursuant to CGS Section 3-21aa.

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

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

In addition, on and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate \$1.9 billion in any fiscal year, excluding bonds issued for the Connecticut State Colleges and Universities 2020 Program (“CSCU 2020”) as defined in CGS Section 10a-91c(3) and UConn 2000 as defined in CGS Section 10a-109c (25), refunding bonds, revenue anticipation bonds, and up to \$500 million in bonds for general obligation transportation projects. The \$1.9 billion limit is subject to prescribed inflationary adjustments commencing July 1, 2019.

Further, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to the Act 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, subject to prescribed inflationary adjustments commencing July 1, 2019.

The total tax receipts for Fiscal Year 2023, as last estimated by the General Assembly’s joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of November 20, 2022, are described in the following table.

TABLE 7

**Statutory Debt Limit
As of November 20, 2022**

| | | |
|---------------------------------|-------------------|-------------------|
| Total General Fund Tax Receipts | \$ 20,047,000,000 | |
| Multiplier | | 1.6 |
| Debt Limit | | \$ 32,075,200,000 |
| Outstanding Debt ^(a) | \$ 13,799,780,000 | |
| Guaranteed Debt ^(b) | \$ 2,059,165,478 | |
| Authorized Debt ^(c) | \$ 7,626,426,488 | |
| Total Subject to Debt Limit | | \$ 23,485,371,966 |
| Aggregate Net Debt | | \$ 23,485,371,966 |
| Debt Incurring Margin | | \$ 8,589,828,034 |

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

SOURCE: State Treasurer’s Office

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

Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission generally meets monthly. The Commission may not authorize general obligation or credit revenue bond issuances of greater than \$2.0 billion in the aggregate in any calendar year, subject to prescribed inflationary adjustments commencing January 1, 2018 and the exclusion of up to \$500 million for transportation projects authorized pursuant to Section 41 of Public Act No. 18-178.

Bond Covenant. Pursuant to subsection (aa) of CGS Section 3-20, each fiscal year during which general obligation bonds or credit revenue bonds of the State issued on and after May 15, 2018 and prior to July 1, 2020 are outstanding, the State was required to include a covenant in such bonds (which shall be applicable through June 20, 2023) that no public act or special act of the general assembly taking effect on or after May 15, 2018, and prior to July 1, 2023, shall alter the obligation of the State to comply with the provisions of:

- CGS Section 4-30a (funding of the Budget Reserve Fund and permissible expenditures therefrom)
- CGS Section 2-33c in effect on October 31, 2017 (the cap on General Fund and Special Transportation fund aggregate appropriations)
- CGS Section 2-33a (cap on spending)
- Subsections (d) and (g) of CGS Section 3-20 (limitation of \$2.0 billion on the authorization of bonds by the State Bond Commission in any calendar year), and
- CGS Section 3-21 (the debt limit, including the limitation on the issuance by the State of general obligation bonds pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j to \$1.9 billion in each fiscal year subject to certain exclusions and inflation adjustments, and the requirement that the Governor control spending allotments to ensure compliance with such limitation).

Alterations are permissible (i) if and when adequate provision is made by law for the protection of the holders of the bonds, or (ii) (1) if and when the Governor declares an emergency or the existence of extraordinary circumstances, (2) at least 3/5 of the members of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined, and (3) any such alteration is for the fiscal year in progress only.

During the 2018 Regular Session and prior to the issuance of any bonds containing the covenant, the General Assembly enacted three statutes amending the statutory provisions referenced above:

- Section 7 of Public Act No. 18-49, effective May 31, 2018, amended CGS Section 4-30a by expanding the source of revenues that are to be deposited in the Budget Reserve Fund to include a new business entity tax. Section 8 of Public Act No. 18-49, effective May 15, 2018, amended subsection (aa) of CGS Section 3-20 to incorporate such change.
- Section 20 of Public Act No. 18-81, effective May 15, 2018, provided that the amount to be deposited in the Budget Reserve Fund pursuant to CGS Section 4-30a shall be adjusted annually by the compound annual growth rate of personal income in the State over the preceding five calendar years, and that the threshold amount of the deposit to the Budget Reserve Fund may be amended by a super majority vote 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.
- Section 16 of Public Act No. 18-178, effective July 1, 2018, amended CGS Section 3-21(f)(1)(B) to provide that when calculating the \$1.9 billion fiscal year limitation on the issuance of general obligation bonds pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j, there shall be excluded refunding bonds, revenue anticipation notes, and up to \$500 million in bonds for transportation projects authorized during calendar years 2018 and 2019 in addition to bonds issued as part of the State's CSCU 2020 program and UConn 2000 program.

Because these amendments were in different acts with different effective dates, the Treasurer of the State requested guidance from the Attorney General of the State in the application and calculation of these provisions to the covenant. In the opinion of the Attorney General, all of the foregoing changes are given effect in the covenant. In reliance on this opinion, the Treasurer calculates the \$1.9 billion general obligation and credit revenue bond issuance limit by applying the exclusions referred to above. The Attorney General further concluded that the legislature intended that the covenant requires that during the time the covenant is in effect, no further changes by the legislature are permitted. An opinion of the Attorney General is not binding upon a court and no assurance can be given that a court would come to the same conclusion in a case properly brought

by a bondholder entitled to the benefit of the covenant. During the 2019 legislative session, the General Assembly adopted a Joint Resolution confirming the Attorney General's interpretation.

While the 2022 Budget Bill did not amend CGS Section 4-30a, it altered the operation of CGS Section 4-30a, which gives the Treasurer discretion in the application of the funds that would otherwise bring the balance of the Budget Reserve Fund to be greater than 15% of net General Fund appropriations for the current fiscal year, as he determines to be in the best interest of the State subject to certain limitations. The 2022 Budget Bill requires that from passage through June 30, 2023, the Treasurer shall determine it is in the best interest of the State to apply excess funds that otherwise would be transferred to the Budget Reserve Fund as follows: (i) first to 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, (ii) then to 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, and (iii) then to make additional payments to the State Employees' Retirement Fund. While the 2022 Budget Bill did not address the other purposes included within CGS Section 4-30a, specifically the redemption, purchase or extinguishment of outstanding indebtedness or additional contributions to the Teachers' Retirement Fund, it does not direct the application of the funds to purposes or in amounts not already contemplated by CGS Section 4-30a.

Types of Direct General Obligation Debt

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

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

Credit Revenue Bond Program. The State may issue credit revenue bonds secured by a statutory gross pledge of the State's withholding tax receipts to fund its capital projects. These receipts will be paid into segregated pledged accounts from which the trustee for the credit revenue bonds will withdraw amounts to be set aside for debt service on the credit revenue bonds. Withholding tax revenues withdrawn to be set aside for debt service on the credit revenue bonds will not be available to pay debt service on general obligation bonds. Amounts in the segregated pledged accounts in excess of the amounts withdrawn for debt service will be swept daily into other accounts of the State, free of the credit revenue bond lien and available for all purposes of the General Fund, including payment of debt service on the State's general obligation bonds. The credit revenue bonds will have no claim on any other revenues of the State and will not be subject to acceleration. The credit revenue bonds may be issued for any purpose for which general obligation bonds are authorized, including refunding bonds, and, if issued, would be in lieu of general obligation bonds. Credit revenue bonds will be authorized in the same manner as general obligation bonds, and accounted for within the State's General Fund. The credit revenue bonds will be treated as general obligation bonds for purposes of the State bond cap, and therefore do not represent an avenue for additional bond issuance. Issuance of credit revenue bonds is subject to an additional

bonds test requiring a debt service coverage ratio of three times. As of February 1, 2022, no credit revenue bonds have been issued and the State has no current plans to issue such bonds.

Teachers' Retirement Fund Pension Obligation Bonds. In April 2008 the State issued \$2,287 million of bonds to fund up to \$2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. \$2,434.2 million (reflecting the accreted value) of such bonds are outstanding as of February 1, 2022. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. The University of Connecticut is a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as "UConn 2000", the infrastructure improvement program now is estimated to cost \$4,664.3 million to be financed over a thirty-two year period. The UConn 2000 program contemplates total issuance of \$4,307.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt and are reflected in **Tables 8 through 14**. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. As of February 1, 2022, \$4,153.4 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which \$1,535.2 million remain outstanding, with a remaining authorization of \$763.9 million, of which \$475.1 million is allocated. It is anticipated that additional authorizations will become effective in future fiscal years.

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

The General Assembly has and may continue to authorize capital improvements for the University of Connecticut in addition to the UConn 2000 Program. General obligation bonds authorized for such purposes are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. However, the construction of a new \$203 million ambulatory care center at the University of Connecticut Health Center authorized in 2011, but financed through a lease financing through the University of Connecticut Health Center Finance Corporation is not reflected in **Table 12**. During 2018, a solicitation of interest was issued seeking proposals for a public-private partnership for the University's clinical health enterprises, John Dempsey Hospital and UConn Medical Group. A response that met all objectives was not received. However, the University continues to explore partnering opportunities that will meet its goals.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities (none of which are outstanding) and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. The State is evaluating opportunities for the lease financing of energy improvements under existing statutory authorizations. The State has entered into other leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is an operating lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. Connecticut Innovations, Inc. ("CI") is authorized to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by CI for debt service on the bonds. Debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts

equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the Commission. Such tax increment bonds are not reflected in **Table 7**, but are reflected in **Tables 8 through 12**.

Supportive Housing Financing. The Connecticut Housing Finance Authority (“CHFA”) in conjunction with other state agencies developed a collaborative plan to create affordable housing and support services for specified eligible persons. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance may not exceed \$105 million in the aggregate. As of November 15, 2022, \$34.77 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. CHFA is authorized to issue up to \$50 million of bonds to fund an Emergency Mortgage Assistance Program and the Treasurer and OPM are required to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of November 15, 2022, the entire \$50 million had been issued, of which \$26.54 million is outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

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

Municipal Contract Assistance. The Municipal Accountability Advisory Board (“MARB”) supervises distressed municipalities in the State. The State, acting through the Treasurer and the Secretary of OPM, is authorized to enter into contract assistance agreements with municipalities operating as “Tier III” or “Tier IV” municipalities under the MARB. Such contract assistance may provide for payment by the State of all or a portion of annual debt service on refunding bonds issued to refund outstanding indebtedness of such a municipality, plus costs of issuance. The legislation also authorized the State to provide alternate forms of credit support, provided the alternate support is not in excess of the amount of contract assistance otherwise available. The contract assistance would be deemed appropriated, and would constitute the full faith and credit obligation of the State. Currently, the City of Hartford, the City of West Haven and the Town of Sprague are “Tier III” municipalities; there are no “Tier IV” municipalities. In March 2018 the State and the City of Hartford entered into an agreement which obligates the State to make payments equal to principal and interest, when due, on all of Hartford’s then outstanding general obligation bonds, with the State retaining the right to restructure the outstanding debt in the future. Hartford’s outstanding debt subject to this agreement is approximately \$431.4 million. This contract assistance program is in addition to, but not in duplication of, assistance available to municipalities and described under “**OTHER FUNDS – Assistance to Municipalities**”.

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

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

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

Derivatives. The Treasurer, with the authorization of the Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cash flow basis as the Treasurer may determine, including swap agreements and other arrangements to manage interest rate risk. When any such arrangement is entered into, the counter-party to the arrangement must have a rating on its unsecured long-term obligations that is the same as or higher than the underlying rating of the State on the applicable bonds. The Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract.

The State has entered into swap agreements in connection with various bond issues. The swap agreements typically provide for early termination in certain events, and such "termination events" could result in the State being required to make unanticipated termination payments. Such payments, if any are due, may be substantial. In some cases the State has up to 270 days to make any such termination payments. The amounts payable to each swap provider under the respective swap agreement, including any termination payments, will be general obligations of the State. The State is obligated to make debt service payments on its bonds regardless of the performance of the swap provider of its obligations under the swap agreement. The State currently has no swap agreements in place in connection with its general obligation bonds.

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

TABLE 8
Direct General Obligation Indebtedness^(a)
Principal Amount Outstanding As of November 20, 2022
(In Thousands)

| | |
|--|---------------------|
| General Obligation Bonds | \$13,644,859 |
| Pension Obligation Bonds | 2,365,956 |
| UConn 2000 Bonds | 1,659,600 |
| Other ^(b) | <u>230,741</u> |
| Long-Term General Obligation Debt Total | \$17,901,156 |
| Short-Term General Obligation Debt Total | <u>0</u> |
| Gross Direct General Obligation Debt | <u>\$17,901,156</u> |
| Net Direct General Obligation Debt | \$17,901,156 |

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes miscellaneous general obligation debt, lease financings, tax increment financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. However, it does not include CRDA Bonds or CHEFA Child Care Facilities Bonds or Municipal Contract Assistance secured by the State's debt service commitment. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments**.

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

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

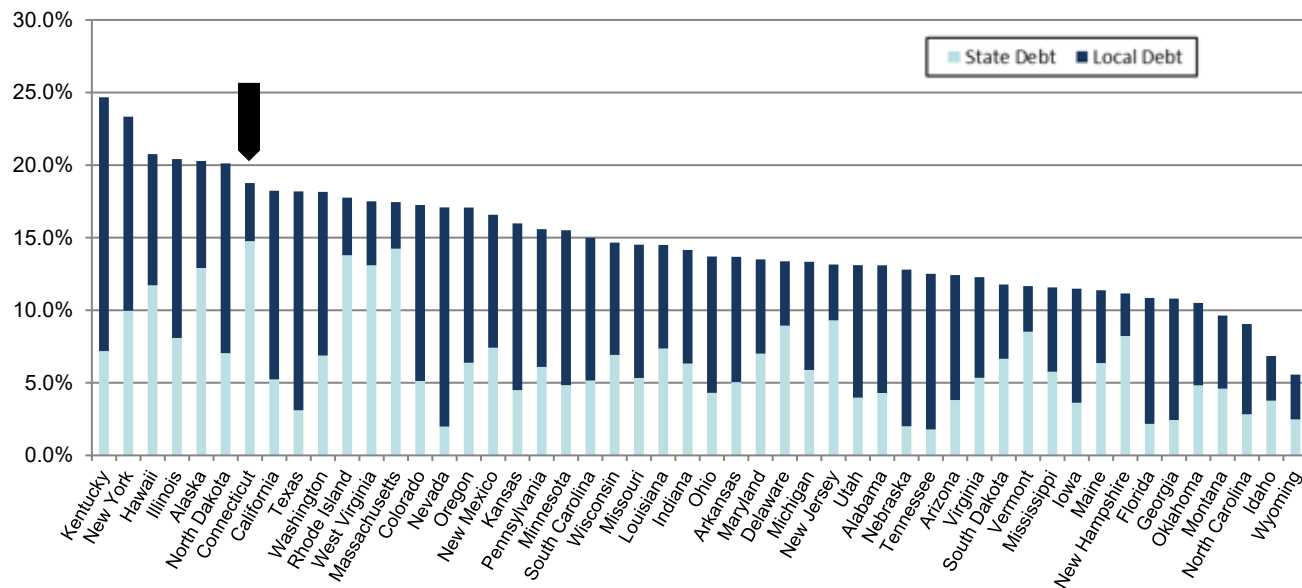
| <u>Fiscal Year</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Gross Direct Debt ^(a) | \$18,534,494 | \$18,723,853 | \$18,705,288 | \$18,773,733 | \$18,799,680 |
| Ratio of Debt to Personal Income ^(b) | 7.32% | 7.08% | 6.92% | 6.71% | 6.72% |
| Ratio of Debt to Estimated Full Value of Equalized Grand List ^(c) | 3.42% | 3.41% | 3.34% | 3.27% | 3.21% |
| Per Capita Debt ^(d) | \$5,136 | \$5,185 | \$5,186 | \$5,213 | \$5,212 |

- (a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding as of June 30 of each fiscal year as set out in **Table 11** which includes bonds that are considered self-liquidating.
- (b) See **Appendix II-B, Table B-2**. Personal Income: 2017 — \$253.1 billion; 2018 — \$264.3 billion; 2019 — \$270.3 billion; and 2020 – 279.6 billion. The 2021 ratio uses 2020 data.
- (c) Full value estimated by OPM. Uses final equalized net grand lists: 2015 – \$541.7 billion; 2016 – \$549.2 billion; 2017 – \$560.0 billion, 2018 -- \$573.5 billion and 2019 -- \$586.0 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2017 ratio uses 2015 data; 2018 ratio uses 2016 data; 2019 ratio uses 2017 data; 2020 ratio uses 2018 data; and 2021 ratio uses 2019 data.
- (d) See **Appendix II-B, Table B-1**. State population in thousands: 2017 — 3,609; 2018 — 3,611; 2019 — 3,607; 2020 — 3,601; and 2021 – 3,607.

Aggregate State and Local Debt. The following table sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 44th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the seventh lowest ratio of per capita local debt to per capita personal income and second lowest ratio of local debt to aggregate debt. This is due in part to the State’s practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a (a)(b)

Combined State and Local Debt Compared to State Personal Income



- (a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2020 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2019 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2020.
- (b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Information Statement.

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

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of November 20, 2022. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10
Summary of Principal, Mandatory Sinking Fund Payments,
and Interest on Long-Term Direct General Obligation Debt^(a)
As of November 20, 2022

| Fiscal Year | Principal Payments^(b) | Interest Payments^{(b)(c)} | Total Debt Service |
|------------------------|---|---|-------------------------------|
| 2023 | \$ 1,075,459,554 | \$ 508,202,437 | \$ 1,583,661,991 |
| 2024 | 1,644,224,066 | 814,740,817 | 2,458,964,884 |
| 2025 | 1,586,137,437 | 749,076,375 | 2,335,213,812 |
| 2026 | 1,563,675,000 | 596,234,858 | 2,159,909,858 |
| 2027 | 1,521,850,000 | 525,579,583 | 2,047,429,583 |
| 2028 | 1,470,870,000 | 454,854,704 | 1,925,724,704 |
| 2029 | 1,360,115,000 | 387,742,862 | 1,747,857,862 |
| 2030 | 1,310,540,000 | 323,445,678 | 1,633,985,678 |
| 2031 | 1,263,160,000 | 264,107,017 | 1,527,267,017 |
| 2032 | 1,171,670,000 | 205,553,128 | 1,377,223,128 |
| 2033 | 729,860,000 | 148,977,337 | 878,837,337 |
| 2034-2042 | <u>3,009,205,000</u> | <u>400,812,244</u> | <u>3,410,017,244</u> |
| Totals | \$ 17,706,766,057 | \$ 5,379,327,040 | \$ 23,086,093,097 |

- (a) Includes long-term general obligation debt as outlined in Table 8. The future principal payments (\$17,706,766,057), plus accreted interest (\$194,389,522) total the amount of such long-term debt (\$17,901,155,578) as shown in Table 8. See footnotes (b) and (c) for further explanation.
- (b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds. Capital appreciation bonds mature in Fiscal Years 2023 through 2025.
- (c) Some of the State's direct debt pays interest at variable rates. For purposes of this **Table 10**, the interest on such debt is calculated based on the following assumed average rates:

| Year Issued | Amount Issued | Amount Outstanding | Maturities | Interest Rate |
|------------------------|--------------------------|-------------------------------|-------------------|--------------------------|
| 2013 | \$ 244,570,000 | \$ 49,275,000 | 2023-2025 | 4.75% |
| 2014 | 47,000,000 | 10,000,000 | 2023 | 4.75 |
| 2015 | 200,000,000 | 63,345,000 | 2023-2024 | 4.75 |
| 2016 | 300,000,000 | 241,465,000 | 2023-2034 | 4.75 |
| 2017 | <u>300,000,000</u> | <u>262,635,000</u> | 2023-2037 | 4.75 |
| Totals | \$ 1,091,570,000 | \$ 626,720,000 | | |

SOURCE: State Treasurer's Office

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

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

| <u>Fiscal Year</u> | <u>Gross Debt</u> |
|--------------------|-------------------|
| 2013 | \$14,762,696 |
| 2014 | 15,819,826 |
| 2015 | 16,879,336 |
| 2016 | 17,704,949 |
| 2017 | 18,534,494 |
| 2018 | 18,723,853 |
| 2019 | 18,705,288 |
| 2020 | 18,773,733 |
| 2021 | 18,799,680 |
| 2022 | 18,596,012 |

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of November 20, 2022, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The following table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2022.

Table 12

**Authorized but Unissued Direct General Obligation Debt
As of November 20, 2022
(In Thousands)**

| | State Direct Debt^(a) | Pension Obligation Bonds^(b) | UCONN 2000^(c) | Tax Increment^(d) | Total |
|---|--|---|-------------------------------------|--|---------------|
| Amount Authorized by Legislature | \$ 47,041,964 | \$ 2,276,578 | \$3,851,852 | \$ 74,750 | \$ 53,245,145 |
| Amount Allocated by State Bond Commission ^(e) | 42,616,032 | 2,276,578 | 3,851,852 | 74,750 | 48,819,213 |
| Amount Issued | 39,770,738 | 2,276,578 | 3,511,652 | 68,040 | 45,627,008 |
| Available for State Bond Commission Allocation | 4,425,932 | 0 | 0 | 0 | 4,425,932 |
| Authorized by Legislature but Unissued | 7,271,226 | 0 | 340,200 | 6,710 | 7,618,136 |
| Allocated by State Bond Commission but Unissued | 2,845,294 | 0 | 340,200 | 6,710 | 3,192,204 |

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

(b) The amount available does not include additional amounts which may exceed the cap to finance issuance costs and capitalized interest.

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

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

(e) The amount authorized reflects amounts allocated by the Commission.

SOURCE: State Treasurer's Office; OPM

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

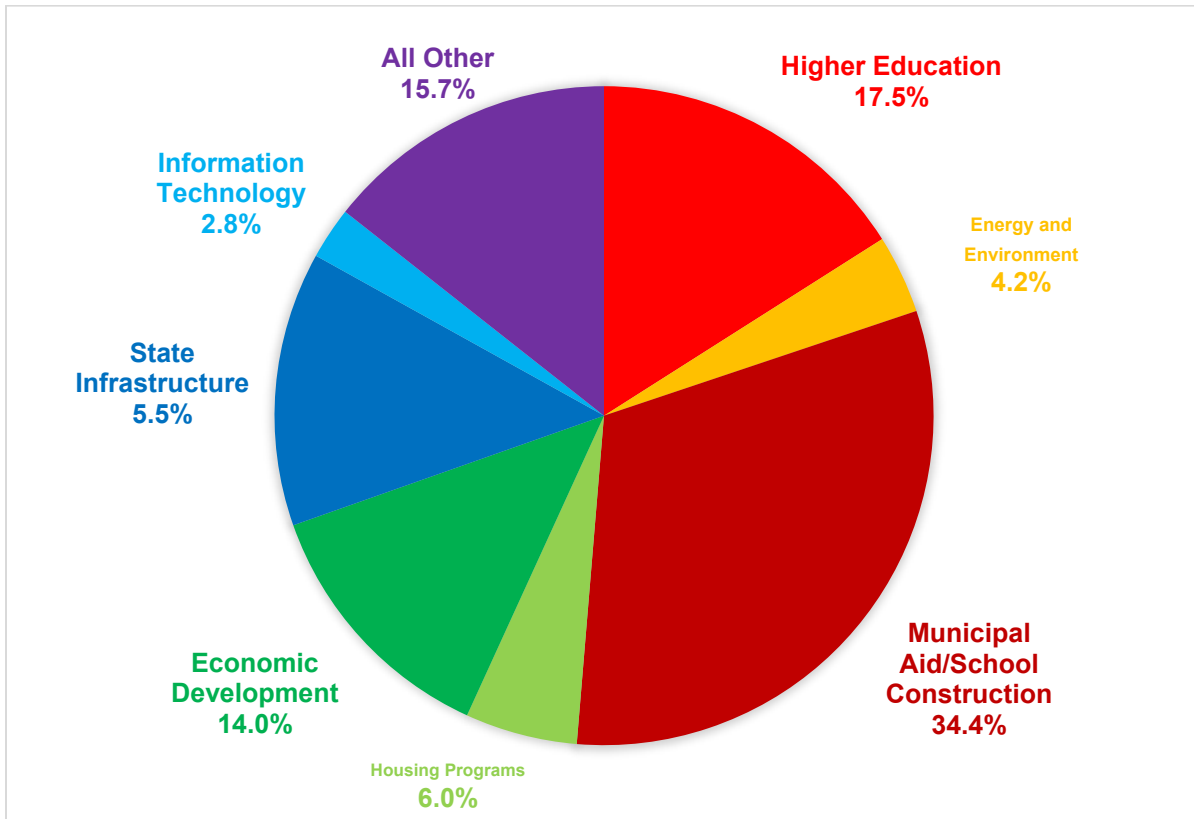
TABLE 13
Statutory General Obligation Bond Authorizations and Reductions^(a)
(In Millions of Dollars)

| Fiscal Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| New Authorizations | 1,993.6 | 2,843.6 | 2,391.5 | 2,661.3 | 1,875.6 | 1,800.0 | 1,895.4 | 1,903.5 | 2,174.5 | 1,541.8 |
| Reductions | (12.0) | (27.8) | (272.5) | (985.7) | (263.3) | (406.3) | (3.4) | 0.0 | (156.2) | (410.5) |
| Net New Authorizations | 1,981.6 | 2,815.8 | 2,119.0 | 1,675.6 | 1,612.3 | 1,393.7 | 1,892.0 | 1,903.5 | 2,018.3 | 1,131.3 |

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than \$598.5 million. Includes amount for UConn 2000 bonds available under the cap for Fiscal Years 2010 through 2023, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2023. See **Table 14**.

Source: State Treasurer's Office; OPM

TABLE 14
General Obligation Bond Allocations for Fiscal Years 2017 – 2021



SOURCE: OPM

OTHER FUNDS, DEBT AND LIABILITIES

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

Special Transportation Fund and Debt

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

The cost of the Transportation Infrastructure Program for Fiscal Years 2018-2027, which will be met from federal, State, and local funds, is currently estimated at \$19.4 billion. The State's share of such cost, estimated at \$10.3 billion, is to be funded from the proceeds of STO bonds, and from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below. The portion of State program costs not financed by STO bonds is estimated at \$173 million and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds.

The State's share of the cost of the infrastructure program for Fiscal Years 2018-2027 to be financed by STO bonds currently is estimated at \$10.3 billion, of which approximately \$7.2 billion has been financed through November 20, 2022, leaving \$3.1 billion to be financed. There is currently \$6.4 billion of authorized but unissued STO bonds. While current appropriations are adequate to provide for expenditures through the projection period, additional appropriations, including the authorization of additional STO bonds, will be required before the end of the projection period in order to continue the multi-year planning required for expenditures beyond the end of the projection period.

Note that the above amounts do not include the additional funding included in the federal 2021 Infrastructure Investment and Jobs Act / Bipartisan Infrastructure Law ("BIL"). The BIL increases formula grants by 30%, and provides additional amounts for competitive programs. Increases in the infrastructure program are likely due to BIL.

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

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

TABLE 15
Special Tax Obligation Bonds
As of November 20, 2022
(In Millions)

| | <u>New Money</u> | <u>Refundings</u> ^(a) | <u>Total</u> |
|--|------------------|----------------------------------|--------------|
| Amount Authorized by Legislature | \$21,703.1 | N/A | \$21,703.1 |
| Amount Allocated by State Bond Commission | \$20,115.9 | N/A | \$20,115.9 |
| Amount Issued | \$15,325.2 | \$ 4,796.4 | \$20,121.5 |
| Authorized by Legislature but Unissued | \$ 6,377.9 | N/A | \$ 6,377.9 |
| Allocated by State Bond Commission but Unissued | \$ 4,790.8 | N/A | \$ 4,790.8 |
| Amount Outstanding | \$ 6,914.2 | \$ 723.2 | \$ 7,637.4 |

(a) Refunding Bonds do not require legislative approval.

SOURCE: State Treasurer's Office

In 2015, legislation created a new statutory transportation “lock box” that established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015 are to continue to be credited to such fund to the extent the State collects or receives such moneys. Further, at a referendum held November 6, 2018, the electors approved an amendment to the Constitution of the State “to ensure (1) that all moneys contained in the Special Transportation Fund shall be used solely for transportation purposes, including debts of the state incurred for transportation purposes, and (2) that sources of funds deposited in the Special Transportation Fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the state.”

Other Special Revenue Funds and Debt

Bradley International Airport. Bradley International Airport, located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority (“CAA”), a quasi-public authority of the State. The General Assembly authorized the issuance of revenue bonds for improvements at Bradley International Airport payable from all or a portion of the revenues generated at the Airport. As of February 2, 2022, there were \$78.65 million of Bradley International Airport Revenue Refunding Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain of these bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport. See *Quasi-Public Agencies - Connecticut Airport Authority (“CAA”)*.

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

State Revolving Fund (“SRF”). The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to \$4,249.1 million, of which \$2,466.6 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking

water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loan obligations of the municipalities and public water systems are secured by either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system. As of February 15, 2022, \$904.6 million revenue bonds will be outstanding (including refunding bonds).

Unemployment Compensation. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State may borrow from the Federal Unemployment Trust Fund or issue revenue bonds payable from such sources in an aggregate amount outstanding at any time not in excess of \$1.0 billion, plus amounts for certain reserves and costs of issuance. At the end of August 2020, the State began borrowing from the Federal Government to cover unemployment compensation benefits and continues to borrow as needed.

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

Contingent Liability Debt

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

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

By statute, the Capital Region Development Authority; the Connecticut Airport Authority; the Connecticut Green Bank; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; the Connecticut Port Authority; and the Materials Innovation and Recycling Authority may borrow money or issue bonds or notes that are guaranteed or otherwise supported by the State or for which there is a State supported SCRF with the approval of the Treasurer or the Deputy Treasurer, and for certain of these quasi-

public issuers, the Secretary of OPM. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

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

Quasi-Public Agencies

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

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

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

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

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

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. CHEFA loans the proceeds of its bond issues to client institutions, which make debt service payments on such loans that match CHEFA's payment obligations under its bonds. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more SCRFs solely to finance projects for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University System, or for clinical services projects for the University of Connecticut Health Center, and up to \$100.0 million to finance equipment acquisitions by hospitals.

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

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

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

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

Connecticut Innovations, Incorporated (“CI”). Under its General Obligation Bond Program, CI may issue bonds secured by a SCRF to finance eligible economic development and information technology projects. As of February 1, 2022, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by SCRFs under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

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

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

Materials Innovation and Recycling Authority (“MIRA”). MIRA is charged with the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State’s Solid Waste Management Plan. MIRA bonds may be secured by a SCRF, but MIRA has no plans to issue such debt.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 1, 2022, the University has outstanding \$194.9 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities and Others

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

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

Outstanding Special Capital Reserve Fund Debt

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

TABLE 16
Special Capital Reserve Fund Debt
As of November 15, 2022
(In Millions)

| <u>Indebtedness Secured by SCRF</u> | <u>Authorized Debt</u> | <u>Outstanding Debt</u> | <u>Minimum SCRF Requirement</u> |
|---|------------------------|-------------------------|---------------------------------|
| Capital Region Development Authority | \$ (a) | \$63.0 ^(b) | \$ N.A. |
| Connecticut Airport Authority | (a) | 0.0 | 0.0 |
| Connecticut Green Bank | 250.0 | 46.4 | 4.9 |
| Connecticut Health and Educational Facilities Authority | | | |
| Connecticut State University System..... | (a) | 279.7 | 30.6 |
| Hospital Equipment Program..... | 100.0 | 0.0 | 0.0 |
| UConn Health Center Program | (a) | 0.0 | 0.0 |
| Connecticut Higher Education Supplemental Loan Authority | 300.0 | 128.9 | 15.8 |
| Connecticut Housing Finance Authority | | | |
| Housing Mortgage Finance Program | (a) | 4,438.7 | 277.0 |
| Special Needs Housing Mortgage Finance Program .. | (a) | 62.0 | 5.0 |
| Connecticut Innovations | 450.0 | 0.0 | 0.0 |
| Connecticut Port Authority | 50.0 | 0.0 | 0.0 |
| Materials Innovation and Recycling Authority | 725.0 | 0.0 | 0.0 |
| Southeastern Connecticut Water Authority | 15.0 | 0.5 ^(b) | N.A. |
| University of Connecticut | (a) | 0.0 ^(c) | N.A. |

(a) No statutory limit.

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

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

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. The obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of November 15, 2022, CHEFA had approximately \$36.5 million in Child Care Facilities Bonds outstanding under this program, with annual debt service of approximately \$4.27 million, of which the State Office of Early Childhood is committed to reimburse approximately \$0.60 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The Commission approved up to \$122.5 million of revenue bonds and other borrowings for the Hartford convention center project. The predecessor authority to CRDA issued \$110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds. As of November 15, 2022, \$63.0 million of CRDA revenue bonds was outstanding. The State's aggregate obligation under the contract assistance agreement is limited to \$9.0 million per year, and the CRDA's debt obligations are structured not to exceed this amount. An additional \$12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The operations of the convention center were adversely affected by the COVID-related shutdowns that have been required since early 2020. Together with reduced parking from area businesses, revenues were down significantly while many costs remained fixed. The economic impact of the COVID crisis, as well as a delay in completion of all elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue while the COVID crisis exists, and at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State provides partial funding for public school building new construction and renovation projects to public school districts under a reimbursement grant program. For certain school projects approved by the General Assembly, districts are ranked according to their adjusted equalized net grand list per capita and, based on such rankings, a reimbursement percentage is assigned that determines the amount of grant money a town or regional school district may be eligible to receive. The State reimburses its share on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments in varying amounts based on completed applications received. The State expects to authorize new school construction grant commitments of approximately \$137 million that take effect in Fiscal Year 2023. It is anticipated that in future years new authorizations will average approximately \$300 million per year. As of June 30, 2022, the Commissioner of Administrative Services estimates that current grant obligations for school construction projects are approximately \$2,460 million.

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

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the “Corporation”) was created as a public instrumentality of the State to operate the State’s lottery pursuant to the Connecticut Lottery Corporation Act (the “CLC Act”). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2021 the current and long-term liabilities of the Corporation total \$288.7 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems and provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, the unfunded actuarial accrued liability ("UAAL") of the major pension systems aggregate approximately \$40.4 billion and the net social security and other post-employment benefits liability of the other major post-employment benefits systems aggregate approximately \$25.7 billion, based on the most recent actuarial valuations.

Pension Systems - Overview

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

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

When both of the State's major pension plans were converted to an actuarial funding method, the original time period determined to achieve full funding was set at 40 years, a period that was subsequently extended, most recently in accordance with the 2019 Budget Act for Fiscal Years 2020 and 2021. Under the funding models in effect as of June 30, 2021, the remaining periods as of that date to reach full funding were approximately 24.8 years for the State Employees' Retirement Fund and approximately 26.8 years for the Teachers' Retirement Fund, as long as the State fully funded the annual funding requirement determined by the actuary and the actuarial assumptions were realized.

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

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

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

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

Actuarial Valuations

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

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

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

One of the most significant factors in determining the annual UAAL amortization amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. The State Employees' Retirement Fund now uses a layered amortization method in which existing bases are amortized over closed-end periods and future actuarial gains and losses are phased in over closed 25 year periods, resulting in a weighted average amortization period of 24.8 years as of June 30, 2021, as further described below. The Teachers' Retirement Fund now amortizes the UAAL as of June 30, 2018 over a closed period of thirty years, with future actuarial gains and losses amortized over separate closed periods of twenty-five years, beginning the year each separate base is established, resulting in a remaining weighted amortization

period of 26.8 years as of June 30, 2021. A second important factor is determining the amount to be amortized in each year of the remaining amortization period. Previously, both of the State plans used a “level percent of payroll” formula for this purpose, where in each year the same percent of assumed payroll for that year is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. This makes the assumption of the rate at which payroll increases each year an important assumption. SERS is now phasing in a “level dollar” amortization over a five year period, where the cost is amortized in equal dollar amounts to be paid over the specified number of years. This method generally results in decreasing inflation-adjusted payments over time. TRS used a “level percent of payroll” amortization method, and is now also transitioning over a five year phase-in period beginning in Fiscal Year 2020 to a level dollar amortization method.

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

Pension Reporting Pursuant to GASB Statement Nos. 67 and 68

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

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

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

OPEB Reporting Pursuant to GASB Statement Nos. 74 and 75

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

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

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

State Employees’ Retirement Fund

SERS is one of the systems maintained by the State with approximately (i) 48,014 active members, consisting of 27,875 vested members and 20,139 non-vested members, (ii) 2,086 deferred vested members, and (iii) 53,699 retired members and beneficiaries as of June 30, 2021.

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

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

June 30, 2021 Actuarial Valuation, and Fiscal Years 2022 and 2023 Employer Contribution Requirements

The SER Commission received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2021 dated January 5, 2022 (“January 2022 Valuation”), and subsequently approved such valuation. The January 2022 Valuation reported the following results as of June 30, 2021 with respect to the SERF:

| Actuarial Valuation as of June 30, 2021 | |
|---|--------------------|
| Market Value of Assets | \$17,063.0 million |
| Actuarial Value of Assets | \$15,946.9 million |
| Actuarial Accrued Liability | \$38,344.4 million |
| UAAL | \$22,397.6 million |
| Funded Ratio (based on the actuarial value of assets) | 41.6% |
| Funded Ratio (based on the market value of assets) | 44.5% |

The January 2022 Valuation was based on the following assumptions and methodologies, among others:

- 6.90% investment return assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- Level dollar amortization method being phased in over a five year period
- Payroll growth assumption: The phase-in to a level dollar amortization method has been completed and beginning with the January 2022 Valuation, a payroll growth assumption is no longer necessary.
- Projected salary increases of 3.0% to 11.5% (including inflation at 3.0%)
- COLA of 2.25% to 3.25%
- A COLA moratorium for employees retiring on or after July 1, 2022 for the first 30 months of retirement, and that the partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is greater than 5.5% will result in the first COLA being assumed to be 0.15% higher
- Social security wage base increase of 3.5%
- Tier 1 rates of retirement include an addition 25% to early retirement rates and 45% to normal retirement rates in the plan year before July 1, 2022 to reflect the potential behavior of eligible members in light of the July 1, 2022 COLA change. Similarly Tier II and IIA rates of normal retirement include an additional 25% to the rates for the plan year before July 1, 2022
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets

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

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

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

The January 2022 Valuation determined the ADEC requirement for Fiscal Year 2022 and an estimated ADEC requirement for Fiscal Year 2023, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2020 of \$3,672.4 million for Fiscal Year 2022 and a covered payroll of \$3,847.1 for Fiscal Year 2021, as follows:

| Annual Employer Contributions for: | Fiscal Year 2022 | | Fiscal Year 2023 (Estimated) | |
|--|-------------------------|-----------------------|---------------------------------|-----------------------|
| | Amount (in millions) | Percent of Payroll | Amount (in millions) | Percent of Payroll |
| Employer Normal Cost | \$212.5 | 5.79% | \$232.5 | 6.04% |
| Amortization of Net Unfunded Actuarial Accrued Liabilities (amortized over 25.8 years as of June 30, 2020) | \$1,780.7 | 48.49% | \$1,910.9 | 49.67% |
| Total Employer Contribution Requirement | \$1,993.2 | 54.28% | \$2,143.3 | 55.71% |

The 2021 Budget Act for Fiscal Years 2022 and 2023 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2022.

As noted in the introduction to this discussion of the State's significant pension systems, each year SERS is required to produce an annual actuarial report on the financial position of the plan. SERS expects to receive and adopt such report in December of 2022.

The actuarial report will measure, among other matters, as of June 30, 2022, the extent to which the actual performance of the plan varied from the assumed performance by which the State determines its actuarially determined employer contribution to the plan. The variations as of June 30, 2022 are more significant than in past recent years. Through that date, the investment performance was significantly less than the assumed annual return, which will be phased in over five years. The State also made significant additional contributions to the plan well in excess of the assumed contributions. Additionally, the significant increase in the actual annual rate of inflation as measured as the rate of increase in the Consumer Price Index over the year has resulted in significantly larger annual cost of living allowances provided to eligible retirees. Finally, more employees retired than usual during the plan year; though the prior year valuation had assumed 25% more retirements than usual, the actual number of retirements was higher than this. The combined effect of these and other variations will be amortized in a new UAAL layer over a 25-year period. At any point in the future, the amortization of the UAAL of the plan will be the combination of each active amortization layer. The valuation may result in significant changes in the State's overall liability but the change in the State's funding requirement will be spread over 25 years. Note that the past investment performances not yet phased in to the valuation will be included in future valuations in the coming years. Based on preliminary estimates, the State expects that the funded ratio will increase and the UAAL will decrease; however, until a final actuarial valuation is produced no assurances can be given that such report will not indicate an increase in the State's overall liability under the plan nor can the State determine the magnitude of the changes in the funded ratio or the UAAL from the prior valuation.

In its Fiscal Accountability Report, dated November 18, 2022, OPM incorporated its estimates of the State's funding requirement over the next three years. OPM did not have the benefit of the final SERS actuarial report in making these estimates. Please see the discussion of the Fiscal Accountability Report discussed in **STATE GENERAL FUND – Forecasted Operations - Fiscal Accountability Report** herein for these near term estimates, and note that the Fiscal Accountability Report does not discuss the overall change in the State's liability.

SERS Plan Results – Five Prior Years

Set forth in the following table are State contributions to the SERF, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2016, June 30, 2018 (as revised June 18, 2019), June 30, 2019 and June 30, 2020 and an interim “roll forward” valuation as of June 30, 2017. The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the SERF Fund as of the end of the interim year.

TABLE 17
State Employees' Retirement Fund
(In Millions)

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|----------------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|
| General Fund | | | | | |
| Contributions..... | \$ 1,124.7 | \$ 1,051.3 | \$ 1,165.6 | \$ 1,195.7 | \$ 1,377.2 |
| Transportation Fund | | | | | |
| Contributions..... | 129.2 | 116.4 | 126.3 | 147.1 | 156.2 |
| Federal and Other | | | | | |
| Reimbursements..... | 288.4 | 275.3 | 286.2 | 273.5 | 320.5 |
| Employee Contributions.... | 132.6 | 194.0 | 489.1 ^(a) | 192.7 | 194.8 |
| Total Contributions | <u>\$ 1,674.9</u> | <u>\$ 1,637.0</u> | <u>\$ 2,067.2</u> | <u>\$ 1,809.0^(b)</u> | <u>\$ 2,048.7^(c)</u> |
| Benefits Paid ^(d) | \$ 1,845.3 | \$ 1,952.4 | \$ 2,025.1 | \$ 2,119.0 | \$ 2,212.6 |
| Investment Income/Net Gains (Losses) ^(e) | \$ 1,509.7 | \$ 875.6 | \$ 705.9 | \$ 1,502.0 | \$ 150.3 |
| Actuarially Determined Employer Contribution... | \$ 1,569.1 | \$ 1,443.1 | \$ 1,574.5 | \$ 1,616.3 | \$ 1,806.7 |
| Percentage of Actuarially Determined Employer Contribution Made | 98.3% | 100.1% | 100.2% | 100.0% ^(f) | 102.6% ^(g) |
| Actuarial Accrued Liabilities | \$ 33,077.6 | \$ 34,214.2 | \$ 36,087.9 | \$ 36,971.1 | \$ 38,344.4 |
| Actuarial Value of Assets..... | \$ 12,593.8 | \$ 12,990.4 | \$ 13,795.4 | \$ 14,242.9 ^(b) | \$ 15,946.9 ^(c) |
| Unfunded Accrued Liabilities | \$ 20,483.9 ^(h) | \$ 21,223.8 | \$ 22,292.5 | \$ 22,728.2 | \$ 22,397.6 |
| Market Value of Assets | \$ 11,929.2 ⁽ⁱ⁾ | \$ 12,452.8 ^(j) | \$ 13,275.7 ^(k) | \$ 13,311.1 ^{(l)(m)} | \$ 17,063.0 ⁽ⁿ⁾ |
| Funded Ratio (Assets Actuarial Value).. | 38.1% | 38.0% | 38.2% | 38.5% | 41.6% |
| Funded Ratio (Assets Market Value).... | 36.1% | 36.4% | 36.8% | 36.0% | 44.5% |
| Ratio of Actuarial Value of Assets to Market Value of Assets | 105.6% | 104.3% | 103.9% | 107.0% | 93.5% |

(a) Includes \$273.0 million in contributions resulting from former members of the State's Alternate Retirement Plan that elected to pay the actuarial cost associated with joining the State Employees' Retirement System. This was a limited one-time transfer opportunity that expired in January 2019.

(b) Does not include the transfer referred to in footnote (m).

(c) Does not include the transfer referred to in footnote (n).

(d) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.

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

(f) Does not reflect the transfer referred to in footnote (m) which would bring the percentage to 103.8%.

(g) Does not reflect the transfer referred to in footnote (n) which would bring the percentage to 142.2%.

(h) Does not total due to rounding.

(i) As reported in Roll Forward Valuation. This amount includes \$15.0 million of receivables.

(j) As reported in Actuarial Valuation. This amount includes \$11.4 million of receivables.

(k) As reported in Actuarial Valuation. This amount includes \$13.2 million of receivables.

(l) As reported in Actuarial Valuation. This amount includes \$19.8 million of receivables.

(m) Includes the transfer of \$61.6 million made subsequent to June 30, 2020.

(n) Includes the transfer of \$714.7 million made subsequent to June 30, 2021, discounted back to June 30, 2021.

The January 2022 Valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees as determined by the valuation for Fiscal Year 2023 as set forth below:

TABLE 18
Normal Cost by Tier

| <u>Group</u> | <u>Number of Active Members</u> ^(a) | <u>Average Age (years)</u> ^(a) | <u>Average Service (years)</u> ^(a) | <u>Normal Cost</u> | <u>Normal Rate (percent of payroll)</u> |
|--------------------|--|---|---|--------------------|---|
| Tier I-Plan B | 258 | 65.6 | 38.7 | \$ 2,086,968 | 7.30% |
| Tier I-Plan C | 9 | 66.7 | 38.2 | 57,041 | 5.92 |
| Tier II-Hazardous | 336 | 54.5 | 25.6 | 6,932,375 | 17.65 |
| Tier II-Hybrid | 380 | 61.0 | 27.4 | 2,615,852 | 5.26 |
| Tier II-Others | 7,492 | 57.5 | 28.6 | 42,439,119 | 5.74 |
| Tier IIA-Hazardous | 4,222 | 47.0 | 16.2 | 64,101,740 | 15.30 |
| Tier IIA-Hybrid | 871 | 54.9 | 17.1 | 3,143,607 | 3.22 |
| Tier IIA-Others | 13,531 | 51.4 | 16.5 | 56,775,498 | 4.97 |
| Tier III-Hazardous | 2,297 | 39.2 | 7.8 | 19,951,545 | 11.22 |
| Tier III Hybrid | 626 | 45.5 | 6.9 | 465,546 | 0.93 |
| Tier III-Others | 7,244 | 44.3 | 7.5 | 16,957,840 | 3.33 |
| Tier IV-Hazardous | 1,931 | 34.3 | 2.1 | 8,484,927 | 7.11 |
| Tier IV Hybrid | 1,007 | 40.4 | 1.8 | -0- | 0.00 |
| Tier IV-Others | <u>7,810</u> | <u>38.2</u> | <u>2.0</u> | <u>8,455,024</u> | <u>2.01</u> |
| Total | 48,014 | 47.4 | 13.5 | \$232,467,082 | 6.04% |

(a) As of June 30, 2021.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2051

The consulting actuary for the SERF prepared a baseline open group model of future funded ratios and annual contribution requirements for the SERF through Fiscal Year 2051. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in an actuarial valuation prepared in December 2019 which are substantially similar to those used in the January 2022 Valuation, updated to incorporate the preliminary market value of assets as of June 30, 2020 as provided by the State Comptroller's Office in preparing the consolidated annual financial report for the State for Fiscal Year 2020. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the SERF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

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

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

| Fiscal Year Ending June 30 | Valuation Date June 30 | Unfunded Accrued Liability | Funded Ratio as of Valuation Date | Normal Cost | Amortization of Unfunded Accrued Liability | Total State Contribution |
|---|---------------------------------------|---|--|------------------------|---|-------------------------------------|
| 2021 | 2019 | \$22,292.5 | 38.2% | \$210.2 | \$1,596.5 | \$1,806.7 |
| 2022 | 2020 | 22,647.2 | 38.5 | 208.8 | 1,774.2 | 1,983.0 |
| 2023 | 2021 | 22,789.3 | 39.3 | 206.3 | 1,944.1 | 2,150.3 |
| 2024 | 2022 | 22,756.2 | 40.5 | 201.8 | 1,972.8 | 2,174.6 |
| 2025 | 2023 | 22,448.2 | 42.3 | 200.0 | 2,009.2 | 2,209.2 |
| 2026 | 2024 | 22,062.8 | 44.1 | 199.3 | 1,985.3 | 2,184.6 |
| 2027 | 2025 | 21,597.3 | 46.0 | 197.9 | 1,985.1 | 2,183.0 |
| 2028 | 2026 | 21,112.1 | 47.9 | 196.5 | 1,985.9 | 2,182.4 |
| 2029 | 2027 | 20,584.4 | 49.8 | 195.1 | 1,986.0 | 2,181.2 |
| 2030 | 2028 | 20,013.8 | 51.6 | 193.4 | 1,985.6 | 2,179.0 |
| 2031 | 2029 | 19,392.7 | 53.5 | 192.7 | 1,984.2 | 2,177.0 |
| 2032 | 2030 | 18,723.5 | 55.5 | 192.6 | 1,982.3 | 2,174.8 |
| 2033 | 2031 | 18,002.5 | 57.4 | 193.1 | 1,979.7 | 2,172.8 |
| 2034 | 2032 | 17,230.1 | 59.5 | 193.9 | 1,976.7 | 2,170.6 |
| 2035 | 2033 | 16,397.3 | 61.6 | 195.9 | 1,972.9 | 2,168.8 |
| 2036 | 2034 | 15,503.6 | 63.8 | 198.3 | 1,968.4 | 2,166.8 |
| 2037 | 2035 | 14,562.6 | 66.1 | 200.7 | 1,964.8 | 2,165.5 |
| 2038 | 2036 | 13,554.6 | 68.5 | 203.2 | 1,960.7 | 2,163.9 |
| 2039 | 2037 | 12,474.8 | 71.0 | 206.1 | 1,956.1 | 2,162.2 |
| 2040 | 2038 | 11,319.0 | 73.7 | 209.3 | 1,951.0 | 2,160.3 |
| 2041 | 2039 | 10,081.6 | 76.6 | 212.7 | 1,945.3 | 2,157.9 |
| 2042 | 2040 | 8,758.9 | 79.7 | 216.2 | 1,939.0 | 2,155.2 |
| 2043 | 2041 | 7,344.6 | 83.0 | 219.9 | 1,932.3 | 2,152.2 |
| 2044 | 2042 | 5,831.9 | 86.5 | 224.0 | 1,924.9 | 2,148.8 |
| 2045 | 2043 | 4,216.8 | 90.3 | 228.3 | 1,866.9 | 2,095.2 |
| 2046 | 2044 | 2,496.7 | 94.2 | 232.4 | 1,767.1 | 1,999.6 |
| 2047 | 2045 | 713.7 | 98.4 | 236.8 | 1,713.9 | 1,950.7 |
| 2048 | 2046 | 0.0 | 102.5 | 240.8 | 0.0 | 240.8 |
| 2049 | 2047 | 0.0 | 106.8 | 244.4 | 0.0 | 244.4 |
| 2050 | 2048 | 0.0 | 107.1 | 247.5 | 0.0 | 247.5 |
| 2051 | 2049 | 0.0 | 107.0 | 250.3 | 0.0 | 250.3 |

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

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the SERS, which requires employee contributions and State employees hired thereafter and before July 1, 1997 participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. Employees hired after July 1, 1997 participate in the Tier IIA plan, which requires contributions from its employee members. The 2011 agreement between the State and SEBAC (“SEBAC 2011”) provides for two new retirement plans: the Tier III Plan for State employees first hired on and after July 1, 2011 and the Tier III Hybrid Plan for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education. SEBAC 2011 also provides a one-time, irrevocable opportunity for members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost. The 2017 agreement between the State and SEBAC (“SEBAC 2017”) provides for two new retirement plans: the Tier IV Plan for State employees first hired on and after July 1, 2017, and the Tier IV Hybrid Plan for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits. The SERS also provides disability and pre-retirement death benefits.

Set forth in the following table are the percentages of the total State workforce in each Tier of the SERS plan as of June 30, 2021, and approximate average annual benefit payable to a retired member in Fiscal Year 2021 in each Tier.

| | <u>Percentage of Total Workforce as of June 30, 2021</u> | <u>Average Annual Benefit Payable to Retired Member in Fiscal Year 2021</u> |
|-----------------|---|--|
| Tier I | 0.5% | \$55,181 |
| Tier II | 16.3 | 35,321 |
| Tier II Hybrid | 0.8 | 46,306 |
| Tier IIA | 37.0 | 22,777 |
| Tier IIA Hybrid | 1.8 | 23,193 |
| Tier III | 19.9 | 26,104 |
| Tier III Hybrid | 1.3 | 40,134 |
| Tier IV | 20.3 | 2,747 |
| Tier IV Hybrid | <u>2.1</u> | N/A ^(a) |
| | 100.0% ^(b) | |

^(a) As of June 30, 2021, there were no retired Tier IV Hybrid members.

^(b) Does not total due to rounding.

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

TABLE 20

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

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

| Tier | Member Contribution Requirements | Eligibility For Normal Retirement Benefits | Normal Retirement Benefits Based On Final Average Earnings ("FAE")^(a) |
|------------------------|--|--|---|
| Tier III - Hazardous | 7% of earnings | 25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service | 2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20 |
| Tier III - Hybrid Plan | 7% of earnings for members first hired on or after July 1, 2011 7% of earnings for members with original date of hire on or after July 1, 1997 5% of earnings for members with original date of hire prior to July 1, 1997 | Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service For those members with original date of hire prior, on or after July 1, 1997 but prior to July 1, 2011 eligible for the following: Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service | 1.40% of FAE plus (a) 1.833% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month ^(b) |
| All Other Tier III | 4% of earnings | Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service | 1.40% of FAE plus (a) 1.833% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month |
| Tier IV-Hazardous | 8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) | 25 years of hazardous duty credited service | 2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20 |
| Tier IV-Hybrid Plan | 8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) | Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service | 1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month |
| All other Tier IV | 5% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a) | Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service | 1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of \$360 per month |

- (a) For all members of all Tiers other than Tier III and Hybrid, "FAE" is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.
- (b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.

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

TABLE 21
State Employees' Retirement Benefit Cost-Of-Living Allowances ^(a)

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

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

GASB 67 and GASB 68 Disclosure as of June 30, 2021

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2021 and dated February 4, 2022 containing information to assist the SER Commission in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the January 2022 Valuation. This report reported the following results as of June 30, 2021 with respect to the SERF in accordance with GASB 67:

| 2022 GASB 67 Report as of June 30, 2021 | |
|--|--------------------|
| Total Pension Liability | \$38,344.4 million |
| Fiduciary Net Position | \$17,080.6 million |
| Net Pension Liability | \$21,263.8 million |
| Ratio of Fiduciary Net Position to Total Pension Liability | 44.55% |

The GASB 67 report used a discount rate of 6.90%, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$17,446.7 million or increase the NPL to \$25,841.3 million, respectively.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2021 and dated February 4, 2022 containing information to assist the SER Commission in meeting the requirements of GASB 68. This report indicates a Pension Expense of \$1,708.4 million for the fiscal year ending June 30, 2021.

The audited financial statements for Fiscal Year 2021 which are included as Appendix II-C hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in GASB 67 as of June 30, 2020 and GASB 68 report prepared as of June 30, 2020. As those reports were prepared as of June 30, 2020 based on data, assumptions and results of a January 2021 actuarial valuation, they do not reflect data, assumptions and results of the January 2022 Valuation.

Teachers' Retirement Fund

The Teachers' Retirement Fund ("TRF"), administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2021, there were 105,209 active and former employees and beneficiaries, consisting of (i) 51,418 active members, (ii) 2,351 inactive vested members, (iii) 11,577 inactive non-vested members, (iv) 1,222 annuity reserve members, (v) 38,334 retired members and beneficiaries, and (vi) 307 members on disability allowance.

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

Actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the TRF. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit,

the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

November 2022 Actuarial Valuation, and Fiscal Years 2023 and 2024 Employer Contribution Requirements

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2022 dated November 4, 2022 (“November 2022 Valuation”). The November 2022 Valuation reported the following results as of June 30, 2022 with respect to the TRF:

| Actuarial Valuation as of June 30, 2022 | |
|---|--------------------|
| Market Value of Assets | \$21,574.4 million |
| Actuarial Value of Assets | \$22,729.2 million |
| Actuarial Accrued Liability | \$39,860.3 million |
| UAAL | \$17,131.1 million |
| Funded Ratio (based on the actuarial value of assets) | 57.02% |
| Funded Ratio (based on the market value of assets) | 54.13% |

The November 2022 Valuation set forth the ADEC requirement for Fiscal Year 2023 and determined the ADEC requirement for Fiscal Year 2024, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2022 of \$4,695.7 million, as follows:

| | |
|--|-------------------|
| Annual Employer Contributions for: | |
| Fiscal Year 2023 | \$1,578.0 million |
| Fiscal Year 2024 | \$1,554.5 million |
| Annual Employer Contribution as a Percent of Payroll as of June 30, 2022 | 32.14% |

The 2021 Budget Act for Fiscal Years 2022 and 2023 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2023. The budget for Fiscal Year 2024 has not yet been adopted.

The November 2022 Valuation was based upon the following assumptions and methodologies, among others, which incorporate the changes recommended in the latest experience study for the five-year period ending June 30, 2019:

- 6.90% earnings assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- The UAAL as of June 30, 2018 is amortized as a level percent of pay and will grade to a level dollar method beginning with the June 30, 2024 valuation. Future changes to the UAAL will be amortized utilizing layered 25-year closed amortization bases established at the end of each plan year.
- Projected salary increases of 3.00% to 6.50% (including inflation at 2.50%)
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992, 2.0% for members retired on and after September 1, 1992 and hired prior to July 1, 2007 and 1.75% for members retired on and after September 1, 1992 and hired on or after July 1, 2007
- Payroll Growth Rate of 3.00% during the level percent of pay amortization method. The rate does not anticipate increases in the number of members. The rate will transition to 0% in the

following steps: 2.40% for the Fiscal Year 2022 payment, 1.80% for the Fiscal Year 2023 payment, 1.20% for the Fiscal Year 2024 payments, 0.60% for the Fiscal Year 2025 payment and 0% for fiscal years thereafter

- Remaining amortization period for the (i) June 30, 2018 Transitional Base is 26 years, (ii) June 30, 2020 Incremental Base is 23 years, and (iii) June 30, 2022 Incremental Base is 25 years; with an equivalent single amortization period of 25.9 years
- The actuarial value of assets recognizes 25% of the difference between the market value of assets and the expected actuarial value of assets

Pension Obligation Bonds

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

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

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

The TRF Bonds SCRF is funded at an amount not less than the maximum amount of principal and interest becoming due on the currently outstanding TRF Bonds, and any bonds refunding the TRF Bonds then outstanding, by reason of maturity or a required sinking fund installment in any succeeding fiscal year (“Required Minimum Capital Reserve”). The TRF Bonds SCRF was initially funded by a deposit of \$380.9 million of

General Fund resources. If the amount on deposit in the TRF Bonds SCRF is less than the Required Minimum Capital Reserve, funds of the Connecticut Lottery Corporation that exceed the current needs of the Corporation for the payment of prizes, the payment of current operating expenses and funding of approved reserves of the Corporation are to be deposited in the TRF Bonds SCRF, rather than the General Fund, until the amount on deposit in the TRF Bonds SCRF equals the Required Minimum Capital Reserve.

TRF Plan Results – Five Prior Years

Set forth in the following table are State contributions to the TRF, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2018 (as revised June 18, 2019) and June 30, 2020. Please see discussion above under the caption **November 2022 Actuarial Valuation, and Fiscal Years 2023 and 2024 Employer Contribution Requirements** for the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuation as of June 30, 2022.

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

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|-------------------|----------------------------|-------------------|----------------------------|---------------------------------|
| General Fund | | | | | |
| Contributions..... | \$ 1,012.2 | \$ 1,271.0 | \$ 1,292.3 | \$ 1,208.8 | \$ 1,249.8 |
| Employee | | | | | |
| Contributions ^(b) | 292.2 | 313.4 ^(c) | 313.6 | 319.0 | 318.9 |
| Total Contributions..... | <u>\$ 1,304.4</u> | <u>\$ 1,584.4</u> | <u>\$ 1,605.9</u> | <u>\$ 1,527.8</u> | <u>\$ 1,568.7^(d)</u> |
| Benefits Paid ^(e) | \$ 1,889.2 | \$ 1,994.1 | \$ 2,004.7 | \$ 2,065.2 | \$ 2,114.6 |
| Investment Income/Net Gains (Losses) ^(f) | \$ 2,199.6 | \$ 1,224.0 | \$ 997.8 | \$ 2,063.7 | \$ 3,392.0 |
| Actuarially Determined | | | | | |
| Employer Contribution..... | \$ 1,012.2 | \$ 1,271.0 | \$ 1,292.3 | \$ 1,208.8 | \$ 1,249.8 |
| Percentage of Actuarially Determined Employer Contribution Made..... | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% ^(g) |
| Actuarial Accrued Liabilities..... | N/A | \$ 34,712.0 | N/A | \$ 37,128.0 | N/A |
| Actuarial Values of Assets..... | N/A | \$ 17,951.8 | N/A | \$ 19,055.1 | N/A |
| Unfunded Accrued Liabilities..... | N/A | \$ 16,760.3 ^(h) | N/A | \$ 18,072.9 | N/A |
| Market Value of Assets..... | \$ 17,126.8 | \$ 17,946.8 ^(c) | \$ 18,492.5 | \$ 18,286.4 ^(c) | \$ 22,200.6 ^(d) |
| Funded Ratio (Assets - Actuarial Value) | N/A | 51.72% | N/A | 51.32% | N/A |
| Funded Ratio (Assets - Market Value)..... | N/A | 51.70% | N/A | 49.25% | N/A |
| Ratio of Actuarial Value of Assets to Market Value of Assets..... | N/A | 100.0% | N/A | 104.2% | N/A |

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

(b) Includes municipal contributions under early retirement incentive programs (\$0.5 million during Fiscal Year 2017, \$0.9 million during Fiscal Year 2018, \$0.8 million during Fiscal Year 2019, \$0.0 million during Fiscal Year 2020 and Fiscal Year 2021). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Figure derived from actuarial valuation.

(d) Does not include transfer of \$903.6 million made subsequent to June 30, 2021.

- (e) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership \$73.3 million during Fiscal Year 2017, \$57.1 million during Fiscal Year 2018, \$61.9 million during Fiscal Year 2019, \$85.0 during Fiscal Year 2020 and \$56.5 million during Fiscal Year 2021).
- (f) Adjusted to comply with GASB 72. Reflects investment income, net realized gain (loss) on shares redeemed and net unrealized gain (loss) on fund shares.
- (g) Does not include the transfer referred to in footnote (d) which would bring the percentage to 172.3%.
- (h) Does not total due to rounding

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2056

In November 2022, the consulting actuary for the TRF prepared a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2056. The modeling presented in Table 22a is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2022 Valuation. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the TRF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 22a

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

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

| Fiscal Year Ending June 30 | Valuation Date June 30 | Unfunded Accrued Liability | Funded Ratio as of Valuation Date | Normal Cost | Amortization of Unfunded Accrued Liability | Total State Contribution |
|---|-----------------------------------|---|--|------------------------|---|-------------------------------------|
| 2022 | 2020 | \$ 17,131.1 | 57.0% | \$ 258.3 | \$1,185.4 | \$1,443.7 |
| 2023 | 2021 | 17,294.9 | 57.6 | 266.0 | 1,312.0 | 1,578.0 |
| 2024 | 2022 | 17,273.8 | 58.6 | 273.7 | 1,280.8 | 1,554.5 |
| 2025 | 2023 | 17,981.4 | 57.8 | 284.6 | 1,347.2 | 1,631.8 |
| 2026 | 2024 | 17,739.8 | 59.3 | 290.7 | 1,429.7 | 1,720.4 |
| 2027 | 2025 | 17,402.6 | 60.9 | 296.9 | 1,505.8 | 1,802.7 |
| 2028 | 2026 | 17,042.2 | 62.6 | 303.3 | 1,505.8 | 1,809.1 |
| 2029 | 2027 | 16,656.9 | 64.2 | 309.9 | 1,505.8 | 1,815.7 |
| 2030 | 2028 | 16,245.1 | 65.8 | 316.8 | 1,505.8 | 1,822.6 |
| 2031 | 2029 | 15,804.8 | 67.5 | 323.8 | 1,505.8 | 1,829.6 |
| 2032 | 2030 | 15,334.1 | 69.1 | 331.1 | 1,505.8 | 1,836.9 |
| 2033 | 2031 | 14,831.0 | 70.7 | 338.5 | 1,505.8 | 1,844.3 |
| 2034 | 2032 | 14,293.1 | 72.4 | 346.3 | 1,505.8 | 1,852.1 |
| 2035 | 2033 | 13,718.1 | 74.1 | 354.4 | 1,505.8 | 1,860.2 |
| 2036 | 2034 | 13,103.5 | 75.7 | 362.8 | 1,505.8 | 1,868.6 |
| 2037 | 2035 | 12,446.4 | 77.4 | 371.6 | 1,505.8 | 1,877.4 |
| 2038 | 2036 | 11,744.0 | 79.1 | 380.9 | 1,505.8 | 1,886.7 |
| 2039 | 2037 | 10,993.2 | 80.8 | 390.7 | 1,505.8 | 1,896.5 |
| 2040 | 2038 | 10,190.5 | 82.6 | 401.0 | 1,505.8 | 1,906.8 |
| 2041 | 2039 | 9,332.5 | 84.4 | 411.6 | 1,505.8 | 1,917.4 |
| 2042 | 2040 | 8,415.2 | 86.2 | 422.7 | 1,505.8 | 1,928.5 |
| 2043 | 2041 | 7,434.7 | 88.0 | 434.4 | 1,505.8 | 1,940.2 |
| 2044 | 2042 | 6,386.5 | 89.9 | 446.6 | 1,505.8 | 1,952.4 |
| 2045 | 2043 | 5,266.0 | 91.8 | 459.4 | 1,505.8 | 1,965.2 |
| 2046 | 2044 | 4,068.1 | 93.8 | 472.7 | 1,505.8 | 1,978.5 |
| 2047 | 2045 | 2,884.9 | 95.7 | 486.5 | 1,411.9 | 1,898.4 |
| 2048 | 2046 | 1,620.1 | 97.6 | 500.8 | 1,411.9 | 1,912.7 |
| 2049 | 2047 | 146.2 | 99.8 | 515.5 | 1,529.4 | 2,044.9 |
| 2050 | 2048 | 73.8 | 99.9 | 530.7 | 79.6 | 610.3 |
| 2051 | 2049 | 0.0 | 100.0 | 546.3 | 76.1 | 622.4 |
| 2052 | 2050 | 0.0 | 100.0 | 562.3 | 0.0 | 562.3 |
| 2053 | 2051 | 0.0 | 100.0 | 578.7 | 0.0 | 578.7 |
| 2054 | 2052 | 0.0 | 100.0 | 595.5 | 0.0 | 595.5 |
| 2055 | 2053 | 0.0 | 100.0 | 612.7 | 0.0 | 612.7 |
| 2056 | 2054 | 0.0 | 100.0 | 630.2 | 0.0 | 630.2 |

(a) In Fiscal Year 2050 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

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

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of \$1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2021 was approximately \$51,805.

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

**TABLE 23
Teachers’ Retirement Benefit Cost-Of-Living Allowances**

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

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

GASB 67 and GASB 68 Disclosure as of June 30, 2021

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of the period ending June 30, 2021 and dated January 24, 2022 containing supplemental information to assist the

Board in meeting the requirements of GASB Statement No. 67. Much of the material provided in the report is based on the data, assumptions and results of a November 2020 TRF actuarial valuation as of June 30, 2020. This report reported the following results as of June 30, 2021 with respect to the TRF in accordance with GASB 67:

| GASB 67 Report as of June 30, 2021 | |
|--|--------------------|
| Total Pension Liability | \$38,043.4 million |
| Fiduciary Net Position | \$23,117.1 million |
| Net Pension Liability | \$14,926.3 million |
| Ratio of Fiduciary Net Position to Total Pension Liability | 60.77% |

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the November 2020 TRF actuarial valuation, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$10,920.1 million or increase the NPL to \$19,751.2 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2021 and dated February 9, 2022, containing supplemental information to assist the Teachers' Retirement Board in meeting the requirements of GASB 68. This report reported a collective PE of 1,842.2 million for the fiscal year ending June 30, 2021.

The audited financial statements for Fiscal Year 2021 which are included as Appendix II-C hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in a February 19, 2020 GASB 67 report and a February 19, 2020 GASB 68 report. As those reports were prepared as of June 30, 2020 based on data, assumptions and results of the November 2020 TRF actuarial valuation, they do not reflect data, assumptions and results of the GASB 67 and GASB 68 disclosures described above.

State Employees' Retirement Fund/Teachers' Retirement Fund Sensitivity and Stress Test Analyses

Both SERS and TRF have had sensitivity analyses performed in accordance with GASB 68 based on the results of subsequent actuarial valuations, as discussed above. Pursuant to CGS Section 4-68ee, the Secretary of OPM is required to develop and annually report to the Appropriations Committee of the General Assembly sensitivity and stress test analyses for SERS and TRF. The report is to include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios. The Secretary received from The Pew Charitable Trusts a report, dated August 20, 2020 (the "2020 Pew Report").

The 2020 Pew Report provided sensitivity analyses of the liability and normal costs for SERS and TRF. The projections were based on the SERS valuation as of June 30, 2019 and the TRS valuation as of June 30, 2018, and on a roll-forward model using publicly available actuarial data and assumptions.

The report employed a stress test simulation model that forecasts pension balance sheet, contribution, and cash flow metrics over a 30-year period, using both deterministic and stochastic methods. The report focused on investment risk (the risk that investments deviate from expected performance), and contribution risk (the risk that contributions fall below the rate required to meet funding objectives).

The report used two economic scenarios to examine the impact of investment risk on SERS and TRF: (i) a fixed 5% return scenario, under which a fixed 5% return is applied to the model for each year in the forecast period, providing estimates of pension costs to the State should long-term target returns not be met, and (ii) an asset shock scenario, incorporating an initial decline in the stock market of approximately 25% followed by three

years of recovery and subsequent years' returns of 5%, modeling the impact of a recession on asset levels and pension costs.

The report used two behavioral assumptions to examine the impact of contribution risk on SERS and TRF: (i) State policy assumption, under which the State increases funding to offset losses based on written State policy, and (ii) revenue constrained assumption, under which contributions are set at a fixed percentage of State revenue, modeling a situation where the State chooses to avoid limiting other State spending to allow for increased pension contributions. The revenue constrained contribution policy scenario projects employer contributions growing at the same rate as own source revenue (defined as total revenues minus any revenues from intergovernmental transfers, utilities, liquor stores and insurance trusts) instead of following the current contribution policy. Own source revenue is projected based on (i) census's survey of state finances, (ii) State-provided projected changes in General Fund revenues as of January and April 2020, and (iii) long-term forecasts of the State's gross state product ("GSP") growth, as estimated by Moody's Analytics. The report observed historical revenue, estimated pre-pandemic revenue, and projected post-pandemic revenue.

The 2020 Pew Report findings included:

- Reforms enacted in 2019 significantly reduced the cost volatility of TRS. The reforms were designed to eliminate the potential for dramatic increases in TRS required contributions if returns are lower than expected. This rise was mitigated by the reforms with a projection that the range of potential employer contributions over the next 20 years would reach a maximum of about 15% of own-source revenue under a low, 5% return scenario.
- The combined effect of planned increases in required contributions and declining revenue related to COVID-19 was likely to put significant pressure on the State budget over the next 5 years, regardless of market performance. Based on that, the portion of State own source revenue required to fund planned contributions would increase from approximately 12% to 15% beginning in Fiscal Year 2021. The end result could be a budget crowd-out of more than \$1 billion in spending over five years.
- Both SERF and TRS faced a significant risk of permanent high costs well into the future. Introducing market volatility into the analysis increases the potential peak contribution rates facing the State which could cause additional budget pressures. The report found a 7% chance that contributions could reach 50% of payroll or around 17% of own source revenue during the 20-year forecast period. It additionally found a 25% chance that they will be higher than the current rate of 36% of payroll even after 20 years.

It should be noted that the 2020 Pew Report did not reflect updated consensus revenues and newer actuarial valuations.

Investment of Pension Funds

Eleven investment funds serve as the investment medium for both SERF and TRF, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2021 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24
Pension Fund Investment Allocations
As of June 30, 2021^(a)

| | <u>State Employees’ Retirement Fund</u> | <u>Teachers’ Retirement Fund</u> |
|--|---|--------------------------------------|
| Domestic Equity Fund | 22.4% | 22.3% |
| Developed Markets International Stock Fund | 13.2 | 13.2 |
| Emerging Markets International Stock Fund..... | 12.6 | 12.6 |
| Real Assets Fund | 11.8 | 11.8 |
| Core Fixed Income Fund | 12.4 | 12.4 |
| Emerging Markets Debt Fund | 5.2 | 5.2 |
| High Yield Debt Fund | 6.2 | 6.2 |
| Liquidity Fund | 2.0 | 2.2 |
| Private Investment Fund..... | 8.8 | 8.8 |
| Private Credit Fund..... | 0.9 | 0.9 |
| Alternative Investment Fund | <u>4.5</u> | <u>4.4</u> |
| | 100.0% | 100.0% |

Investment Returns

**Annualized Net Returns on Investment Assets in
Retirement Funds
Periods Ending June 30, 2022**

| | <u>1 Year</u> | <u>5 Year</u> | <u>10 Year</u> | <u>15 Year</u> | <u>20 Year</u> | <u>25 Year*</u> |
|------|---------------|---------------|----------------|----------------|----------------|-----------------|
| SERF | (7.63)% | 5.86% | 7.32% | 5.20% | 6.61% | 6.42% |
| TRF | (7.63)% | 5.79% | 7.28% | 5.24% | 6.68% | 6.48% |

Other Retirement Systems

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys’ Retirement Fund and the Public Defenders’ Retirement Fund. As of June 30, 2021, there were 167 active members and 314 retired members and beneficiaries of these plans.

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

The State is the administrator of the Connecticut Municipal Employees’ Retirement System and the Connecticut Probate Judges and Employees’ Retirement System. As the administrator of these systems the State owes a

fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

Social Security and Other Post-Employment Benefits (“OPEB”)

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most State employees are covered under social security, and most teachers are not. As of June 30, 2021, approximately 62,174 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

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

The State has appropriated \$238.4 million, \$246.0 million and \$253.8 million for Social Security coverage for Fiscal Years 2021, 2022 and 2023, respectively. Of such amounts, \$221.2 million, \$228.4 million and \$235.5 million have been appropriated from the General Fund for Fiscal Years 2021 to 2023, respectively, with the remainder appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to eligible employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis for life insurance benefits and on a pay-as-you-go basis through a transfer of an appropriation from the General Fund to a trust fund (the “OPEB Trust”) established for the payment of post-retirement health care benefits, and for the accumulation of assets with which to pay post-retirement health care benefits to future retirees. Beginning on July 1, 2009 new hires and employees with fewer than five years of service were required to contribute 3% of salary for ten years, to be deposited into the trust. SEBAC 2011, required all current employees to contribute 3% of compensation to the trust for 10 years. SEBAC 2017 extended the requirement of trust contributions for a period of fifteen (15) years to all State employees hired on or after July 1, 2017. As of June 30, 2021, the fair market value of the net assets within the trust totaled \$2,050.3 million, adjusted to comply with GASB 72, invested in the Combined Investment Funds. See also notes 13 and 14 of **Appendix II-C** hereto and **FINANCIAL PROCEDURES** herein. It is not currently anticipated that the trust will provide any significant contribution to the funding for post-retirement health care in the near future. The State’s contribution to the OPEB Trust to match State employee contributions consists of a combination of General Fund and Transportation Fund appropriations, and OPEB fringe benefit recoveries through the application of fringe benefit rates for the SERS and Alternative Retirement Plans. For Fiscal Year 2022, the State’s matching contribution is projected to be approximately \$86.5 million in the aggregate. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

In an effort to control health care costs, the State has established a Health Care Cost Containment Committee, and has implemented or is investigating various structural changes to the SERS health care benefits plans, including but not limited to value-based contracts with prescribers, e-prescribing tools, establishment of a

regional network of surgical centers of excellence for certain complex medical procedures, agreement with the State’s pharmacy benefit manager to reduce the State’s pharmaceutical costs by approximately 10% through the elimination of “spread pricing” and other measures, and to provide prescription drug net price transparency to providers. Various additional programs are being pursued to reduce overall medical spend and to improve care that members are receiving. These initiatives include the episodes of care program, more effective utilization of primary care services, pursuing additional pharmacy reductions, and the introduction of a narrow network health plan option. Through a competitive procurement process, the State has awarded and is in active contract negotiations for its Medicare Advantage Part –D insurance plan for calendar years 2023-2025. The 2022 SERS OPEB GASB 75 Report discussed below takes into account the savings anticipated from the contract.

SERS OPEB Valuation and GASB 74 Report as of June 30, 2021. The State received from The Segal Group (“Segal”) a report prepared as of June 30, 2021 and dated February 7, 2022 (“2022 SERS OPEB GASB 74 Report”) containing supplemental information to assist the State in meeting the requirements GASB 74 with respect to the State’s liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS.

The 2022 SERS OPEB GASB 74 Report indicated the following as of June 30, 2021:

| SERS OPEB GASB 74 Report as of June 30, 2021 | |
|---|--------------------|
| Total OPEB Liability | \$26,333.1 million |
| Fiduciary Net Position | \$ 2,199.5 million |
| Net OPEB Liability (“NOL”) | \$24,133.6 million |
| Ratio of Fiduciary Net Position to Total OPEB Liability | 8.35% |
| Actuarially Determined Employer Contribution (Fiscal Year 2020) | \$ 1,338.5 million |

Segal noted that the results did not include the impact of (i) direct or indirect effects of COVID-19 on short-term health plan costs, (ii) changes in the market value of plan assets since June 30, 2021, (iii) changes in interest rates since June 30, 2021, (iv) short-term or long-term impacts on mortality of the covered population, and (v) the potential for federal or State fiscal relief. In Fiscal Year 2021, the State contributed \$868.1 million to the Plan, 64.9% of the Actuarially Determined Employer Contribution. There has been no actuarial determinations of the ADEC or Annual OPEB Expense applicable to the Plan for Fiscal Year 2022.

The total OPEB liability in the 2022 SERS OPEB GASB 74 Report was measured by an actuarial valuation as of June 30, 2019 using the following actuarial assumption, applied to all period included in the measurement, unless otherwise specified, among others:

- An entry age normal actuarial cost method
- An expected long-term rate of return on Plan assets of 6.90%
- Salary increases of 3.25% to 19.5%, vary by service and retirement system, including inflation
- A discount rate applied to projected benefit payments of 2.31% as of June 30, 2021 and 2.38% as of June 30, 2020
- A payroll growth rate of 3.50%
- Medical and prescription drug cost trend rates of 6.0% graded to 4.5% over six years
- Dental trend rate of 3.0%
- Part B trend rate of 4.5%

The tables below present the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund’s NOL as of June 30, 2021 would be if it were calculated using a health care cost trend rate that is 1%

lower or higher than the current rate, and rate that is 1% lower or higher than the current discount rate, as set out in the 2022 SERS OPEB GASB 74 Report:

| Net SERS OPEB Liability Changes to Health Care Cost Trend Rates (In Millions) | | | |
|--|-------------|--|-------------|
| Health Care Cost Trend Rates | 1% Decrease | Current (Medical and Prescription Drug: 6.0% graded to 4.5% over 6 years; Dental: 3.0%; Part B: 4.5%) | 1% Increase |
| Net OPEB Liability | \$19,929.3 | \$24,133.6 | \$29,566.2 |

| Net SERS OPEB Liability Changes to Discount Rates (In Millions) | | | |
|--|------------------------|--------------------|------------------------|
| Discount Rate | 1% Decrease (1.31%) | Current (2.31%) | 1% Increase (3.31%) |
| Net OPEB Liability | \$28,503.7 | \$24,133.6 | \$20,624.0 |

For Fiscal Years 2017 through 2021, the State paid \$706.5 million, \$701.1 million, \$682.0 million, \$743.1 million and \$749.5 million, respectively, for retirees’ health care costs. While not a part of post-employment costs, for Fiscal Years 2017 through 2021, the State paid \$644.7 million, \$608.5 million, \$634.2 million, \$682.0 million and \$674.9 million respectively, for General Fund eligible employees’ health care costs. For Fiscal Year 2022, the projected General Fund expenditure for retirees’ health care costs is \$746.3 million. For Fiscal Years 2017 through 2021, General Fund expenditures on life insurance benefits were \$7.7 million, \$7.9 million, \$7.7 million, \$8.7 million and \$8.7 million, respectively. For Fiscal Year 2022, the projected General Fund expenditure on life insurance benefits is \$9.3 million.

SERS OPEB GASB 75 Report as of June 30, 2022. The State received from The Segal Group a report prepared as of June 30, 2022 and dated September 28, 2022 (“2022 SERS OPEB GASB 75 Report”) containing supplemental information to assist the State in meeting the requirements GASB 75 with respect to the State’s liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS. The report indicated a Net OPEB Liability of 19,527.4 million which was a decrease of \$4.0 billion from the prior year’s Net OPEB Liability of \$23,540.9 million.

The 2022 SERS OPEB GASB 75 Report indicated the following as of June 30, 2021:

| SERS OPEB GASB 75 Report as of June 30, 2021 | |
|---|--------------------|
| Total OPEB Liability | \$21,727.0 million |
| Fiduciary Net Position | \$ 2,199.5 million |
| Net OPEB Liability (“NOL”) | \$19,527.4 million |
| Ratio of Fiduciary Net Position to Total OPEB Liability | 10.12% |
| Annual OPEB Expense | \$ 1,444.8 million |

The total OPEB liability in the 2022 SERS OPEB GASB 75 Report was measured by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified, among others:

- An entry age normal actuarial cost method
- An expected long-term rate of return on Plan assets of 6.90%
- Salary increases of 3.00% to 11.5%, vary by service and retirement system, including inflation
- Inflation rate of 2.50%
- A discount rate applied to projected benefit payments of 2.31% as of June 30, 2021 and 2.38% as of June 30, 2020
- A payroll growth rate of 3.00%
- Medical and prescription drug cost trend rates of 6.0% graded to 4.5% over six years
- Dental trend rate of 3.0%
- Part B trend rate of 4.5%

The tables below present the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 2021 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and rate that is 1% lower or higher than the current discount rate, as set out in the 2022 SERS OPEB GASB 74 Report:

| Net SERS OPEB Liability Changes to Health Care Cost Trend Rates (In Millions) | | | |
|--|-------------|--|-------------|
| Health Care Cost Trend Rates | 1% Decrease | Current (Medical and Prescription Drug: 6.0% graded to 4.5% over 6 years; Dental: 3.0%; Part B: 4.5%) | 1% Increase |
| Net OPEB Liability | \$19,929.3 | \$24,133.6 | \$29,566.2 |

| Net SERS OPEB Liability Changes to Discount Rates (In Millions) | | | |
|--|------------------------|--------------------|------------------------|
| Discount Rate | 1% Decrease (1.31%) | Current (2.31%) | 1% Increase (3.31%) |
| Net OPEB Liability | \$28,503.7 | \$24,133.6 | \$20,624.0 |

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

TABLE 25
State Employee Retirees Health Care and Life Insurance Benefits
(In Millions)

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|------------------------|------------------------|------------------------|----------------------|----------------------|
| Retirees Eligible to Receive Benefits..... | 52,916 | 53,572 | 54,887 | 55,280 | 54,437 |
| Retirees Receiving Health Care Benefits | 49,596 | 50,562 | 51,198 | 52,021 | 52,990 |
| Retirees Receiving Life Insurance Benefits | 29,431 | 29,845 | 29,010 | 29,040 | 28,341 |
| General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions) | \$649.4 ^(a) | \$616.4 ^(b) | \$689.7 ^(c) | 751.8 ^(d) | 758.2 ^(e) |

- (a) The \$649.4 million appropriated for Fiscal Year 2017 includes a combined appropriation of \$7.7 million for active employees and retiree life insurance benefits. Of the \$649.4 million appropriation, \$644.7 million was expended on retiree health care benefits and \$4.7 million was expended on retiree life insurance benefits.
- (b) The \$616.4 million appropriated for Fiscal Year 2018 includes a combined appropriation of \$7.9 million for active employees and retiree life insurance benefits. Of the \$616.4 million appropriation, \$608.5 million was expended on retiree health care benefits and \$4.8 million was expended on retiree life insurance benefits.
- (c) The \$689.7 million appropriated for Fiscal Year 2019 includes a combined appropriation of \$7.7 million for active employees and retiree life insurance benefits. Of the \$689.7 million appropriation, \$682.0 million was expended on retiree health care benefits and \$4.8 million was expended on retiree life insurance benefits.
- (d) The \$751.8 million appropriated for Fiscal Year 2020 includes a combined appropriation of \$8.7 million for active employees and retiree life insurance benefits. Of the \$751.8 million appropriation, \$743.1 million was expended on retiree health care benefits and \$5.2 million was expended on retiree life insurance benefits.
- (e) The \$758.2 million appropriated for Fiscal Year 2021 includes a combined appropriation of \$8.7 million for active employees and retiree life insurance benefits. Of the \$758.2 million appropriation, \$749.5 million was expended on retiree health care benefits and \$5.2 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers’ Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers’ Retirement Health Insurance Fund (“TRHIF”); (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers’ Retirement Board’s health benefit plan; and (iii) provide an additional health insurance subsidy of at least \$220 per month (which was increased to such amount from \$110 on July 1, 2022) on behalf of retired teachers who are ineligible to participate in Medicare Part A “premium free” and who pay at least \$440 per month (which was increased to such amount from \$220 on July 1, 2022) to participate in the local board of education plan available to active teachers. **TABLE 26** provides the State contributions to the TRHIF for the past five fiscal years. The 2021 Budget Act includes \$31.8 million for Fiscal Year 2022 to subsidize the TRHIF of which \$21.8 million is earmarked for the Medicare Advantage program.

The Board implemented a Medicare Advantage with a prescription drug plan with United/Optum RX as the base plan effective January 1, 2022. The United/OptumRX plan replaced the existing plan offered through Anthem Blue Cross Medicare Advantage PPO. The Board also replaced the existing Medicare Supplement Plan and its own state prescription drug plan with an RX Part D plan with United/Optum RX effective January 1, 2022. Members opting to remain in the Medicare Supplement plan continue to pay the full excess cost of the plan.

The TRHIF is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial

valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. During the period commencing July 1, 1994 and prior to July 1, 2018 retiree health benefits sponsored through the Teachers' Retirement Board were self-insured.

TRHIP OPEB GASB 74 and Valuation Report. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC, GASB Statement No. 74 Report for the Retiree Health Insurance Plan of the Teachers' Retirement System dated February 8, 2022 ("February 2022 TRHIP GASB 74 Report"). The February 2022 TRHIP GASB 74 Report has been prepared as of June 30, 2021 based on a valuation of June 30, 2020. The Teachers' Retirement Board previously received from Cavanaugh Macdonald, LLC an actuarial report, prepared as of June 30, 2020, and dated February 11, 2021 ("February 2021 TRHIP Valuation Report") with respect to the plan. The results of the February 2022 TRHIP GASB 74 Report are based on the assumptions and methods used in the February 2021 TRHIP Valuation Report. All GASB 74 assumptions were selected for the measurement of the plan's benefit obligations as of June 30, 2021 based on the June 30, 2020 valuation date and reflected best estimates of anticipated experience. The report reflected the change in the measurement of the plan's benefit obligations for accounting purposes as of June 30, 2021. These changes were principally because of the change in the unified Medicare Plans effective January 1, 2022. While premiums decreased, the level of benefits remained identical or slightly increased. Therefore, the premium changes effective January 1, 2022 and in effect until calendar 2024 were recognized in the February 2022 TRHIP GASB 74 Report as a difference in actual versus expected experience. The effect of the decreased premiums resulted in a decline of the Total OPEB Liability from \$2, 888.2 million to \$1,732.1 million.

The February 2021 TRHIP Valuation Report and the February 2022 TRHIP GASB 74 Report indicated the following:

| February 2021 TRHIP Valuation Report as of June 30, 2020 | |
|--|-------------------|
| Actuarial Accrued Liability | \$2,491.3 million |
| Actuarial Value of Assets | \$71.9 million |
| Unfunded Actuarial Liability | \$2,419.3 million |
| Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability | 2.89% |
| Actuarially Determined Employer Contribution (Fiscal Year 2021) | \$120.3 million |
| Actuarially Determined Employer Contribution (Fiscal Year 2022) | \$123.9 million |
| Annual Employer Contribution as a Percentage of Payroll | 2.71% |
| February 2022 TRHIP GASB 74 Report as of June 30, 2021 | |
| Total OPEB Liability | \$1,732.1 million |
| Fiduciary Net Position | \$105.9 million |
| Net OPEB Liability ("NOL") | \$1,626.2 million |
| Ratio of Fiduciary Net Position to Total OPEB Liability | 6.11% |
| NOL as a Percentage of Covered Compensation | 36.64% |

The February 2021 TRHIP Valuation Report and February 2022 TRHIP GASB 74 Report and were based upon the following assumptions and methodologies among others:

- An individual entry-age actuarial cost method
- Level percent-of-payroll contributions over an open 30-year amortization period
- An expected long-term rate of return on Plan assets of 3.0%

- An inflation rate of 2.50%
- Real wage growth of 0.50%
- A discount rate of 2.17% to measure Plan obligations as of June 30, 2021 was used in the February 2022 TRHIP GASB 74 Report and a discount rate of 2.21% to measure Plan obligations as of June 30, 2020 was used in the February 2021 TRHIP Valuation Report
- Payroll growth rate of 3.00%
- Projected salary increases, including wage inflation, of 3.00% to 6.50%
- Initial health care cost trend rates of 5.125%
- Ultimate health care cost trend rates of 4.50%
- Year ultimate trend rates reached of 2023

The February 2022 TRHIP GASB 74 Report also reported the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 2021 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and a SEIR that is 1% lower or higher than the current SEIR, as set forth in the following table:

| Net TRHIP OPEB Liability Changes to Health Care Cost Trend Rates (In Millions) | | | |
|---|--|--|--|
| Health Care Cost Trend Rates | 1% Decrease (4.125% Initial; 3.50% Ultimate) | Current (5.125% Initial; 4.50% Ultimate) | 1% Increase (6.125% Initial; 5.50% Ultimate) |
| Net OPEB Liability | \$1,362.0 | \$1,626.2 | \$1,987.4 |

| Net TRHIP OPEB Liability Changes to Discount Rates (In Millions) | | | |
|---|------------------------|--------------------|------------------------|
| Discount Rate | 1% Decrease (1.17%) | Current (2.17%) | 1% Increase (3.17%) |
| Net OPEB Liability | \$1,990.4 | \$1,626.2 | \$1,342.3 |

TRHIP OPEB GASB 75 Report as of June 30, 2021. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report dated February 8, 2022, prepared as of the June 30, 2021 measurement date for financial reporting as of June 30, 2022, and containing information to assist the Board in meeting the requirements of GASB 75 with respect to the TRHIP. Much of the material provided in the report is based on the data, assumptions and results of the February 2022 TRHIP GASB 74 Report. The report indicates a collective OPEB Income of \$60.1 million for the fiscal year ending June 30, 2021, largely due to the reductions in premiums.

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

TABLE 26

Teachers' Retirement Health Insurance Fund
(In Thousands)

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Fund Contribution Attributable To Post Retirement Medicare Supplement Health Insurance | \$ 14,566.8 | \$ 14,554.5 | \$ 14,575.3 | \$ 26,001.3 | \$ 24,405.4 |
| General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy | <u>5,355.1</u> | <u>4,644.7</u> | <u>4,644.7</u> | <u>5,532.1</u> | <u>5,006.0</u> |
| One-Time General Fund Transfer Pursuant to P.A. 18-81, § 22.... | <u>N/A</u> | <u>N/A</u> | <u>16,100.0</u> | <u>N/A</u> | <u>N/A</u> |
| Total General Fund Contributions | \$ 19,922.0 | \$ 19,199.2 | \$ 35,320.0 | \$ 31,533.4 | \$ 29,411.4 |
| Teacher Contributions (Active and Retired) | 95,690.6 | 101,590.1 | 106,710.2 | 106,716.0 | 106,974.2 |
| Investment Income | <u>369.0</u> | <u>461.6</u> | <u>1,090.5</u> | <u>848.3</u> | <u>90.8</u> |
| Total Receipts | \$ 115,981.6 | \$ 121,250.9 | \$ 143,120.7 | \$ 136,737.0 | \$ 136,476.4 |
| Fund Expenditures | <u>\$(133,159.6)</u> | <u>\$(147,205.0)</u> | <u>\$(121,031.7)</u> | <u>\$(121,481.2)</u> | <u>\$(92,804.7)</u> |
| Fund Balance as of June 30..... | \$ 60,844.4 | \$ 34,890.3 | \$ 56,979.3 | \$ 72,235.2 | \$ 115,906.9 |

Additional Information

The audited financial statements for Fiscal Year 2021 included as **Appendix II-C** hereto, and in particular notes 10 through 14 and note 16 and the Pension Plans and Other Postemployment Benefit Plans Required Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding.

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

LITIGATION

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

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

Sheff v. O'Neill is an action originally brought in 1989, on behalf of school children in the Hartford public school system, alleging racial and ethnic segregation. The State Supreme Court directed the legislature to develop appropriate remedial measures, and in 1997, the General Assembly enacted Public Act No. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court's decision. The plaintiffs filed subsequent motions to require the State to adhere to the Supreme Court ruling and the parties entered into various settlement agreements through the years.

Specifically, the parties reached a settlement agreement which was deemed approved by the General Assembly and approved by the Superior Court in March 2003. That agreement obliged the State over a four year period to institute a number of measures and programs designed to advance integration for Hartford students. The March 2003 agreement expired in June 2007, but the State and the plaintiffs subsequently negotiated a number of follow-on agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. In January 2020, the parties reached an interim agreement, which the Superior Court approved, and which resulted in additional capacity for Hartford students, as well as significant improvements in the school application process for Hartford region families. That agreement called for further negotiation toward a final settlement to meet demand by Hartford families for integrated schooling, and an eventual end to court jurisdiction. In January 2022 the parties negotiated a final agreement, which the Superior Court preliminarily approved. The January 2022 final agreement still must be approved by the Connecticut General Assembly, and then be resubmitted to the Superior Court for final approval. If approved, the final agreement would avoid the risk of a court-ordered plan. In total, the final agreement commits \$1.24 million in additional magnet school funding for Fiscal Year 2022, with commitments increasing to \$32 million annually by Fiscal Year 2032. Capital costs associated with renovation of the new magnet schools are estimated at \$48.7 million.

State Employees Bargaining Agent Coalition ("SEBAC") v. Rowland is a Federal District Court case in which a class of approximately 50,000 laid off State employees sued the Governor and the Secretary of OPM alleging that they were laid off in violation of their constitutional rights. The parties reached a settlement that provides for cash payments payable over several fiscal years, pension adjustments, and vacation and personal time accruals. The overall value of the settlement, inclusive of attorneys' fees, is estimated at \$175 million to \$210 million. The damages for approximately 49,750 class members have been settled and accounted for in the State's financial statements and budget. The parties are still in the process of calculating economic damages for the remaining approximately 250 class members who sustained economic damages as a result of the layoffs.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned the Federal Government for federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal recognition of tribes under relaxed standards. As enacted, those regulations do not allow for previously denied petitioners, such as the Schaghticoke Tribal Nation, Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek recognition under the new regulations.

However, courts in litigation with other tribes have held that the prohibition on re-petitioning is invalid, and the BIA is considering possible new rulemaking on this issue.

In October, 2016, the Schaghticoke Tribal Nation initiated a lawsuit against the State and the Commissioner of the Department of Energy and Environmental Protection seeking approximately \$610.5 million for the alleged unconstitutional taking of reservation lands in the nineteenth and early twentieth centuries. The suit alleges that from 1801 to 1918, state-appointed overseers sold portions of the Schaghticoke Tribal Nation reservation and used the proceeds of those sales to lend monies to State residents in the form of mortgages and loans and not for the benefit of the Schaghticoke Tribal Nation. It further alleges that these actions were in violation of the federal and state constitutional prohibitions against taking property without just compensation and in breach of the State's fiduciary duties. It seeks money damages and declaratory and injunctive relief to account for the funds allegedly due, and to make the Schaghticoke Tribal Nation whole. In December 2017, the trial court dismissed the plaintiff's takings claim as to reservation lands because the plaintiff lacked a property interest in those lands, but ordered supplemental briefing on the remainder of plaintiff's claims. In May 2019, the trial court dismissed the remainder of the plaintiff's claims and the plaintiffs have appealed. The appeal is pending.

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

Additional Information: 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 additional information under the heading ***COVID-19 Outbreak*** in the **COVID-19 AND OTHER MATTERS** section.

COVID-19 AND OTHER MATTERS

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.

The reaction to concerns related to COVID-19 materially affected state, national, and global activity; increased public health emergency response costs; and, consequently, materially impacted the financial condition of the State. Many states and municipalities undertook measures that had negative effects on global and local economies. In addition, businesses and people altered behaviors in manners that negatively affected the economy. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19 concerns, but in response to Federal relief initiatives generally recovered all of their initial losses.

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. On May 19, 2021, most COVID-19 related restrictions on businesses were lifted. The emergency orders expired February 15, 2022. 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 received \$1.382 billion to cover statewide costs associated with the response to the outbreak of COVID-19. In addition, on March 28, 2020, President Trump approved Governor Lamont's request for a disaster declaration for the State.

On March 11, 2021, the United States Congress enacted the American Rescue Plan Act of 2021 (ARP Act) that provides additional relief to individuals, grants to businesses, and support to state and local governments. The State of Connecticut received approximately \$2.8 billion under the ARP Act to respond to the impacts of the COVID-19 pandemic. Sections 306 and 207 of Public Act No. 21-2 of the June Special Session, as amended by Section 1 of Public Act No. 22-146, outline the legislature's approved allocation of the ARPA funds awarded to the State. All allocations are subject to the United States Treasury's regulations and guidance regarding allowable uses and expenditures within prescribed time limits.

See additional information under the heading *COVID-19 Impact on General Fund* in the **STATE GENERAL FUND** section.

The extent to which COVID-19 impacts the State's operations and its financial condition 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.

Hospital Tax Dispute

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

Information Technology, Cybersecurity and Related Matters

In calendar year 2021 the State’s information technology systems were leveraged significantly to continue 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. In order to improve the efficiency and effectiveness of information technology within the State, the Department of Administrative Services undertook a reorganization of Executive Branch agency technology resources. In January 2022, the State began operation of the Department of Administrative Services / Bureau of Information Technology Solutions (“DAS/BITS”). This wide-ranging shared service includes infrastructure, applications, and user supports. Approximately 50% of the State’s overall systems are dedicated to single agency use. 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. The State is now actively crafting the second cybersecurity strategy expected to be released in February 2022.

Through the Department of Emergency Services and Public Protection, Division of Emergency Management and Homeland Security and the DAS/BITS, the State convenes a monthly cybersecurity working group with local, state, federal, and private sector partners. The State also operates under a State Cyber Disruption Response Plan and a Cyber Incident Response Plan. In addition, the staff of the State’s intelligence fusion center, the Connecticut Intelligence Center, includes a cyber intelligence analyst.

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/BITS has systems in place to monitor and protect against malicious events. The datacenters of the State have procedures in place to protect against unauthorized physical access, against misconduct or risks associated by personnel with physical access and similar risks, on a level comparable to the other parties collocated with it in the datacenters.

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 2021 State agencies substantially completed 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/BITS has taken steps to ensure the continuity of the systems for natural events, the continuity of the systems for malicious events, and safeguarding the information maintained against theft and misuse. The systems are regularly monitored, evaluated, tested, and improved. 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 therefore be limited to the portions of the system accessible by that user. In the past five years, no malware corruptions have materially affected State data or operations. Over the last year, the State has experienced business provider cybersecurity risks. The State's vehicle emissions testing program operator, workers compensation third-party administrator and public transit bus operator all experienced ransomware events. While there were no impacts to State-owned and operated systems, the State continues to update its contracts with cybersecurity risk management terms and conditions.

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 2021 focused on three goals: (i) to centralize IT services across executive branch agencies for improved flexibility and efficiency; (ii) to grow digital government services, which will increase online services to residents and businesses; and (iii) to improve cybersecurity statewide. To account for the increased cyber risk that is being experienced across all industries, the State authorized \$8.2 million out of a total \$11.8 million program to reduce cybersecurity risks. This investment to date has been used to increase monitoring and vulnerability response and is planned to upgrade State government endpoint security. In 2021, the federal government announced a cybersecurity grant program for state and local governments that will also continue to assist the State in addressing this critical area.

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 is contemplating more permanent work from home and hybrid work strategies where possible. In advance of this, the State has been purchasing substantially more laptop devices than desktop devices.
- The State's implementation of MFA in this environment led to a significant hardening of its systems to intrusion.

The activities of DAS/BITS in calendar year 2021 continued to align with the evolving landscape. Substantial efforts have been made planning for the optimization of IT support resources in the State. As of January 2022, DAS/BITS had approximately 630 employees. Over the next 12 months DAS anticipates it will complete the IT consolidation effort to expand the utilization of technology and bring greater skills and abilities to the State's IT workforce.

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. 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 are discussed below. 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 released its Phase 1 report in January 2021, which included 61 near-term strategies to mitigate carbon emissions and address adaptation and resilience. The Governor signed Executive Order No. 21-3 which calls for 23 actions, supporting over 30 recommendations proposed by the GC3 and directs State executive branch state agencies to take significant actions within their authority to reduce carbon emissions. The 23 actions required by the executive order cover the areas of buildings and infrastructure; clean transportation; community climate resilience; health, equity and environmental justice; economic development and jobs; and natural and working lands. Examples actions include advancing affordable heating and cooling for State residents and businesses, energy efficient and resilient building codes, a statewide battery electric bus fleet, shovel-ready resilience projects, the first state government assets and operation climate vulnerability assessment, regulating emissions from medium and heavy-duty vehicles and increasing resilience and carbon sequestrations in forests and agriculture. In the 2021 legislative session, the State enacted legislation that (i) allows

municipalities in the State to create storm water authorities to address water quality and flooding, (ii) add climate resilience and flood prevention to the purview of municipal flood and erosion control boards, and (iii) expands the scope of the Connecticut Green Bank to invest more broadly in environmental infrastructure, including climate resilience and adaptation projects.

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. The Division Emergency Management and Homeland Security (“DEMHS”) works with municipalities and utilities on a regular basis to enhance preparation for, response to, and recovery from severe storms, including a Make Safe Protocol and improved communications among local, state, and private sector partners.

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.

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

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 July of 2011 the State created the first green bank in the nation, the Connecticut Green Bank, whose mission is to confront climate change by increasing and accelerating the flow of private capital into markets that energize the green economy. Increasing investment in “clean energy” enables more deployment helping reduce GHG emissions, reduce energy costs on families and businesses, increase jobs in our communities, and improve public health. A decade later, in June of 2021, the State expanded the scope of the Connecticut Green Bank to include “environmental infrastructure” – defined as agriculture, climate adaptation and resilience, land conservation, parks and recreation, waste and recycling, water, and environmental markets (including, but not limited to carbon offsets and ecosystem services). As part of its efforts to reduce GHG emissions and increase resilience, the

Connecticut Green Bank co-administers a 580 MW battery storage incentive program for residential and non-residential end-use customers. The Connecticut Green Bank incentivizes and finances “clean energy” and “environmental infrastructure” projects 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. In Executive Order 21-3 the Governor directed the adoption of the following subtargets to meet the goals set in Executive Order 1 to reduce State agency greenhouse gas emissions reduction by 45% by 2030:

- By 2030 all electricity purchased and generated by the executive branch will be 100% zero carbon and all newly leased light duty state vehicles will be zero emission vehicles.
- By 2023 DEEP and DAS shall develop a plan to retrofit existing fossil fuel based heating and cooling systems at state building systems and shall develop a plan and a budget to achieve zero-GHG emissions for all new construction and major renovations funded by the state or in facilities owned/operated by the Executive Branch, targeting construction beginning in fiscal year 2024 and after.
- By 2024 all executive branch agency facilities should implement an organics and food waste diversion program and shall divest 1% of all Executive Branch buildings square footage and an additional 2% by 2028.

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. 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.” While some of the recommendations were implemented in the 2021 legislative session, including Public Act No. 21-115 described above, the Governor took additional action to implement the recommendations by Executive Order. On December 16, 2021, Governor Lamont signed Executive Order 21-3. This Executive Order requires 23 actions to reduce greenhouse gas emissions and help the State adapt and become more resilient to the impacts of climate change. It supported over 30 recommendations of the GC3 in the five areas below with multiple actions in each area as follows:

Buildings and Infrastructure

- To achieve greenhouse gas emissions reductions consistent with the State’s emissions reduction goals, the order directs DEEP, in the next update to the Comprehensive Energy Strategy, to identify strategies to provide for more affordable heating and cooling for Connecticut residents and businesses, reduce greenhouse gas emissions from residential and commercial buildings

and industrial processes, and improve the resilience of the State's energy sector to extreme weather events, fuel commodity price spikes, and other disruptions.

- The Department of Administrative Services ("DAS") building inspector is directed to maintain up-to-date energy efficient and climate resilient building codes, ensuring state buildings are capable of withstanding wind and flood risks, and to consider the use of Insurance Institute of Business & Home Safety's FORTIFIED standards to meet this goal.
- The order strengthens interim targets for the GreenerGovCT Lead By Example program (described above).
- DEEP is directed to promulgate regulations to promote energy conservation and efficiency for appliances.
- The Department of Transportation ("DOT") and DAS are to identify opportunities to deploy solar on their properties and rights-of-way.

Clean Transportation

- To further clean transportation goals, DOT is directed to cease purchasing or providing State funding to third parties for the purchase of diesel buses by the end of 2023 and to create an implementation plan which identifies any barriers to full bus fleet electrification.
- DOT must set a 2030 vehicles miles traveled reduction target.

Community Climate Resilience

- To further build community climate resilience, DEEP is directed to establish a Connecticut Community Climate Resilience program for plans and project development with 40% of resources targeted at municipalities where vulnerable populations reside. This planning investment will, among other things, help to identify a pipeline of projects that could obtain federal infrastructure funding.
- DEEP will work with partners, including UConn, to help municipalities and Councils of Government implement climate resilience actions, including establishing stormwater authorities and municipal climate resilience boards enabled under Public Act No. 21-115.
- The order requires an assessment the vulnerability of State assets and operations to the impacts of climate change and the creation of a list of priority assets and infrastructure for climate resilience projects for each State agency.
- DEEP has been directed to update the design criteria for stormwater management systems and DOT shall identify culverts that need to be repaired or replaced to guide application for federal funding for this work.
- DESPP, DEEP, DAS and OPM are directed to maintain a list of State and local critical facilities and all state agencies are directed to consider this list in their capital and climate resilience planning, especially in floodplains or flood-prone areas.

Health, Equity & Environmental Justice

- To tackle the State's air quality issues, DEEP is directed to develop a community-based air quality monitoring program, in consultation with the Department of Public Health and to assess whether the State needs to adopt California's standards to meet air quality standards and emissions reduction targets.
- The order also directs the Department of Public Health to establish an Office of Climate and Public Health to address the intersection of climate change and health equity.
- The Connecticut Equity and Environmental Justice Advisory Council will be established within DEEP. The Council will advise DEEP on current and historic environmental injustice, pollution reduction, energy equity, climate change mitigation and resiliency, health disparities and racial inequity.

Jobs and Economic Development

- The order establishes a Connecticut Clean Economy Council to advise the Governor on strategies and policies to strengthen the State's climate mitigation, clean energy, resilience, and sustainability programs by identifying opportunities to leverage state and federal funding and maximize local economic development in clean energy, climate and sustainability; train the workforce in these areas; and support a diverse and equitable economic development and employment.
- DECD is directed to include climate resilience and adaptation in its considerations of projects for selected grant programs, with additional consideration for any projects designed under the Connecticut Community Climate Resilience program created under the order.

Natural and Working Lands

- DEEP and the Department of Agriculture are directed to engage stakeholders on resources and programs to ensure the State's forests and agricultural lands continue to be resilient to the impacts of climate change and are maximized to sequester and store carbon in support of state's emissions reduction goals.
- DEEP and DAS are directed to develop guidance for State agencies on how to use nature-based solutions for flood and erosion control and stormwater management, integrate coastal marsh migration into state projects in coastal areas, and utilize low impact development and green infrastructure in new state construction and state-funded construction or redevelopment.

The final Integrated Resources Plan was released in October 2021, confirming that the State is on the path to achieving the Governor's goal of a 100% carbon free electric supply by 2040. Through competitively bid long-term contracts, State ratepayers are currently supporting over 600,000 MWh/year of operating grid-scale, zero-emission renewables and more than 9 million MWh/year of zero-carbon nuclear resources, equivalent to nearly 65 percent of the electricity consumed by customers of the state's two electric distribution utilities companies. By 2025, that percentage is expected to increase to 91 percent, or 24.5 million MWh/year, as new offshore wind, including 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 and grid-scale solar projects that have been contracted, but not yet constructed, will come online. The State's investments in decarbonizing the electric sector are reflected in the latest Greenhouse Gas Inventory report released in 2021 with 2018 emissions data. The report documented a decline in electricity-sector emissions of 32 percent since 1990 and 35 percent since 2001. Unfortunately, at 15.8 million metric tons, transportation emissions exceeded the combined emissions of electricity and residential and have actually risen since 1990 despite a 16 percent improvement in per vehicle

mile emissions over the same period. Despite significant improvements in fuel economy since 1990, vehicle miles traveled have increased at a faster rate, thereby increasing transportation-sector emissions. A modest increase in emissions from building heating and cooling was also observed.

The Greenhouse Gas Inventory report demonstrated that significant actions to reduce emissions in the transportation and building sector must be implemented in order to meet the State's economy-wide emissions reductions goals. The State 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. 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. The State will use ARPA funds to address public health and safety barriers that prevent the implementation of energy efficiency investments, particularly for low-income homeowners. With a \$7 million investment over three years, the program will serve approximately 875 homes. Energy efficiency upgrades will also be supported and are expected to reach 1000 homes.

The State continues to look for opportunities to drive down emissions in all sectors and will be leveraging federal investments enabled through the Bipartisan Infrastructure Investment and Jobs Act in electric vehicle charging stations, school bus electrification, and a resilient electric grid to advance these priorities. This same act also makes the largest ever investment in climate resilience by the federal government and the State continues to position itself to use these funds to protect its residents and infrastructure from the impacts of climate change.

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APPENDIX -II-A

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APPENDIX II-A

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

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

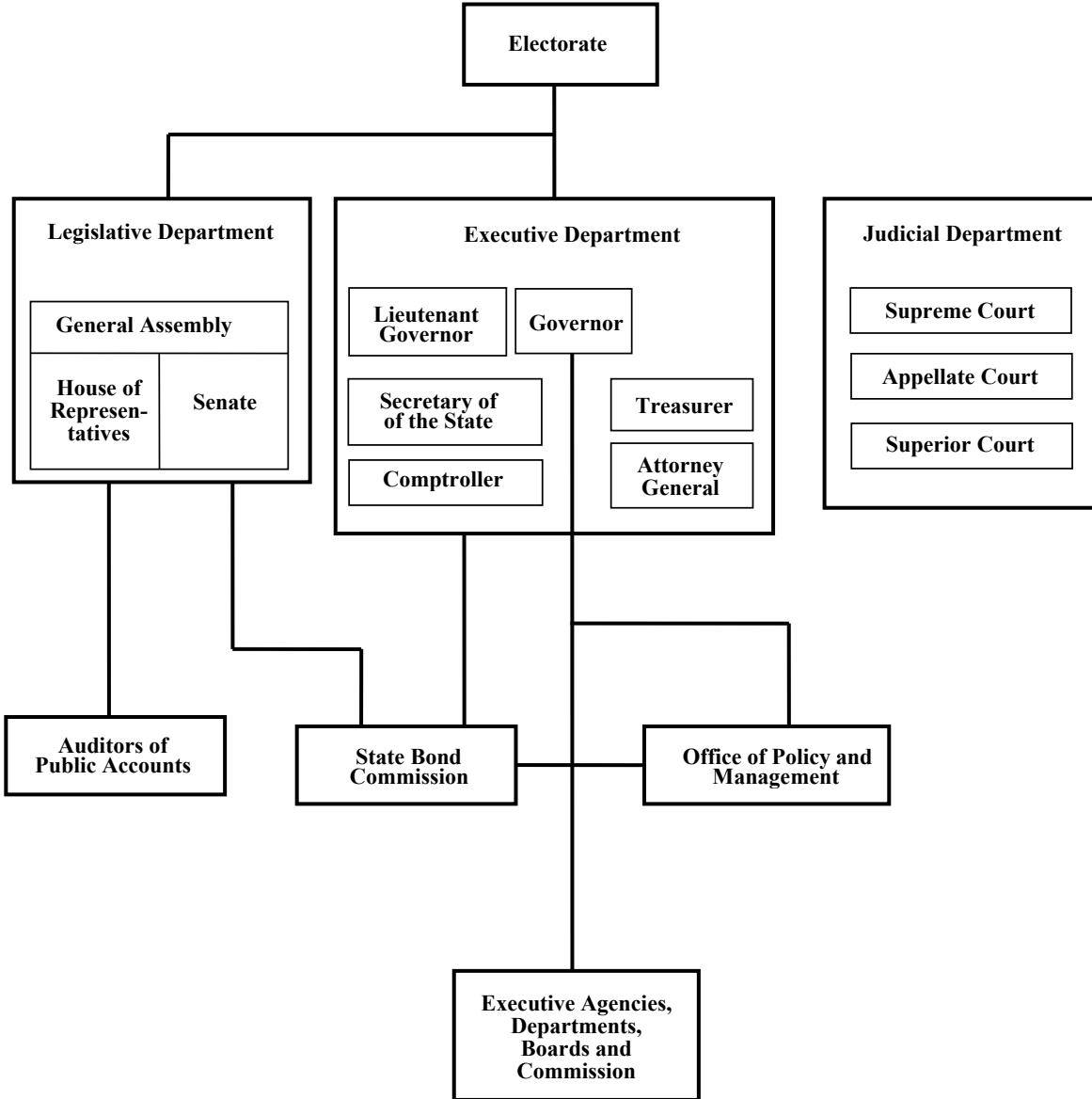
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute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

State Government Organization

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

TABLE A-1

Structure of State Government



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

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2020, 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 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. The current Comptroller was appointed on December 31, 2021 after the comptroller elected in the general election in November 2018 resigned effective December 31, 2021. 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 126 sitting judges as of February 1, 2022, 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>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Legislative | 557 | 535 | 531 | 532 | 533 |
| General Government | 2,849 | 2,690 | 2,735 | 2,767 | 2,749 |
| Regulation and Protection | 4,075 | 3,793 | 3,685 | 3,749 | 3,757 |
| Conservation and Development ... | 1,491 | 1,289 | 1,338 | 1,353 | 1,398 |
| Health and Hospitals | 5,906 | 5,917 | 5,813 | 5,792 | 5,529 |
| Transportation | 4,638 | 4,380 | 4,288 | 4,469 | 4,477 |
| Human Services..... | 1,677 | 2,025 | 2,070 | 2,094 | 2,082 |
| Education..... | 17,232 | 16,445 | 16,045 | 16,276 | 16,144 |
| Corrections | 8,248 | 8,187 | 8,616 | 8,706 | 8,405 |
| Judicial | <u>4,068</u> | <u>3,862</u> | <u>4,154</u> | <u>4,166</u> | <u>3,965</u> |
| Total..... | 50,741 | 49,123 | 49,275 | 49,904 | 49,039 |

- (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, 2021 ^{(a)(b)}
By Function of Government and Fund Categories

| Function Headings | General Fund | Special Transportation Fund | Other Appropriated Funds | Special Funds – Non-Appropriated | Federal Funds | TOTALS |
|------------------------------|---------------------|------------------------------------|---------------------------------|---|----------------------|---------------|
| Legislative | 533 | -- | -- | -- | -- | 533 |
| General Government | 2,489 | -- | 4 | 116 | 140 | 2,749 |
| Regulation and Protection | 1,957 | 602 | 399 | 509 | 290 | 3,757 |
| Conservation and Development | 753 | 27 | 129 | 75 | 414 | 1,398 |
| Health and Hospitals | 5,131 | -- | 26 | -- | 372 | 5,529 |
| Transportation | -- | 3,029 | -- | 556 | 892 | 4,477 |
| Human Services | 1,757 | -- | 7 | -- | 318 | 2,082 |
| Education | 4,689 | -- | -- | 11,215 | 240 | 16,144 |
| Corrections | 8,309 | -- | -- | 79 | 17 | 8,405 |
| Judicial | <u>3,897</u> | <u>--</u> | <u>9</u> | <u>22</u> | <u>37</u> | <u>3,965</u> |
| Total | 29,515 | 3,658 | 574 | 12,572 | 2,720 | 49,039 |

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

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

SOURCE: OPM

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

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

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

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

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

| <u>Bargaining Unit/Status Group</u> | <u>Percentage of State Employees Represented^(a)</u> | <u>Contract Status, if any</u> |
|--|--|-------------------------------------|
| <u>Covered by Collective Bargaining</u> | | |
| Administrative and Residual (P-5) | 5.91% | Contract in place through 6/30/2025 |
| Administrative Clerical (NP-3) | 5.15 | Contract in place through 6/30/2025 |
| American Federation of School Administrators | 0.13 | Contract in place through 6/30/2025 |
| Assistant Attorneys General (P-6) | 0.37 | Contract in place through 6/30/2025 |
| Assistant Attorney General Dept. Heads (P-7) | 0.03 | Contract in place through 6/30/2025 |
| Board for State Academic Awards Prof | 0.12 | Contract in place through 6/30/2025 |
| Community College Administration - AFSCME | 0.17 | Contract in place through 6/30/2025 |
| Community College Administration – CCCC | 1.53 | Contract in place through 6/30/2025 |
| Community College AFT – Counselors/Librarians | 0.03 | Contract in place through 6/30/2025 |
| Community College Faculty – AFT | 0.32 | Contract in place through 6/30/2025 |
| Community College Faculty – CCCC | 1.16 | Contract in place through 6/30/2025 |
| Connecticut Association of Prosecutors | 0.43 | Contract in place through 6/30/2025 |
| Correctional Officers (NP-4) | 8.50 | Contract in place through 6/30/2025 |
| Correctional Supervisor (NP-8) | 1.00 | Contract in place through 6/30/2025 |
| Criminal Justice Inspectors | 0.13 | Contract in place through 6/30/2025 |
| Criminal Justice Residual | 0.23 | Contract in place through 6/30/2025 |
| DCF Program Supervisors - AFSCME | 0.19 | Contract in place through 6/30/2025 |
| DPDS Asst Public Defenders | 0.36 | Contract in place through 6/30/2025 |
| DPDS Supervising Attorneys - AFSCME | 0.05 | Contract in place through 6/30/2025 |
| Education Administrative (P-3A) | 0.38 | Contract in place through 6/30/2025 |
| Education Technical (P-3B) | 0.93 | Contract in place through 6/30/2025 |
| Engineering, Scientific and Technical (P-4) | 4.98 | Contract in place through 6/30/2025 |
| GEU-UAW Graduate Empl Union | 3.22 | Contract in place through 6/30/2025 |
| Health Care Unit-Non-Professional (NP-6) | 4.76 | Contract in place through 6/30/2025 |
| Health Care Unit-Professional (P-1) | 5.76 | Contract in place through 6/30/2025 |
| Higher Education – Professional Employees | 0.07 | Contract in place through 6/30/2025 |
| Judicial - Judicial Marshals | 1.05 | Contract in place through 6/30/2025 |
| Judicial – Law Clerks | 0.11 | Contract in place through 6/30/2025 |
| Judicial – Non-Professional | 2.29 | Contract in place through 6/30/2025 |
| Judicial – Non-Professional B | 0.23 | Contract in place through 6/30/2025 |
| Judicial – Professional | 2.35 | Contract in place through 6/30/2025 |
| Judicial – Professional B | 0.36 | Contract in place through 6/30/2025 |
| Judicial - Supervising Judicial Marshals | 0.10 | Contract in place through 6/30/2025 |
| Judicial – Professional Appellate | 0.04 | Contract in place through 6/30/2025 |
| Protective Services (NP-5) | 1.48 | Contract in place through 6/30/2025 |
| Service/Maintenance (NP-2) | 6.99 | Contract in place through 6/30/2025 |
| Social and Human Services (P-2) | 7.86 | Contract in place through 6/30/2025 |
| State Vocational Federation of Teachers | 2.34 | Contract in place through 6/30/2025 |
| State Police (NP-1) | 1.88 | Contract in place through 6/30/2022 |
| State Police Lieutenants and Captains (NP-9) | 0.06 | Contract in place through 6/30/2025 |
| State University-Faculty | 2.74 | Contract in place through 6/30/2025 |
| State University- Non-Faculty Professional | 1.71 | Contract in place through 6/30/2025 |
| UHC – Faculty | 0.12 | Contract in place through 6/30/2025 |
| UHC – Faculty AAUP | 0.84 | Contract in place through 6/30/2025 |
| UHC University Health Professionals | 4.52 | Contract in place through 6/30/2025 |
| UConn – Faculty | 3.72 | Contract in place through 6/30/2025 |
| UConn – Law School Faculty | 0.09 | Contract in place through 6/30/2025 |
| UConn - Non-Faculty | 3.90 | Contract in place through 6/30/2025 |
| UConn – UAW Postdoc | <u>0.31</u> | Contract in place through 6/30/2026 |
| Total Covered by Collective Bargaining | 91.03 | |
| <u>Not Covered by Collective Bargaining</u> | | |
| Auditors of Public Accounts | 0.23 | Not Applicable |
| Other Employees | <u>8.74</u> | Not Applicable |
| Total Not Covered by Collective Bargaining | <u>8.97</u> | |
| Total Full-Time Work Force | 100.00% | |

(a) Percentage expressed reflects approximately 49,288 filled full-time positions as of January 31, 2022.

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, 2021.

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 remnants of Hurricane Ida in 2021, and the State responds by following the all-hazards State Response Framework and operating the Emergency Operations Center in person and virtually.

Current planning activities at the State level include multiple cyber security initiatives, including a State Cyber Security Strategy and Action Plan, Cyber Incident Response Plan, and Cyber Disruption Response Plan, which is an annex to the State Response Framework. DESPP/DEMHS also operates the State's fusion center – the Connecticut Intelligence Center – which is a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other groups as appropriate. DESPP/CSP operates the CT State Police Cyber Crimes Investigative Unit. DEMHS includes a Radiological Emergency Preparedness Unit, which, among other things, conducts regular exercises evaluated by the Federal Emergency Management Agency (FEMA). DESPP/DEMHS is also actively involved in both school security planning and the State school security grant program, as well as program management of many other grant programs, including FEMA disaster grants and state and federal non-profit security grants. Since March of 2020, DESPP/DEMHS has managed the 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.

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

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APPENDIX II-B

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APPENDIX II-B

STATE ECONOMY

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

Economic Resources

Population Characteristics. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 0.04% from 2012 to 2021 versus an increase of 2.96% in New England and 5.54% for the nation. The mid-2021 population in Connecticut was estimated at 3,607 million, a 0.16% change from a year ago, compared to a decrease of 0.03% for New England and an increase of 0.14% for the United States. From 2012 to 2021, within New England, Massachusetts (4.22%), New Hampshire (4.70%), Maine (3.12%), Rhode Island (2.96%) and Vermont (2.41%) all experienced growth higher than Connecticut (0.04%).

TABLE B-1
Population
(In Thousands)

| <u>Calendar Year</u> | <u>Connecticut</u> | | <u>New England</u> | | <u>United States</u> | |
|----------------------|--------------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| | <u>Total</u> | <u>% Change</u> | <u>Total</u> | <u>% Change</u> | <u>Total</u> | <u>% Change</u> |
| 1940 Census | 1,709 | | 8,437 | | 132,165 | |
| 1950 Census | 2,007 | 17.4% | 9,314 | 10.4% | 151,326 | 14.5% |
| 1960 Census | 2,535 | 26.3 | 10,509 | 12.8 | 179,323 | 18.5 |
| 1970 Census | 3,032 | 19.6 | 11,847 | 12.7 | 203,302 | 13.4 |
| 1980 Census | 3,108 | 2.5 | 12,349 | 4.2 | 226,542 | 11.4 |
| 1990 Census | 3,287 | 5.8 | 13,207 | 6.9 | 248,710 | 9.8 |
| 2000 Census | 3,406 | 3.6 | 13,923 | 5.4 | 281,422 | 13.2 |
| 2010 Census | 3,574 | 4.9 | 14,445 | 3.7 | 308,746 | 9.7 |
| 2020 Census | 3,606 | 0.9 | 15,116 | 4.6 | 331,449 | 7.4 |
| 2012.... | 3,606 | 0.3 | 14,661 | 0.6 | 314,579 | 0.8 |
| 2013.... | 3,611 | 0.1 | 14,743 | 0.6 | 316,995 | 0.8 |
| 2014.... | 3,614 | 0.1 | 14,822 | 0.5 | 319,560 | 0.8 |
| 2015.... | 3,612 | (0.1) | 14,878 | 0.4 | 322,178 | 0.8 |
| 2016.... | 3,608 | (0.1) | 14,936 | 0.4 | 324,735 | 0.8 |
| 2017.... | 3,609 | 0.0 | 15,001 | 0.4 | 326,967 | 0.7 |
| 2018.... | 3,611 | 0.1 | 15,057 | 0.4 | 328,823 | 0.6 |
| 2019.... | 3,607 | (0.1) | 15,094 | 0.2 | 330,435 | 0.5 |
| 2020.... | 3,601 | (0.2) | 15,099 | 0.0 | 331,546 | 0.3 |
| 2021.... | 3,607 | 0.2 | 15,095 | (0.0) | 332,002 | 0.1 |

NOTE: 1940-2020, April 1 Census. Figures are for census comparison purposes.
2012-2021 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 2021 population density of 745 persons per square mile, as compared with 94 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2020 Census count, 75.1% of the population resides within Fairfield (26.2%), Hartford (24.9%), and New Haven (24.0%) counties.

Education. In 2020 Connecticut ranked 6th in the nation with 42.4% 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, Otis Worldwide Corporation, GXO Logistics and W.R. Berkley. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Connecticut is home to Bradley International Airport ("Bradley") in Windsor Locks, which is accessible from all areas of the State and western Massachusetts via the highway network and public transportation system. In 2019, Bradley handled approximately 200 commercial flights every day to 30 non-stop destinations and was served by virtually all major passenger and cargo air carriers. Those flights served over 6.7 million customers in 2019. Bradley served over 4.6 million passengers in 2021, which represented a 31.6% decrease from pre-pandemic levels and a 95.7% increase over 2020 passenger levels. Overall commercial operations in 2021 were down 26.4% compared to pre-pandemic levels, but were up 26.5% compared to 2020 levels.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. Prior to the COVID-19 pandemic, the New Haven Line (including the Waterbury, Danbury and New Canaan branch lines), Shore Line East and Hartford Line served approximately 42 million passengers each year. As of December 2021, passenger counts on all State bus and rail lines are 57.8% of 2019 pre-pandemic levels. Since the beginning of the COVID-19 pandemic, passenger counts have significantly declined. 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 *CTtransit* bus services in 8 urbanized areas and *CTfastrak* bus rapid transit services in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent, locally-governed and operated transit districts. During 2021, passenger ridership has increased significantly, yet remains below pre-COVID levels. Ridership is expected to continue to increase over the next 24 months. 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 2.93 thousand British Thermal Units (BTU) per 2012 chained dollar of Gross State Product in 2019, the latest available data, ranking it the 5th most efficient state among the 50 states and 44.2% less than the national average of 5.25 thousand BTUs. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 206.4 million BTU's of energy per person in 2019, ranking it 45th among the 50 states plus the District of Columbia and 32.4% less than the national average of 305.4 million BTU.

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 2020, per capita personal income in Connecticut equaled \$77,644, 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 2020 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 2011 to 2020 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

| <u>Calendar Year</u> | <u>Connecticut</u> | | <u>Connecticut Per Capita as Percent of</u> | |
|----------------------|---------------------------------------|--------------------------------|---|----------------------|
| | <u>Total</u> (Millions of Dollars) | <u>Per Capita</u> (Dollars) | <u>New England</u> | <u>United States</u> |
| 2011 | \$226,907 | \$63,109 | 117.5% | 147.7 % |
| 2012 | 231,171 | 64,113 | 116.2 | 143.9 |
| 2013 | 226,176 | 62,635 | 114.3 | 139.9 |
| 2014 | 236,757 | 65,508 | 114.8 | 139.8 |
| 2015 | 243,165 | 67,328 | 113.0 | 138.3 |
| 2016 | 247,777 | 68,669 | 112.4 | 138.5 |
| 2017 | 253,121 | 70,142 | 111.2 | 136.1 |
| 2018 | 264,263 | 73,189 | 111.4 | 135.9 |
| 2019 | 270,283 | 74,926 | 110.2 | 134.4 |
| 2020 | 279,612 | 77,644 | 107.9 | 131.2 |

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 B-3

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) |
|----------------------|---------------------------|---------------------------------|--------------------------|----------------------------|----------------------------------|---------------------------|
| 2011 | 2.6% | 4.0% | 5.9% | (0.7)% | 1.3% | 3.3% |
| 2012 | 1.9 | 3.4 | 5.1 | 0.5 | 2.0 | 3.1 |
| 2013 | (2.2) | (0.2) | 1.3 | 3.8 | (1.3) | (0.1) |
| 2014 | 4.7 | 4.7 | 5.5 | 3.4 | 2.9 | 3.9 |
| 2015 | 2.7 | 4.8 | 4.7 | 2.5 | 4.0 | 4.5 |
| 2016 | 1.9 | 2.9 | 2.6 | 0.7 | 0.5 | 1.6 |
| 2017 | 2.2 | 3.7 | 4.7 | 0.5 | 2.3 | 2.8 |
| 2018 | 4.4 | 4.6 | 5.1 | 5.5 | 3.1 | 2.9 |
| 2019 | 2.3 | 3.7 | 4.1 | 0.9 | 2.3 | 2.5 |
| 2020 | 5.9 | 5.9 | 6.5 | 1.7 | 4.1 | 5.3 |

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 2020.

TABLE B-4
Sources of Personal Income By Place of Residence
Calendar Year 2020
(In Billions)

| | <u>Conn.</u> | <u>Percent of Total</u> | <u>U.S.</u> | <u>Percent of Total</u> |
|---|--------------|-----------------------------|----------------|-----------------------------|
| Wages in Non-manufacturing..... | \$122.0 | 43.6% | \$ 8,539.7 | 43.5% |
| Property Income (Div., Rents & Int.)..... | 56.8 | 20.3 | 3,623.7 | 18.5 |
| Wages in Manufacturing | 15.5 | 5.5 | 904.4 | 4.6 |
| Transfer Payments less Social Insurance Paid..... | 27.2 | 9.7 | 2,781.6 | 14.2 |
| Other Labor Income | 30.4 | 10.9 | 2,128.2 | 10.8 |
| Proprietor's Income..... | <u>27.8</u> | <u>10.0</u> | <u>1,650.0</u> | <u>8.4</u> |
| Personal Income — Total..... | \$279.6 | 100.0% | \$19,627.6 | 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 2020, the State produced \$276,422.9 billion worth of goods and services and \$235,888.6 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 B-5
Gross State Product
(In Millions)

| Calendar Year | Connecticut | | New England^(a) | | United States^(b) | |
|--------------------------|--------------------|---------------------------|----------------------------------|---------------------------|------------------------------------|---------------------------|
| | <u>\$</u> | <u>Percent Growth</u> | <u>\$</u> | <u>Percent Growth</u> | <u>\$</u> | <u>Percent Growth</u> |
| 2011 | 233,158.8 | (0.7)% | 856,035.1 | 1.9% | 15,599,731.8 | 3.7% |
| 2012 | 240,912.0 | 3.3 | 886,830.9 | 3.6 | 16,253,970.0 | 4.2 |
| 2013 | 241,517.5 | 0.3 | 903,108.6 | 1.8 | 16,843,195.8 | 3.6 |
| 2014 | 246,597.0 | 2.1 | 931,130.6 | 3.1 | 17,550,687.8 | 4.2 |
| 2015 | 259,487.8 | 5.2 | 980,272.5 | 5.3 | 18,206,023.5 | 3.7 |
| 2016 | 263,670.3 | 1.6 | 1,006,667.1 | 2.7 | 18,695,105.8 | 2.7 |
| 2017 | 271,582.7 | 3.0 | 1,037,203.4 | 3.0 | 19,479,622.5 | 4.2 |
| 2018 | 280,692.0 | 3.4 | 1,086,236.9 | 4.7 | 20,527,158.8 | 5.4 |
| 2019 | 288,109.1 | 2.6 | 1,132,772.9 | 4.3 | 21,372,582.3 | 4.1 |
| 2020 | 276,422.9 | (4.1) | 1,109,783.9 | (2.0) | 20,893,745.5 | (2.2) |

(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 B-6
Gross State Product
(In Millions of 2012 Chained Dollars*)

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | \$ | Percent Growth | \$ | Percent Growth | \$ | Percent Growth |
| 2011 | 238,542.4 | (2.4)% | 874,677.3 | 0.4% | 15,891,534.0 | 1.5% |
| 2012 | 240,911.9 | 1.0 | 886,830.7 | 1.4 | 16,253,970.0 | 2.3 |
| 2013 | 236,050.7 | (2.0) | 883,835.4 | (0.3) | 16,553,347.5 | 1.8 |
| 2014 | 235,780.9 | (0.1) | 892,803.7 | 1.0 | 16,932,051.8 | 2.3 |
| 2015 | 242,706.6 | 2.9 | 919,169.6 | 3.0 | 17,390,295.3 | 2.7 |
| 2016 | 243,286.7 | 0.2 | 930,078.9 | 1.2 | 17,680,273.8 | 1.7 |
| 2017 | 247,358.6 | 1.7 | 944,644.3 | 1.6 | 18,079,084.0 | 2.3 |
| 2018 | 249,998.1 | 1.1 | 968,765.1 | 2.6 | 18,606,786.5 | 2.9 |
| 2019 | 251,495.1 | 0.6 | 988,899.5 | 2.1 | 19,032,671.5 | 2.3 |
| 2020 | 235,888.6 | (6.2) | 948,815.9 | (4.1) | 18,384,687.3 | (3.4) |

* 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 2020 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 77.6% of total production in Connecticut in 2020 compared to 76.7% in 2013 and 77.9% for the nation in 2019. This demonstrates that Connecticut's economy has a similar concentration as the nation as a whole, and 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 12.6% in 2013 to 10.9% in 2020 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 62.3% of the total GSP in 2020 from 58.7% in 2013. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7
Gross State Product by Industry in Connecticut
(In Millions)

| <u>Calendar Year</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sector | | | | | | | | |
| Manufacturing | \$ 30,333 | \$ 29,341 | \$ 29,987 | \$ 27,730 | \$ 28,972 | \$ 32,167 | \$ 33,922 | \$ 30,268 |
| Construction ^(a) | 6,682 | 6,781 | 7,176 | 7,454 | 7,361 | 7,526 | 7,790 | 7,714 |
| Agriculture ^(b) | 429 | 354 | 374 | 318 | 342 | 312 | 334 | 329 |
| Utilities ^(c) | 8,840 | 9,614 | 10,299 | 9,719 | 9,667 | 9,837 | 10,333 | 10,021 |
| Wholesale Trade | 15,871 | 15,587 | 15,810 | 14,997 | 14,512 | 14,650 | 14,622 | 14,260 |
| Retail Trade | 12,727 | 12,929 | 13,209 | 13,240 | 13,315 | 13,861 | 14,214 | 14,120 |
| Information | 11,781 | 11,702 | 13,450 | 14,335 | 14,130 | 14,880 | 16,238 | 15,481 |
| Finance ^(d) | 63,033 | 65,546 | 71,251 | 75,799 | 81,412 | 83,275 | 83,479 | 82,822 |
| Services ^(e) | 66,763 | 69,061 | 71,168 | 73,116 | 74,405 | 76,702 | 79,734 | 73,807 |
| Government | <u>25,059</u> | <u>25,682</u> | <u>26,765</u> | <u>26,963</u> | <u>27,467</u> | <u>27,481</u> | <u>27,442</u> | <u>27,602</u> |
| Total GSP | \$241,517 | \$246,597 | \$259,488 | \$263,670 | \$271,583 | \$280,692 | \$288,109 | \$276,423 |

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 2011 and 2020. Connecticut's nonagricultural employment reached a high in March 2008 of 1,717,100 persons employed, but began declining with the onset of the 2008 recession falling to 1,597,100 jobs by February 2010. After the 2008 recession, employment reached a peak of 1,696,300 in February 2020 before the onset of the COVID-19 pandemic-related recession. Employment then fell 293,300 jobs to 1,403,000 jobs in April 2020. As of December 2021, the State stands at 1,597,941 jobs.

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

| Calendar Year | Connecticut | | New England | | United States | |
|--------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|---------------------------|
| | Employment | Percent Growth | Employment | Percent Growth | Employment | Percent Growth |
| 2011 | 1,634.2 | 1.1% | 6,877.9 | 0.9% | 131,921.7 | 1.2% |
| 2012 | 1,648.3 | 0.9 | 6,962.5 | 1.2 | 134,156.6 | 1.7 |
| 2013 | 1,661.1 | 0.8 | 7,046.9 | 1.2 | 136,355.7 | 1.6 |
| 2014 | 1,672.9 | 0.7 | 7,145.9 | 1.4 | 138,922.3 | 1.9 |
| 2015 | 1,686.8 | 0.8 | 7,251.2 | 1.5 | 141,804.3 | 2.1 |
| 2016 | 1,692.5 | 0.3 | 7,348.4 | 1.3 | 144,332.8 | 1.8 |
| 2017 | 1,696.4 | 0.2 | 7,417.9 | 0.9 | 146,594.7 | 1.6 |
| 2018 | 1,699.4 | 0.2 | 7,474.7 | 0.8 | 148,892.8 | 1.6 |
| 2019 | 1,696.1 | (0.2) | 7,539.1 | 0.9 | 150,900.1 | 1.3 |
| 2020 | 1,564.8 | (7.7) | 6,915.1 | (8.3) | 142,252.4 | (5.7) |

(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 2020 decreased by 124,373 jobs. The level of establishment employment based on the survey response decreased by 131,308 jobs in 2020. Both measurements were significantly impacted by COVID.

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

| Calendar Year | Establishment Employment | Percent Growth | Residential Employment | Percent Growth |
|--------------------------|-------------------------------------|---------------------------|-----------------------------------|---------------------------|
| 2011 | 1,634.2 | 1.1% | 1,741.8 | 0.8% |
| 2012 | 1,648.3 | 0.9 | 1,730.0 | (0.7) |
| 2013 | 1,661.1 | 0.8 | 1,719.7 | (0.6) |
| 2014 | 1,672.9 | 0.7 | 1,764.0 | 2.6 |
| 2015 | 1,686.8 | 0.8 | 1,785.9 | 1.2 |
| 2016 | 1,692.5 | 0.3 | 1,801.3 | 0.9 |
| 2017 | 1,696.4 | 0.2 | 1,819.1 | 1.0 |
| 2018 | 1,699.4 | 0.2 | 1,830.5 | 0.6 |
| 2019 | 1,696.1 | (0.2) | 1,848.7 | 1.0 |
| 2020 | 1,564.8 | (7.7) | 1,724.3 | (6.7) |

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 2020. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9
Connecticut Non-agricultural Employment, Calendar Year 2020
(In Thousands)

| | <u>Connecticut</u> | | <u>United States</u> | |
|-----------------------------|--------------------|----------------|----------------------|----------------|
| | <u>Total</u> | <u>Percent</u> | <u>Total</u> | <u>Percent</u> |
| Services ^(a) | 704.4 | 45.0 | 62,872.8 | 44.2 |
| Trade ^(b) | 277.5 | 17.7 | 26,589.3 | 18.7 |
| Manufacturing | 153.6 | 9.8 | 12,182.4 | 8.6 |
| Government | 223.6 | 14.3 | 21,908.7 | 15.4 |
| Finance ^(c) | 120.1 | 7.7 | 8,727.1 | 6.1 |
| Information ^(d) | 29.3 | 1.9 | 2,698.2 | 1.9 |
| Construction ^(e) | <u>56.3</u> | <u>3.6</u> | <u>7,274.0</u> | <u>5.1</u> |
| Total ^(f) | 1,564.8 | 100.0% | 142,252.4 | 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 2020, approximately 90.2% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10
Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

| Calendar Year | Manufacturing | Trade^(a) | Services^(b) | Government | Finance^(c) | Information^(d) | Construction^(e) | Total Non-agricultural Employment^(f) |
|----------------------|----------------------|----------------------------|-------------------------------|-------------------|------------------------------|----------------------------------|-----------------------------------|--|
| 2011 | 163.4 | 288.1 | 717.6 | 247.2 | 135.0 | 31.4 | 51.5 | 1,634.2 |
| 2012 | 161.9 | 290.5 | 734.3 | 245.7 | 133.1 | 31.4 | 51.4 | 1,648.3 |
| 2013 | 160.2 | 293.1 | 746.4 | 245.2 | 130.6 | 32.1 | 53.4 | 1,661.1 |
| 2014 | 157.2 | 294.9 | 759.7 | 244.7 | 128.8 | 32.1 | 55.5 | 1,672.9 |
| 2015 | 156.9 | 296.4 | 769.2 | 243.7 | 130.1 | 32.5 | 57.9 | 1,686.8 |
| 2016 | 156.5 | 297.3 | 776.7 | 241.0 | 129.5 | 32.4 | 59.1 | 1,692.5 |
| 2017 | 158.7 | 296.9 | 784.3 | 238.6 | 127.9 | 31.6 | 58.3 | 1,696.4 |
| 2018 | 160.7 | 296.5 | 789.8 | 236.4 | 125.5 | 31.6 | 58.8 | 1,699.4 |
| 2019 | 161.9 | 292.6 | 790.7 | 235.9 | 123.7 | 31.5 | 59.8 | 1,696.1 |
| 2020 | 153.6 | 277.5 | 704.4 | 223.6 | 120.1 | 29.3 | 56.3 | 1,564.8 |

(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 20th in the nation for manufacturing employment as a percentage of total employment in calendar year 2020. 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 2020 approximately 9.8% of the State's workforce, versus 8.5% for the nation, was employed in the manufacturing sector.

TABLE B-11
Manufacturing Employment
(In Thousands)

| Calendar Year | Connecticut | | New England | | United States | |
|------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| | Number | Percent Growth | Number | Percent Growth | Number | Percent Growth |
| | <u>Growth</u> | | <u>Growth</u> | | <u>Growth</u> | |
| 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 | 591.0 | 0.4 | 12,438.3 | 0.7 |
| 2018 | 160.7 | 1.2 | 596.0 | 0.9 | 12,687.3 | 2.0 |
| 2019 | 161.9 | 0.8 | 600.8 | 0.8 | 12,816.5 | 1.0 |
| 2020 | 153.6 | (5.1) | 566.8 | (5.7) | 12,182.4 | (4.9) |

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 2020.

TABLE B-12
Manufacturing Employment
By Industry
(In Thousands)

| Calendar Year | Transportation Equipment | Fabricated Metals | Computer & Electronics | Machinery | Other ^(a) | Total Manufacturing Employment ^(b) |
|------------------|-----------------------------|----------------------|---------------------------|-----------|----------------------|---|
| 2011 | 42.2 | 28.6 | 13.4 | 14.8 | 64.5 | 163.4 |
| 2012 | 42.0 | 29.2 | 13.1 | 14.5 | 63.1 | 161.9 |
| 2013 | 41.4 | 30.0 | 12.8 | 14.1 | 61.9 | 160.2 |
| 2014 | 40.1 | 29.7 | 12.6 | 14.0 | 60.8 | 157.2 |
| 2015 | 40.7 | 29.2 | 12.3 | 14.1 | 60.6 | 156.9 |
| 2016 | 41.7 | 29.2 | 11.7 | 13.6 | 60.4 | 156.5 |
| 2017 | 44.0 | 29.4 | 11.2 | 13.3 | 60.7 | 158.7 |
| 2018 | 45.6 | 29.8 | 10.9 | 13.1 | 61.3 | 160.7 |
| 2019 | 47.0 | 29.8 | 10.9 | 13.2 | 61.0 | 161.9 |
| 2020 | 45.9 | 27.7 | 10.3 | 12.9 | 56.8 | 153.6 |

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

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

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

During the past ten years, Connecticut's manufacturing employment was at its highest in 2012 at 161,930 workers. Since that year, employment in manufacturing has remained relatively stable with the exception of 2020 levels which were influenced by the pandemic induced recession. Total manufacturing jobs in Connecticut declined to a recent low of 153,600 jobs in 2020, a loss of 9,300 jobs, or 5.73% from its decade high in 2012.

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 \$13,827.7 billion in 2020, accounting for 5.0% of Gross State Product. From 2016 to 2020, the State's export of goods declined at a compound annual rate of (1.0)% versus 1.2% growth for the Gross State Product and both indicators were significantly impacted by the COVID-19 pandemic. The following table shows the growth in exports of manufacturing products.

TABLE B-13
Exports Originating in Connecticut
(In Millions)

| | <u>2016</u> | <u>2017</u> | <u>Calendar Year</u> | | <u>2020</u> | <u>Percent of</u> <u>2020</u> <u>Total</u> | <u>Compound</u> <u>Annual</u> <u>Growth Rate</u> <u>2016-2020</u> |
|---|----------------|----------------|----------------------|----------------|----------------|--|--|
| | | | <u>2018</u> | <u>2019</u> | | | |
| A. Manufacturing Products | | | | | | | |
| Transportation Equipment | \$6,216.3 | \$6,066.4 | \$7,673.6 | \$6,939.9 | \$4,880.6 | 35.3% | (5.9)% |
| Computer & Electronics | 1,108.7 | 1,132.4 | 1,260.4 | 1,176.9 | 1,032.4 | 7.5 | (1.8) |
| Machinery, Except Electronics | 1,769.7 | 1,945.7 | 2,259.1 | 2,180.8 | 2,130.9 | 15.4 | 4.8 |
| Fabricated Metal Production | 790.3 | 829.5 | 901.6 | 962.2 | 896.8 | 6.5 | 3.2 |
| Chemicals | 865.0 | 954.5 | 1,224.5 | 1,054.4 | 1,303.4 | 9.4 | 10.8 |
| Misc. Manufacturing | 327.3 | 312.6 | 339.1 | 382.5 | 427.0 | 3.1 | 6.9 |
| Electrical Equipment | 958.9 | 983.6 | 919.6 | 895.6 | 945.1 | 6.8 | (0.4) |
| Plastics & Rubber | 224.9 | 269.9 | 297.7 | 346.4 | 256.8 | 1.9 | 3.4 |
| Paper | 137.0 | 152.2 | 157.6 | 145.1 | 124.9 | 0.9 | (2.3) |
| Primary Metal Mfg. | 505.1 | 410.8 | 323.8 | 295.1 | 211.4 | 1.5 | (19.6) |
| Others | <u>1,490.9</u> | <u>1,734.1</u> | <u>2,046.5</u> | <u>1,864.3</u> | <u>1,618.3</u> | <u>11.7</u> | <u>2.1</u> |
| Total | 14,394.0 | 14,791.6 | 17,403.5 | 16,243.3 | 13,827.7 | 100.0% | (1.0)% |
| % Growth | (5.6)% | 2.8% | 17.7% | (6.7)% | (14.9)% | - | - |
| B. Gross State Product^(a) | \$263,670.3 | \$271,582.7 | \$280,692.0 | \$288,109.1 | \$276,422.9 | - | 1.2% |
| Mfg Exports as a % of GSP | 5.5% | 5.4% | 6.2% | 5.6% | 5.0% | | 5.5% |

(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 2020 Connecticut received \$22.355 billion of prime contract awards. These total awards accounted for 5.6% of national total awards and ranked 4th in total defense dollars awarded and 1st in per capita dollars awarded among the 50 states. In Federal Fiscal Year 2020, Connecticut had \$6,207 in per capita defense awards, compared to the national average of \$1,208. 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 7.9% of Gross State Product in Fiscal Year 2020.

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

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

TABLE B-14
Defense Contract Awards

| <u>Federal Fiscal Year</u> | <u>Connecticut Total Contract Award (Millions)</u> | <u>Connecticut Rank Among States Total Awards</u> | <u>Percent Change from Prior Year</u> | |
|--------------------------------|--|---|---------------------------------------|-------------|
| | | | <u>Connecticut</u> | <u>U.S.</u> |
| 2011 | \$12,491 | 7 th | 11.1% | 1.9% |
| 2012 | 12,745 | 7 th | 2.0 | (3.1) |
| 2013 | 10,028 | 8 th | (21.3) | (15.8) |
| 2014 | 13,207 | 4 th | 31.7 | (3.0) |
| 2015 | 12,147 | 5 th | (8.0) | (2.9) |
| 2016 | 14,132 | 4 th | 16.3 | 10.1 |
| 2017 | 11,647 | 7 th | (17.6) | 7.9 |
| 2018 | 14,696 | 6 th | 26.2 | 11.8 |
| 2019 | 18,358 | 5 th | 24.9 | 7.1 |
| 2020 | 22,356 | 4 th | 21.8 | 11.1 |

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 90.2% by 2020. This trend has diluted the State’s dependence on manufacturing. From 2011 to 2020, Connecticut lost 69,400 jobs in non-agricultural employment. During this period total non-manufacturing jobs decreased by 59,600, while manufacturing jobs decreased by 9,800.

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

TABLE B-15
Non-manufacturing Employment
(In Thousands)

| Calendar Year | Connecticut | | New England | | United States | |
|---------------|-------------|----------------|-------------|----------------|---------------|----------------|
| | Number | Percent Growth | Number | Percent Growth | Number | Percent Growth |
| 2011 | 1,470.8 | 1.1% | 6,276.3 | 1.0% | 120,194.6 | 1.2% |
| 2012 | 1,486.4 | 1.1 | 6,363.2 | 1.4 | 122,229.6 | 1.7 |
| 2013 | 1,500.9 | 1.0 | 6,451.0 | 1.4 | 124,336.5 | 1.7 |
| 2014 | 1,515.7 | 1.0 | 6,553.7 | 1.6 | 126,737.7 | 1.9 |
| 2015 | 1,529.9 | 0.9 | 6,658.3 | 1.6 | 129,469.3 | 2.2 |
| 2016 | 1,536.0 | 0.4 | 6,759.6 | 1.5 | 131,980.0 | 1.9 |
| 2017 | 1,537.7 | 0.1 | 6,826.9 | 1.0 | 134,156.3 | 1.6 |
| 2018 | 1,538.7 | 0.1 | 6,878.7 | 0.8 | 136,205.5 | 1.5 |
| 2019 | 1,534.2 | (0.3) | 6,938.3 | 0.9 | 138,083.6 | 1.4 |
| 2020 | 1,411.2 | (8.0) | 6,348.3 | (8.5) | 130,070.0 | (5.8) |

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 92.5% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2011, 2018, 2019 and 2020 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 2011 and 2020, employment in the non-manufacturing sector shrunk by 59,600 workers driven primarily by the pandemic induced recession.

TABLE B-16
Connecticut Non-manufacturing Employment By Industry
(In Thousands)

| Industry | Calendar Year 2011 | Calendar Year 2018 | Calendar Year 2019 | Calendar Year 2020 | Percent Change 2018-20 | Percent Change 2011-20 |
|---|--------------------|--------------------|--------------------|--------------------|------------------------|------------------------|
| Construction ^(a) | 52.1 | 59.4 | 60.3 | 56.9 | (4.2) | 9.3 |
| Information | 31.4 | 31.6 | 31.5 | 29.3 | (7.4) | (6.8) |
| Trade ^(b) | 288.1 | 296.5 | 292.6 | 277.5 | (6.4) | (3.7) |
| Finance, Insurance & Real Estate | 135.0 | 125.5 | 123.7 | 120.1 | (4.3) | (11.0) |
| Services ^(c) | 717.1 | 789.3 | 790.2 | 703.9 | (10.8) | (1.8) |
| Federal Government | 18.0 | 18.1 | 18.2 | 19.2 | 6.1 | 6.9 |
| State and Local Government | <u>229.2</u> | <u>218.3</u> | <u>217.8</u> | <u>204.5</u> | (6.4) | (10.8) |
| Total Non-manufacturing Employment ^(d) | 1,470.8 | 1,538.7 | 1,534.2 | 1,411.2 | (8.3) | (4.0) |

(a) Includes natural resources and mining.

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

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

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

SOURCE: Connecticut State Labor Department

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

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for Fiscal Years 2016-2020. 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 B-17
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 11.4% in May and June of 2020, New England reached 14.1% in April 2020, and the nation reached 14.7% in April 2020. As of December 2021, Connecticut’s unemployment rate was 8.4% whereas it was 7.2% in New England, and 6.9% for the United States.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2011 through 2021.

TABLE B-18
Unemployment Rate^(a)

| Calendar Year | Unemployment Rate | | |
|--------------------------|--------------------------|--------------------|----------------------|
| | Connecticut | New England | United States |
| 2011 | 9.4 | 8.1 | 9.3 |
| 2012 | 8.6 | 7.4 | 8.5 |
| 2013 | 8.3 | 7.1 | 7.8 |
| 2014 | 7.3 | 6.5 | 6.8 |
| 2015 | 6.1 | 5.3 | 5.7 |
| 2016 | 5.2 | 4.5 | 5.0 |
| 2017 | 4.6 | 3.9 | 4.7 |
| 2018 | 4.2 | 3.7 | 4.1 |
| 2019 | 3.7 | 3.2 | 3.8 |
| 2020 | 5.3 | 5.6 | 6.0 |
| 2021 | 8.4 | 7.2 | 6.9 |

(a) On a preliminary basis, Connecticut’s unemployment rate was estimated at 4.0% for September 2022 compared to the national average of 3.5%. No assurances can be provided that such rates will not change.

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

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APPENDIX II-C

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APPENDIX II-C

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NATALIE BRASWELL
STATE COMPTROLLER



MARTHA CARLSON
DEPUTY COMPTROLLER



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

February 24, 2022

The Honorable Shawn T. Wooden
State Treasurer
165 Capitol Avenue
Hartford, CT 06106

Dear Treasurer Wooden:

I have reviewed the accompanying general purpose financial statement of the State of Connecticut for the Fiscal year ended June 30, 2021. The statements and the subsequent Independent Auditors' Report are incorporated within the Annual Comprehensive Financial Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

DocuSigned by:

56BE7727DE0542F...
Natalie Braswell
State Comptroller

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT

The Honorable Ned Lamont, Governor
Members of the General Assembly

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the state's basic 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 did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Transportation Restricted Grants Fund account within the Restricted Grants and Accounts Fund, which in the aggregate, represent 5% of the assets, 3% of the net position and 7% of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital, UConn Medical Group and Finance Corporation accounts within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58% of the assets, 38% of the net position and 19% of the revenues of the Business-Type Activities;
- the financial statements of the discretely presented component units.

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 99% of the assets and 99% of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100% of the assets and 100% of the revenues of the Debt Service Fund;
- the financial statements of the Transportation Restricted Grants Fund account, which represents 4% of the assets and 8% of the revenues of the Restricted Grants and Accounts Fund;
- the financial statements of the John Dempsey Hospital, UConn Medical Group, and Finance Corporation accounts within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58% of the assets, 38% of the net position and 19% of the revenues of the Enterprise Funds;
- the financial statements of the Connecticut Paid Family and Medical Leave Insurance Authority, which represents .4% of the assets, .4% of the fund balance/net position and 1% of the revenues/additions of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned funds and accounts, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Transportation Restricted Grants Fund, Clean Water Fund, Drinking Water Fund, Connecticut Housing Finance Authority, Connecticut Airport Authority, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Capital Region Development Authority, Connecticut Innovations Incorporated, Connecticut Green Bank, Connecticut Lottery Corporation, Connecticut Port Authority and Connecticut Paid Family and Medical Leave Insurance Authority were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the University of Connecticut, the University of Connecticut Health Center, the Connecticut State University System, the Connecticut Community Colleges, and the University of Connecticut Foundation were not audited in accordance with *Government Auditing Standards*.

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, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining

fund information of the State of Connecticut, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the State of Connecticut adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension plan and other postemployment benefits schedules and information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.


Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Connecticut's internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2021, State of Connecticut Annual Comprehensive Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Connecticut's internal control over financial reporting and compliance.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

February 24, 2022
State Capitol
Hartford, Connecticut



*MANAGEMENT'S
DISCUSSION AND
ANALYSIS*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2021. The information provided here should be read with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) increased \$1.6 billion (or 3.4 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by \$873.8 million (or 1.6 percent) and net position of business-type activities decreased by \$770.7 million (or -11.4 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative \$55.3 billion and \$6.0 billion, respectively.

Component units reported net position of \$2.8 billion, an increase of \$354.5 million or 14.3 percent from the previous year. Most of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

Fund Financial Statements

The governmental funds reported combined ending fund balance of \$11.5 billion, an increase of \$3.2 billion in comparison with the prior year. Of this total fund balance, \$243.3 million represents nonspendable fund balance, \$8.0 billion represents restricted fund balance, \$3.9 billion represents committed fund balance, and \$24.3 million represents assigned fund balance. A negative \$661.5 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which decreased by \$441.5 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Fund (Rainy Day Fund) ended the fiscal year with a balance of \$3.1 billion compared to the prior year's balance of \$3.0 billion. The primary reason for the increase as in the prior fiscal year, significant progress has been made toward building the balance of the Budget Reserve Fund. This was primarily due to the revenue volatility cap, first implemented in fiscal year 2018. This statutory provision requires revenues above a certain threshold to be transferred to the Budget Reserve Fund. For fiscal year 2021, the cap was just over \$3.4 billion for estimated and final income tax payments and revenue from the Pass-through Entity tax. At year-end, a volatility transfer of \$1.24 billion was made to the Budget Reserve Fund.

Prior to the close of fiscal year 2021, the balance in the Budget Reserve Fund was just over \$3.03 billion. Adding the \$1.24 billion volatility transfer brought the Budget Reserve Fund total to \$4.25 billion, or 20.5 percent of net General Fund appropriations for FY 2022. As a result, the Budget Reserve Fund was \$1.14 billion above the statutory 15 percent cap. According to CGS Section 40-30a(c)(1)(A), no further transfers will be made to the Budget Reserve Fund. Instead, the State Treasurer decides what is in the best interest of the State, whether to transfer the balance above the 15 percent threshold as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement System (TRS). In late September, the State Treasurer elected to transfer \$903.6 million to TRS to reduce unfunded pension liability, with the remaining balance of \$238.8 million going to SERF. In December 2021, the General Fund surplus of \$475.9 million was transferred to SERF to reduce unfunded service liability.

When the excess \$1.14 billion is transferred from the Budget Reserve Fund to TRS and SERF this would bring the Budget Reserve Fund to just over \$3.1 billion or approximately 15 percent of net General Fund appropriations for fiscal year 2022. Achieving and surpassing the 15 percent threshold represents an important benchmark for Connecticut. Due to fiscal discipline and hard work, our state is in a much stronger position to provide critical services to those in need and to weather the public health and fiscal crisis brought on by the COVID-19 pandemic.

Tax revenues in the governmental funds increased \$2.6 billion or 15 percent. General fund tax revenues decreased \$2.5 billion or 15.2 percent.

State of Connecticut

The Enterprise funds reported net position of \$6.0 billion at year-end, a decrease of \$770.7 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long-Term Debt

Total long-term debt was \$98.7 billion for governmental activities at year-end, of which \$28.1 billion was bonded debt.

Total long-term debt was \$2.9 billion for business-type activities at year-end, of which \$1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information to provide additional support to the basic financial statements.

Government-wide Financial Statements – Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities beginning on page II-C-31 together comprise the government-wide financial statements. These financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2021. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.
- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Community Colleges), Employment Security Fund, and Clean Water Fund.
- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

State of Connecticut

Fund Financial Statements – Report the State’s Most Significant Funds

The fund financial statements beginning on page II-C-35 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Most of the State’s basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State’s financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted Grants and Accounts Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other nineteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State’s various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The State reports four individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Connecticut Community Colleges), Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **Fiduciary Funds** – Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

State of Connecticut

- **Component Units** – The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages II-C-37 and II-C-39 which reconcile and explain the differences between the amounts reported for governmental activities on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements but is expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.
- Net Pension Liability and Net OPEB Liability are included on the government-wide statements but are not reported on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred inflows of resource on the governmental fund statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information (RSI)

Following the basic financial statements are budgetary comparison schedules for major funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for Budgetary vs. GAAP basis of accounting. The RSI also includes information regarding employer contributions for pension and other postemployment benefits, change in employers' net pension liability and OPEB liability, and investment return for the State's pension and OPEB plans.

Supplementary Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

Statistical Section

This section provides up to ten years of financial, economic, and demographic information.

State of Connecticut

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State increased \$1.6 billion or 3.4 percent. In comparison, last year the combined net position deficit increased \$1.4 billion or 3.1 percent. The net position deficit of the State's governmental activities increased \$873.8 million (1.6 percent) to \$55.3 billion during the current fiscal year.

State Of Connecticut's Net Position (Expressed in Millions)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|-------------------------------------|--------------------------------|--------------------|---------------------------------|-----------------|---------------------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| ASSETS | | | | | | |
| Current and Other Assets | \$ 15,023 | \$ 9,600 | \$ 2,219 | \$ 2,339 | \$ 17,242 | \$ 11,939 |
| Noncurrent Assets | 19,227 | 18,690 | 7,215 | 7,250 | 26,442 | 25,940 |
| Total Assets | <u>34,250</u> | <u>28,290</u> | <u>9,434</u> | <u>9,589</u> | <u>43,684</u> | <u>37,879</u> |
| Deferred Outflows of Resources | 16,122 | 14,280 | 10 | 7 | 16,132 | 14,287 |
| LIABILITIES | | | | | | |
| Current Liabilities | 7,076 | 5,164 | 712 | 665 | 7,788 | 5,829 |
| Long-term Liabilities | 96,240 | 89,852 | 2,732 | 2,142 | 98,972 | 91,994 |
| Total Liabilities | <u>103,317</u> | <u>95,016</u> | <u>3,444</u> | <u>2,807</u> | <u>106,761</u> | <u>97,823</u> |
| Deferred Inflows of Resources | 2,372 | 2,090 | 4 | 5 | 2,376 | 2,095 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 6,192 | 6,165 | 4,193 | 4,301 | 10,385 | 10,466 |
| Restricted | 7,385 | 5,245 | 1,085 | 952 | 8,470 | 6,197 |
| Unrestricted | (68,894) | (65,946) | 718 | 1,531 | (68,176) | (64,415) |
| Total Net Position (Deficit) | <u>\$ (55,317)</u> | <u>\$ (54,536)</u> | <u>\$ 5,996</u> | <u>\$ 6,784</u> | <u>\$ (49,321)</u> | <u>\$ (47,752)</u> |

Total investment in capital assets net of related debt was \$6.2 billion (buildings, roads, bridges, etc.); and \$7.4 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of \$68.9 billion for governmental activities. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit: a) general obligation bonds outstanding of \$18.6 billion to finance various municipal grant programs (e.g., school construction) and \$2.2 billion issued to finance a contribution to a pension trust fund; and b) other long-term obligations in the amount of \$70.5 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB liabilities and compensated absences).

Net position of the State's business-type activities decreased \$770.7 million (-11.4 percent) to \$6.0 billion during the current fiscal year. Of this amount, \$4.2 billion was invested in capital assets and \$1.1 billion was restricted for specific purposes, resulting in unrestricted net position of \$718 million. These resources are not available to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

State of Connecticut

Changes in net position for the years ended June 30, 2021 and 2020 were as follows:

State of Connecticut's Changes in Net Position (Expressed in Millions)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | | <u>% change</u> |
|---|--------------------------------|-----------------|---------------------------------|--------------|-----------------|-----------------|-----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>21-20</u> |
| REVENUES | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 3,106 | \$ 3,163 | \$ 2,929 | \$ 3,437 | \$ 6,035 | \$ 6,600 | -8.6% |
| Operating Grants and Contributions | 12,660 | 9,579 | 4,116 | 540 | 16,776 | 10,119 | 65.8% |
| Capital Grants and Contributions | 986 | 782 | 12 | 2 | 998 | 784 | 27.3% |
| General Revenues | | | | | | | |
| Taxes | 20,752 | 17,459 | - | - | 20,752 | 17,459 | 18.9% |
| Casino Gaming Payments | 229 | 164 | - | - | 229 | 164 | 39.6% |
| Lottery Tickets | 407 | 338 | - | - | 407 | 338 | 20.4% |
| Other | 168 | 219 | 6 | 35 | 174 | 254 | -31.5% |
| Total Revenues | 38,308 | 31,704 | 7,063 | 4,014 | 45,371 | 35,718 | 27.0% |
| EXPENSES | | | | | | | |
| Legislative | 139 | 131 | - | - | 139 | 131 | 6.1% |
| General Government | 5,654 | 2,792 | - | - | 5,654 | 2,792 | 102.5% |
| Regulation and Protection | 1,208 | 986 | - | - | 1,208 | 986 | 22.5% |
| Conservation and Development | 1,478 | 1,190 | - | - | 1,478 | 1,190 | 24.2% |
| Health and Hospital | 3,502 | 3,081 | - | - | 3,502 | 3,081 | 13.7% |
| Transportation | 2,531 | 2,314 | - | - | 2,531 | 2,314 | 9.4% |
| Human Services | 11,915 | 10,834 | - | - | 11,915 | 10,834 | 10.0% |
| Education, Libraries, and Museums | 6,190 | 5,490 | - | - | 6,190 | 5,490 | 12.8% |
| Corrections | 2,740 | 2,524 | - | - | 2,740 | 2,524 | 8.6% |
| Judicial | 1,208 | 1,135 | - | - | 1,208 | 1,135 | 6.4% |
| Interest and Fiscal Charges | 968 | 943 | - | - | 968 | 943 | 2.7% |
| University of Connecticut & Health Center | - | - | 2,765 | 2,651 | 2,765 | 2,651 | 4.3% |
| Board of Regents | - | - | 1,432 | 1,427 | 1,432 | 1,427 | 0.4% |
| Employment Security | - | - | 5,201 | 1,651 | 5,201 | 1,651 | 215.0% |
| Clean Water | - | - | 42 | 54 | 42 | 54 | -22.2% |
| Other | - | - | 43 | 50 | 43 | 50 | -14.0% |
| Total Expenses | 37,533 | 31,420 | 9,483 | 5,833 | 47,016 | 37,253 | 26.2% |
| Excess (Deficiency) Before Transfers | 775 | 284 | (2,420) | (1,819) | (1,645) | (1,535) | |
| Transfers | (1,649) | (1,348) | 1,649 | 1,348 | - | - | |
| Increase in Net Position | (874) | (1,064) | (771) | (471) | (1,645) | (1,535) | |
| <i>Net Position (Deficit) - Beginning (as restated)</i> | <i>(54,443)</i> | <i>(53,472)</i> | <i>6,767</i> | <i>7,255</i> | <i>(47,676)</i> | <i>(46,217)</i> | |
| Net Position (Deficit) - Ending | (55,317) | (54,536) | 5,996 | 6,784 | (49,321) | (47,752) | 3.3% |

Note: The beginning Net Position for Business-Type Activities was restated due to the reclassification of a proprietary fund to a Component Unit.

The beginning Net Position for Governmental Activities was due to the reclassification of a governmental fund to a Fiduciary Component Unit.

Changes in Net Position

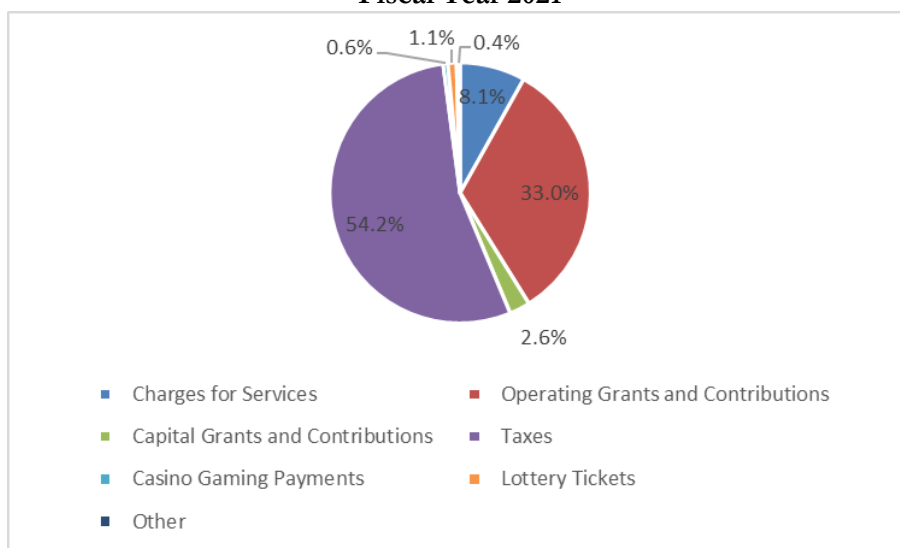
This year the State's governmental activities received 54.2 percent of its revenue from taxes and 35.6 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 55.0 percent and grants and contributions were 32.7 percent of total revenues. Charges for services such as licenses, permits, and fees, rents and fines, and other miscellaneous collections comprised 10.2 percent of total revenue in fiscal year 2021, compared to 12.3 percent in fiscal year 2020.

State of Connecticut

Governmental Activities

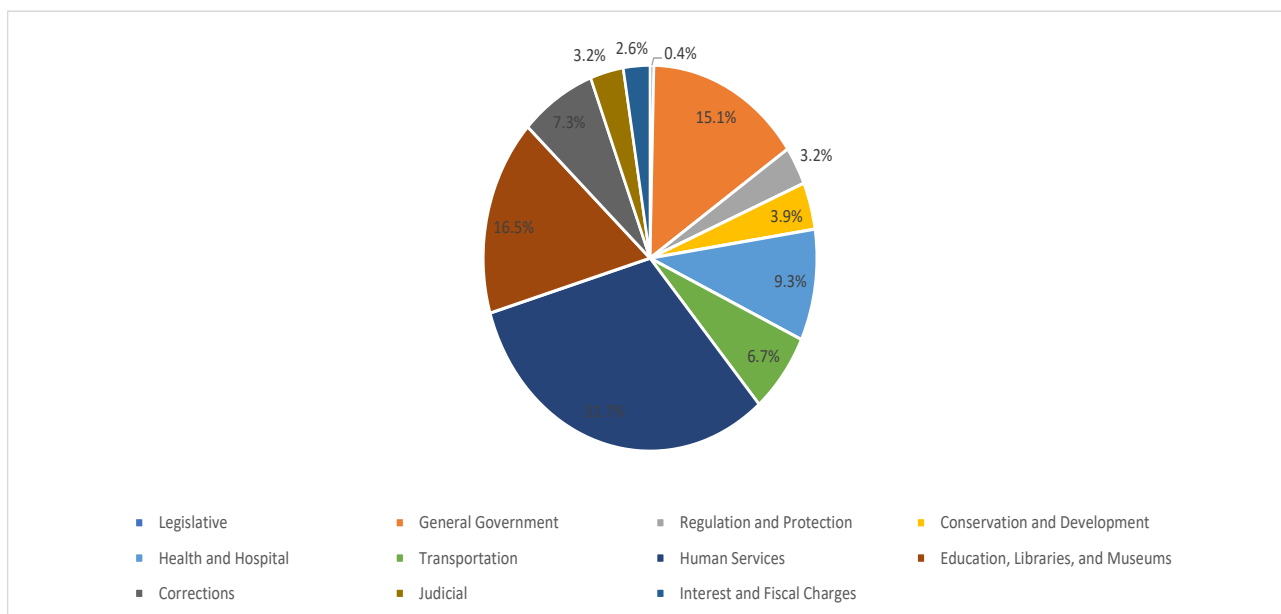
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$6.6 billion, or 20.8 percent. This increase is primarily due to an increase of \$3.3 billion in taxes and \$3.1 billion in operating grants and contributions.

**Revenue by Source – Governmental Funds
Fiscal Year 2021**



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$6.1 billion, or 19.4 percent.

**Expenses by Type – Governmental Funds
Fiscal Year 2021**

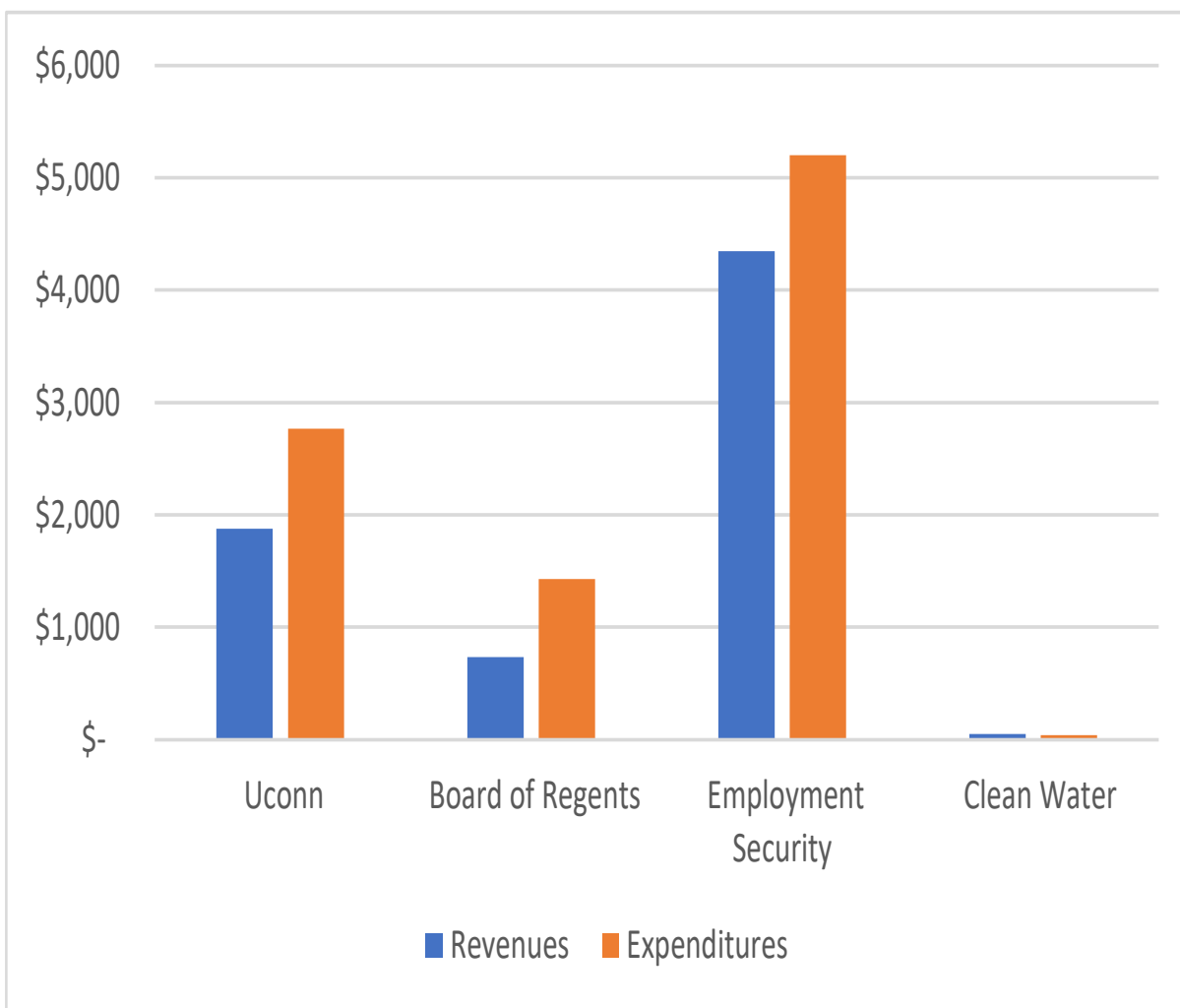


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Business-Type Activities

Net position of business-type activities decreased by \$770.7 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.

**Business-Type Activities
Program Revenues and Expenses
For the Fiscal Year June 30, 2021
(Dollars in Millions)**



During the year, total revenues of business-type activities increased 76.0 percent to \$7.1 billion, while total expenses increased 62.6 percent to \$9.5 billion. In comparison, last year total revenues increased 17.9 percent, while total expenses increased 26.5 percent. The increase in total expenses of \$3.7 billion was due mainly to an increase in Employment Security expenses of \$3.6 billion or 215.0 percent. Although total expenses exceeded total revenues by \$2.4 billion, this deficiency was reduced by transfers of \$1.6 billion, resulting in a decrease in net position of \$770.7 million. The increase in Employment Security was the result of additional unemployment expenses related to the COVID-19 pandemic.

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FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of \$11.5 billion, an increase of \$3.2 billion over the prior year ending fund balances. Of the total governmental fund balances, \$8.0 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$243.3 million represents fund balance that is non-spendable and \$3.9 billion represents fund balance that is committed or assigned for specific purposes. A negative \$661.5 million unassigned fund balance offsets these amounts.

General Fund

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance of \$3.3 billion, an increase of \$990.4 million in comparison with the prior year. Of this total fund balance, \$3.9 billion represents non-spendable fund balance, committed or assigned for specific purposes, leaving a deficit of \$660.7 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Non-spendable fund balance increased by 8.6 million or 12.6 percent.
- Committed fund balance increased by \$718.4 million or 22.8 percent. The primary reason for the increase as in the prior fiscal year, significant progress was made toward building the balance of the Budget Reserve Fund. This was primarily due to the revenue volatility cap, first implemented in fiscal year 2018. This statutory provision requires revenues above a certain threshold to be transferred to the Budget Reserve Fund.
- Assigned fund balance decreased by \$144.4 million.
- Unassigned fund balance deficit decreased by \$411.5 million.

At the end of fiscal year 2021, General Fund revenues were 14.6 percent, or \$2.9 billion, higher than fiscal year 2020 revenues. This change in revenue results from increases of \$3.0 billion primarily attributable to taxes (\$2.5 billion), lottery tickets (\$69.8 million), licenses, permits, and fees (\$29.7 million), fines, forfeits, and rents (\$16.7 million), casino gaming payments (\$64.7 million), and federal grants (321.2 million). These increases were offset by decreases of \$55.1 million primarily attributable to charges for services (\$3.2 million), investment earnings (45.8 million) and other revenue (6.1 million).

At the end of fiscal year 2021, General Fund expenditures were 10.6 percent, or \$2.0 billion, higher than fiscal year 2020. This was primarily attributable to increases in general government (\$1.7 billion), human services (\$108.7 million), and education (\$42.6 million).

Debt Service Fund

At the end of fiscal year 2021, the Debt Service Fund had a fund balance of \$1.1 billion, all of which was restricted, an increase of \$78.5 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$323.7 million at the end of fiscal 2021. Of this amount, \$27.2 million was in non-spendable form and \$296.5 million was restricted or committed for specific purposes. Fund balance increased by 54.2 million during the current fiscal year.

At the end of fiscal year 2021, Transportation Fund revenues increased by \$205.9 million, or 13.2 percent, and expenditures decreased by \$3.1 million, or -.30 percent. The increase in revenue was primarily due to an increase in licenses, permits, and fees.

Restricted Grants and Accounts Fund

At the end of fiscal year 2021, the Restricted Grants and Accounts Fund had a fund balance of \$3.6 billion, all of which was restricted for specific purposes, an increase of \$1.7 billion in comparison with the prior year.

Total revenues were 30.5 percent, or \$2.9 billion, higher than in fiscal year 2020. Overall, total expenditures were 29.1 percent, or \$2.5 billion, higher than fiscal year 2020.

Grant and Loan Programs

As of June 30, 2021, the Grant and Loan Programs Fund had a fund balance of \$866.4 million, all of which was restricted or committed for specific purposes, an increase of \$75.4 million in comparison with the prior year.

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FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S FIDUCIARY FUNDS

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, a Fiduciary Component Unit, an Investment Trust fund, a Private-Purpose Trust fund, and Custodial Funds. The net positions of the State's Fiduciary funds totaled \$48.9 billion, an increase of \$10.6 billion when compared to the prior year ending net position.

Budget Highlights - General and Special Transportation Funds

The State budget is formulated during odd-numbered years; the General Assembly generates a two-year (biennial) budget. The process begins with the Executive Branch when the governor asks the commissioner of each state agency to prepare draft budgets for the following biennium. Over several months the governor's budget office, the Office of Policy and Management (OPM), compiles this information, makes changes as it sees fit, and then works to match the agencies' spending projections with revenue estimates for the same period.

The results referred to as the 'governor's budget,' is delivered to the General Assembly in a formal address by the governor in early February. The annual budget address often includes policy initiatives, spending proposals, and vehicles through which additional revenue may be generated. In the address, the governor identifies his priorities for the biennium.

Thereafter, the legislature goes through a similar process to determine spending priorities and corresponding revenue requirements. Later in the session, the Appropriations and Finance Committees approve a budget, which is often different from the governor's proposal. Negotiations with the governor's office reconcile the two versions and determine the final budget language and the state's fiscal path for the following two years. Lastly, the budget must be voted on and passed by both the House and Senate and signed into law by the governor.

The General Fund ended Fiscal Year 2021 with a surplus of \$475,864,135 on the statutory basis of accounting. In a typical year, once the audit is completed, the surplus would be transferred to the Budget Reserve Fund (BRF). However, the balance in the BRF has reached the statutory limit of 15 percent of current year net General Fund appropriations. Therefore, a separate provision of the Connecticut General Statutes (CGS) will apply as described below.

In FY 2021, for the fourth consecutive year, significant progress was made toward building the balance of the BRF. This was primarily due to the revenue volatility cap, first implemented in FY 2018. This statutory provision requires revenues above a certain threshold to be transferred to the BRF. For FY 2021, the cap was just over \$3.4 billion for estimated and final income tax payments and revenue from the Pass-through Entity tax. At year-end, a volatility transfer of \$1.24 billion was made to the BRF.

Prior to the close of FY 2021, the balance of the BRF was just over \$3.03 billion. Adding the \$1.24 billion volatility transfer brought the BRF total to \$4.25 billion, or 20.5 percent of net General Fund appropriations for FY 2022. As a result, the BRF was \$1.14 billion above the statutory 15 percent cap. According to CGS Section 4-30a (c)(1)(A), no further transfers will be made to BRF. Instead, the State Treasurer decides what is in the best interest of the state, whether to transfer the balance above the 15 percent threshold as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement System (TRS). In late September the State Treasurer elected to transfer \$903.6 million to TRS, with the remaining balance of \$238.8 million going to SERF. Based on the State Treasurer's decision, the General Fund surplus of \$475.9 million has also been transferred to SERF to reduce unfunded pension liability.

Achieving and surpassing the 15 percent threshold represents an important benchmark for Connecticut. Due to fiscal discipline and hard work, our state is in a much stronger position to provide critical services to those in need and to weather the public health and fiscal crisis brought on by the COVID-19 pandemic.

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Similar to the pattern in the prior fiscal year, the General Fund budget projections varied widely throughout FY 2021 resulting from the COVID-19 pandemic and its anticipated impact on the state's economy. The FY 2021 budget plan as initially formulated included a built-in General Fund surplus of \$166.2 million. However, revenue estimates were revised significantly downward shortly after the start of the year. This reflected the results of the previous quarter when U.S. economic activity saw its largest drop on record due to COVID-related lock downs and job losses. Amid the uncertainty of the pandemic, the revised revenue schedule reflected a worst-case scenario for the General Fund and a deficit of over \$2.0 billion (or 10.3 percent) was projected at the beginning of the year.

With each passing month, however, the revenue forecasts improved as the economy recovered, supported by significant Federal relief efforts. At the same time, General Fund spending growth was largely held in check. One of the main factors for this was the enhanced Federal Medical Assistance Percentage (FMAP), or matching rate for Medicaid expenditures. As a high-income state, Connecticut's FMAP is typically 50 percent, with the General Fund and Federal funding sources each covering half of the costs. In FY 2021 due to pandemic-related relief provisions, the state received an enhanced Federal reimbursement rate of 56.2 percent, which reduced pressure on the General Fund Medicaid appropriation, the single largest line item in the state budget. In addition, the state began recovering jobs over the course of FY 2021 and the stock market continued its strong performance in the second half of calendar 2020. After the release of the January 15th consensus revenue forecast reached by OPM and the Office of Fiscal Analysis, a modest surplus was reported for the General Fund for the first time in FY 2021.

In the last quarter of the fiscal year, the projected surplus increased as revenue growth continued to exceed expectations in both the April 30th consensus revenue forecast and in the statutory tax accruals. In the end, the General Fund surplus was reduced due to significant carry-forward amounts totaling \$758.4 million that were included in the budget plan for 2022-2023. In other words, amounts that would have lapsed at year-end were instead continued into FY 2022 and 2023 and earmarked for specific purposes.

In FY 2021, General Fund expenditures totaled \$19,436,204,469 on the statutory basis of accounting. This represented an increase of \$247.6 million, or 1.3 percent above FY 2020 spending levels. As noted, one of the primary reasons for the modest growth was a \$119.7 million reduction in General Fund Medicaid spending, a decrease of 4.7 percent compared with the prior year that was largely due to the enhanced FMAP. There was also \$19.7 million (-40.9%) in lower spending from the non-appropriated Adjudicated Claims account, which pays claims against the state. The primary reason was lower payments associated with the SEBAC v. Rowland settlement in FY 2021 compared with FY 2020.

There were significant reductions in several other General Fund accounts in FY 2021. Spending for the General Fund portion of Temporary Assistance to Needy Families (TANF) was lower by \$12.7 million (-22.7%) due to a longer-term trend of caseload decreases that carried into FY 2021. The Care4Kids childcare portion of TANF was lower by \$22.9 million (-29.4%), but this partly reflected a change from gross to net budgeting, where a portion of these expenditures were moved from the General Fund to a Federal grant account. Expenditures for the Board and Care for Children – Foster Care account decreased by \$26.1 million (-19.1%), which reflected pandemic-related spending reductions. For example, due to the COVID-19, fewer children went to day care due to closures or stayed in home settings to reduce the risk of infection. Furthermore, Foster Care transportation costs were lower since many schools went to full time remote learning for significant portions of the year.

Other appropriations saw large spending increases that accounted for much of the growth in FY 2021. The General Fund employer contribution to the State Employee Retirement System (SERS) increased by a net \$119.9 million or 10.0 percent driven entirely by an increase in payments toward unfunded pension liability. This was followed by a \$66.2 million increase in higher education operating expenditures and a \$50.2 million increase in education cost sharing grants to Connecticut cities and towns. The employer contribution to the Teachers' Retirement System grew by \$41 million.

Overall, employee salaries grew modestly in FY 2021. General Fund salary and wage costs (from all appropriations) totaled \$2.83 billion in FY 2021. This represented an increase of \$66.6 million or growth of 2.4 percent compared with FY 2020.

Despite pessimistic projections early in the fiscal year, General Fund revenues finished the year by outperforming their targets. Realized revenues totaled \$20,531,418,459 and came in a net \$278.9 million or 1.4 percent above the FY 2021

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budget plan. When compared with the FY 2020's realized amounts, revenues performed even better, finishing \$1.3 billion or 7.0 percent above the prior year's levels.

For FY 2021, collections in the six largest tax categories all ended the year above their budget targets. The strongest performer was the Pass-Through Entity Tax (PET) which is levied on Partnerships and S-Corporations. PET receipts ended the year \$699.7 million or 45.2 percent above the budget plan. Due to the strong results in the financial markets, estimated and final income tax collections finished \$259.7 million or 8.4 percent over target. Despite the pandemic and its impact on households, the Sales and Use Tax came in \$204.3 million or 4.3 percent above the budget plan. This was partly the result of significant Federal relief efforts, including several rounds of direct relief payments to households that helped stimulate the economy after the pandemic induced recession hit. The Corporations Tax outperformed its target by \$70.6 million or 6.1 percent and the Health Provider Tax came in slightly ahead of budget by \$4.1 million or 0.4 percent.

Despite historic job losses at the start of the pandemic, the withholding portion of the income tax still finished the year \$75.3 million or 1.0 percent above its budget target. Compared with prior year realized amounts, FY 2021 withholding receipts increased by \$428.6 million or 6.3 percent. Growth in withholding reflected several factors, including the concentration of employment losses in the lower wage service sector, the economy regaining jobs throughout the year and having income tax withheld on enhanced unemployment benefits, including the additional \$600 per week that was part of the Federal pandemic relief efforts.

On a statutory basis of accounting, Special Transportation Fund (STF) spending totaled \$1,698,510,251 in FY 2021, increasing by \$28.7 million or 1.7 percent compared with the prior fiscal year. In aggregate expenditure growth was quite modest, but there were significant shifts between budget line items. The three appropriations with the highest dollar increases were Personal Services, the primary account for salaries, which grew by \$18.3 million (+8.6%); debt service on Special Transportation Obligation bonds, which increased \$13.4 million (+2.1%); and the STF employer contribution for SERS retirement, which rose a net \$9.2 million (6.2%) driven by the unfunded liability portion of the payment. Salary increases were caused by a combination of a higher position count in the Transportation Fund, employee wage increases as well as higher overtime costs for snow removal and clean-up activities related to Tropical Storm Isaias in August 2020. Two public transportation-related appropriations had significant spending decreases in FY 2021 due to COVID-19 related reductions in ridership. These included Rail Operations, which dropped by \$15.1 million (-6.5%) and the ADA Para-Transit Program, which decreased by \$7.3 million (-17.8%). In addition, the pandemic slowed the pace of maintenance projects funded by the Pay-As-You-Go Transportation line item, which saw a decline of \$4.5 million or 24.4 percent.

The Transportation Fund had revenue of \$ \$1,777,716,829 on the statutory basis of accounting, which was \$103.1 million or 5.5 percent below the budget plan for FY 2021. Both the Motor Fuel Tax (-\$29.9 million) and the Oil Companies Tax (-\$101.1 million) came in significantly below their budget targets based on a combination of lower oil prices for portions of the year and less consumption due to pandemic-related shutdowns. By contrast, the Sales and Use Tax and Sales Tax - DMV categories each over-perform the budget plan by \$28.8 million and \$31.1 million, respectively.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$22.1 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was \$551 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings, land, and construction in progress of \$786 million and depreciation expense of \$718 million.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

| | State of Connecticut's Capital Assets (Net of Depreciation, in Millions) | | | | | |
|-----------------------------------|---|-------------------------|-------------------------------------|------------------------|-------------------------------------|-------------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Land | \$ 1,946 | \$ 1,899 | \$ 79 | \$ 79 | \$ 2,024 | 1,978 |
| Buildings | 2,945 | 2,913 | 4,046 | 3,954 | 6,991 | 6,867 |
| Improvements Other Than Buildings | 44 | 66 | 406 | 363 | 450 | 429 |
| Equipment | 46 | 44 | 335 | 358 | 382 | 402 |
| Infrastructure | 5,848 | 6,073 | - | - | 5,848 | 6,073 |
| Construction in Progress | 6,124 | 5,417 | 300 | 404 | 6,424 | 5,821 |
| Total | <u>\$ 16,953</u> | <u>\$ 16,412</u> | <u>\$ 5,166</u> | <u>\$ 5,157</u> | <u>\$ 22,120</u> | <u>\$ 21,569</u> |

Additional information on the State's capital assets can be found in Note 9 of this report.

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of \$29.8 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

| | State of Connecticut's Bonded Debt (in millions) General Obligation and Revenue Bonds | | | | | |
|--------------------------------------|--|-------------------------|-------------------------------------|------------------------|-------------------------------------|-------------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| General Obligation Bonds | \$ 18,563 | \$ 18,480 | \$ - | \$ - | \$ 18,563 | \$ 18,480 |
| Direct Borrowings & Direct Placement | 268 | 329 | - | - | 268 | 329 |
| Transportation Related Bonds | 6,959 | 6,425 | - | - | 6,959 | 6,425 |
| Revenue Bonds | - | - | 1,449 | 1,588 | 1,449 | 1,588 |
| Premiums and Deferred Amounts | 2,354 | 2,140 | 177 | 204 | 2,531 | 2,344 |
| Total | <u>\$ 28,144</u> | <u>\$ 27,374</u> | <u>\$ 1,626</u> | <u>\$ 1,792</u> | <u>\$ 29,770</u> | <u>\$ 29,166</u> |

The State's total bonded debt increased by \$604.1 million (2.1 percent) during the current fiscal year. This increase resulted mainly from an increase in Transportation related bonds of \$534.6 million.

State of Connecticut

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of February 2021 the State had a debt incurring margin of \$5.3 billion.

Other Long-Term Debt State of Connecticut Other Long - Term Debt (in Millions)

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|---------------------------------|---------------------|------------------|----------------------|---------------|---------------------------|------------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Primary Government</u> | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Net Pension Liability | \$ 42,551 | \$ 39,841 | \$ - | \$ - | \$ 42,551 | \$ 39,841 |
| Net OPEB Liability | 26,040 | 23,023 | - | - | 26,040 | 23,023 |
| Compensated Absences | 578 | 531 | 213 | 196 | 791 | 727 |
| Workers Compensation | 813 | 797 | - | - | 813 | 797 |
| Nonexchange Financial Guarantee | 453 | 488 | - | - | 453 | 488 |
| Other | 91 | 88 | 323 | 305 | 414 | 393 |
| Total | <u>\$ 70,526</u> | <u>\$ 64,768</u> | <u>\$ 536</u> | <u>\$ 501</u> | <u>\$ 71,062</u> | <u>\$ 65,269</u> |

The State's other long-term obligations increased by \$5.8 billion (8.9 percent) during the fiscal year. This increase was due mainly to an increase in the Net Pension Liability and Net OPEB Liability (Governmental activities) of \$5.7 billion or 9.1 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

State of Connecticut

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Connecticut's budget results are ultimately dependent upon the performance of the national and state economies. Overall, FY 2021 was characterized by the continued recovery from the recession caused by the COVID-19 pandemic. However, the recovery remains uneven with analysts describing it as K-shaped. This unequal nature of the recovery can be seen by its impact on different industry sectors and various income groups—some recovering quickly while others lag. Individuals and households that were able to work from home, typically white-collar workers, fared much better than lower wage service sector employees who lost jobs due to business closures. While millions remained unemployed nationally, a strong stock market has bolstered wealthier households. As the fiscal year ended, a pattern emerged: economic progress remained largely reliant on the course of the coronavirus.

In the beginning of the fiscal year, Connecticut's unemployment rate stood at 11.3 percent. This was among the highest unemployment rates in more than 40 years. According to the Connecticut Department of Labor, nonfarm payroll employment totaled 1,525,000, while 213,900 residents remained unemployed. Weekly initial unemployment claims averaged 10,794 and continued claims jumped to 251,926. These economic circumstances were unlike anything Connecticut had seen in decades. By historical standards, the recession was severe, yet conditions rebounded faster than normal. By the third quarter of 2020, conditions improved rapidly.

As the fiscal year closed, Connecticut's unemployment rate dropped to 7.7 percent. Nonfarm payroll employment reached 1,590,900, but 139,000 residents remained unemployed. Weekly initial unemployment claims dropped to an average of 4,524 while continued claims fell to 59,763. By June of 2021, the state recovered 64.6 percent of the 292,400 jobs lost in March and April of 2020. Over the fiscal year, six industry sectors experienced growth while four declined. Leisure and hospitality, the industry most affected by the pandemic, had the greatest net change in employment.

On a national level, over the course of FY 2021, the U.S. added 6.3 million jobs and the unemployment rate fell from 10.2 percent to 5.9 percent. According to the U.S. Bureau of Labor Statistics, the total number of unemployed persons fell from 16,308,000 to 9,484,000. Job growth over the period was strong but is still down by 6.8 million, or 4.4 percent, from pre-pandemic levels. All industry sectors grew over FY 2021, and notable job gains occurred in leisure and hospitality, professional and business services, and information.

As COVID-19 vaccines became available to the public in early 2021, fears of the virus eased and by June 2021 approximately 60 percent of Connecticut residents were fully vaccinated. The Conference Board reported the U.S. Consumer Confidence Index showed an upward trend during the year starting at 97.1 and ending at 128.9 the highest level since March of 2020. Consumers during this period were increasingly optimistic about business and labor market conditions. Since then, vaccination rates have continued to improve steadily (with Connecticut ranking top 5 for fully vaccinated residents), but the emergence of the COVID-19 Delta and Omicron variants have caused confidence levels to drop amid the increased uncertainty.

In FY 2021, U.S. Gross Domestic Product (GDP) showed continued growth after falling significantly in the first and second quarters of 2020. The Bureau of Economic Analysis (BEA) reported real U.S. GDP increased at an annual rate of 33.8 percent in the third quarter and 4.5 percent in fourth quarter of 2020. In the first two quarters of 2021, U.S. GDP advanced at annual rates of 6.3 percent and 6.7 percent, respectively.

Connecticut followed national GDP trends in FY 2021, growing 3.3 percent in the third quarter and 6.8 percent in the fourth quarter of 2020. These results reflected the continued economic recovery, reopening of establishments, and continued government response to the COVID-19 pandemic. BEA second quarter state level data showed growth in all 50 states and the District of Columbia. Connecticut's GDP growth rate of 5.9 percent ranked 29th in the U.S. and came in below the national average of 6.7 percent and the New England regional average of 7.1 percent. The Connecticut industries experiencing the largest gains on a percentage basis were accommodation and food services, information, and professional, scientific, and technical services.

After a major plunge in March of 2020, the stock market rallied and shifted to a bull market, erasing most losses by August 2020. Expansionary fiscal policy in response to the pandemic encouraged spending and investing, while Federal Reserve monetary policy kept interest rates low, making it less expensive to borrow. Throughout the year, the stock market proved

State of Connecticut

to be volatile, fluctuating as news of COVID-19 outbreaks and variants emerged. However, as the fiscal year closed, all three major market indices (S&P 500, NASDAQ, Dow Jones) reached historic highs.

During FY 2021, the housing market boomed due to work-from-home requirements, low-interest rates, and an exodus from cities to suburbs. In Connecticut, between June 2020 and June 2021, sales of all property types increased 32.44 percent, according to Berkshire Hathaway Home Services while the median sales price increased 21.79 percent. Average days on the market decreased over 50 percent to 37 days. At the same time, the average sales price of properties sold in Connecticut was higher than the list price. While this was good news for existing homeowners, rapidly increasing prices excluded many first-time homebuyers from the market.

Inflation ramped up in FY 2021, reaching highs last seen during the 2008 financial crisis. The consumer price index came in at an annual rate of one percent in July 2020 and grew to 5.4 percent by June 2021. Prices of automobiles (including new, used, and rental cars) gasoline, lumber, airfare, lodging, and food away from home all increased substantially in 2021. Growth in inflation was largely due to increased demand coupled with supply-chain issues, scarcity of materials, and labor shortages. The Federal Reserve, which is tasked with managing inflation, initially labeled the increases as transitory. However, price growth has become broad-based and continues into FY 2022, indicating it may be a longer-term trend.

Connecticut has traditionally ranked among the wealthiest states in the nation and continues to be based on the most recent information available. BEA reported that in 2020, Connecticut had a per capita personal income (PCPI) of \$78,609. This PCPI ranked second in the United States to the District of Columbia and was 132 percent of the national average of \$59,510. The United States 2020 PCPI reflected an increase of 6.2 percent from 2019, while Connecticut's increase was only 3.7 percent. Connecticut's income growth in the previous decade was also slower than the national average. In 2010, the PCPI of Connecticut was \$61,762 and ranked second in the United States to the District of Columbia. However, the state's 2010-2020 compound annual growth rate of PCPI was 2.4 percent compared with 3.9 percent for the nation.

Connecticut's high level of income and quality of life can be attributed to the educational achievement of its residents, as well as the innovation and productivity of its workforce. According to the U.S. Census Bureau, 39.3 percent of Connecticut's population age 25 and over has a bachelor's degree or higher, which was fifth in the nation among U.S. states. In addition, Connecticut ranked third in the country for the percentage of the population with advanced degrees.

Bloomberg published its annual U.S. State Innovation Index for 2020. Connecticut was ranked the fourth most innovative state economy in the nation for the second year in a row. The innovation index is based on six equally weighted metrics: research and development intensity; productivity; clusters of companies in technology; jobs in science, technology, engineering, and mathematics (STEM); proportion of the population with degrees in science and engineering; and patent activity. On these innovation index measures, Connecticut showed strength across all six categories. Connecticut ranked second in patent activity and was ranked eighth in the nation in research and development (R&D) intensity and productivity. On the remaining measures Connecticut ranked 11th in technology company density and 12th for both science and engineering degree holders and the concentration of STEM professionals in the workforce.

Connecticut also achieves high rankings on other quality of life measures:

- Connecticut ranks fourth in the United States for the most fully vaccinated population (75.7%) according to the Center for Disease Control and Prevention.
- Connecticut ranked second in the U.S. Prosperity Index by the Legatum Institute.
- Connecticut ranked fourth best state to live in by 24/7 Wall St.
- Connecticut ranked first in college readiness and is home to 38 top colleges and universities according to U.S. News & World Report in 2021.
- Connecticut ranked third best state for healthcare access, quality, and public health by U.S. News and World Report in 2021.

Connecticut also continues to be a leader in the field of high-tech manufacturing, producing submarines, helicopters, jet engines and parts, electronics, computer equipment and electronic machinery. Much of Connecticut's manufacturing is for the military and the outlook for Connecticut's defense industry remains strong. According to the state's Office of Military

State of Connecticut

Affairs (OMA), Connecticut ranked sixth overall in total defense spending, third in defense spending as a percentage of state gross domestic product (GDP), and second in defense spending per capita. OMA's Annual Report for Fiscal Year 2020-2021 notes that contracts awarded to Connecticut defense manufacturers was the fourth highest since 2007, totaling \$18.3 billion. The largest was a \$9.5 billion contract to Electric Boat for construction of the lead and second Columbia-class submarines. Electric Boat is the prime contractor for design and construction of the twelve Columbia-class submarines, which will replace the aging Ohio-class ballistic missile submarines.

Halfway through FY 2022, Connecticut is experiencing positive economic trends in key areas such as job growth, unemployment, and GDP. As of November 2021, the state has recovered 75.3 percent of the 292,400 jobs lost in March and April 2020 due to the COVID-19 lockdown, and the unemployment rate dropped to 6.0 percent. November 2021 job growth marked 11 straight months of employment gains. Significant gains have been made in the leisure and hospitality sector, which was hardest hit by pandemic-related business closures. Connecticut's 2021 third quarter GDP growth rate of 2.7 percent ranked 15th, coming in above the national growth rate of 2.3 percent and the New England regional average of 2.6 percent. Finance, insurance, and real estate (FIRE) continues to be an important industry grouping for Connecticut that represented 30 percent of the state's real gross domestic product (GDP) in 2020.

The state's population remains understandably concerned about the ever-changing nature of COVID-19 and what it means in their everyday lives, but the underlying economic conditions should instill confidence moving forward. Due to the highly educated, productive workforce, capacity for innovation, and prudent response to the COVID-19 pandemic, Connecticut remains well positioned to create a strong economy moving into the future.

Connecticut has made significant progress striving for recovery amid the ongoing COVID-19 pandemic. The most recent consensus revenue forecast for FY 2022 on January 18 showed continued improvement in each of the State's major tax categories. Current forecasts show the General Fund is on track to end FY 2022 with a surplus of \$1.48 billion. This positive fiscal position is a tribute to smart long-term planning, the resilience of Connecticut's people, and the strength of its economy. However, Connecticut continues to face challenges as fixed costs and debt service related to state pension and retirement healthcare systems represent a growing share of the state budget. It remains critical to exercise fiscal restraint, execute responsible long-term planning, and support economic growth to maintain future budget stability.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at (860) 702-3352.

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*BASIC
FINANCIAL
STATEMENTS*

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*GOVERNMENT-WIDE
FINANCIAL
STATEMENTS*

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State of Connecticut

STATEMENT OF NET POSITION

June 30, 2021

(Expressed in Thousands)

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 10,565,869 | \$ 864,841 | \$ 11,430,710 | \$ 319,299 |
| Deposits with U.S. Treasury | - | 319,397 | 319,397 | - |
| Investments | 139,068 | 86,189 | 225,257 | 707,458 |
| Receivables, (Net of Allowances) | 4,342,509 | 677,876 | 5,020,385 | 75,570 |
| Due from Primary Government | - | - | - | 7,210 |
| Inventories | 53,810 | 18,886 | 72,696 | 5,572 |
| Restricted Assets | - | 132,768 | 132,768 | 1,673,265 |
| Internal Balances | (95,647) | 95,647 | - | - |
| Other Current Assets | 17,494 | 23,592 | 41,086 | 28,080 |
| Total Current Assets | <u>15,023,103</u> | <u>2,219,196</u> | <u>17,242,299</u> | <u>2,816,454</u> |
| Noncurrent Assets: | | | | |
| Cash and Cash Equivalents | - | 718,514 | 718,514 | - |
| Due From Component Units | 56,216 | - | 56,216 | - |
| Investments | - | 55,376 | 55,376 | 294,834 |
| Receivables, (Net of Allowances) | 1,114,747 | 998,044 | 2,112,791 | 166,482 |
| Restricted Assets | 1,103,038 | 263,791 | 1,366,829 | 5,624,400 |
| Capital Assets, (Net of Accumulated Depreciation) | 16,953,414 | 5,166,319 | 22,119,733 | 908,600 |
| Other Noncurrent Assets | - | 12,783 | 12,783 | 100,720 |
| Total Noncurrent Assets | <u>19,227,415</u> | <u>7,214,827</u> | <u>26,442,242</u> | <u>7,095,036</u> |
| Total Assets | <u>\$ 34,250,518</u> | <u>\$ 9,434,023</u> | <u>\$ 43,684,541</u> | <u>\$ 9,911,490</u> |
| Deferred Outflows of Resources | | | | |
| Accumulated Decrease in Fair Value of Hedging Derivatives | \$ - | \$ - | \$ - | \$ 12,672 |
| Unamortized Losses on Bond Refundings | 34,359 | 5,091 | 39,450 | 116,988 |
| Related to Pensions | 16,088,140 | - | 16,088,140 | 144,210 |
| Other Deferred Outflows | - | 5,193 | 5,193 | 2,488 |
| Total Deferred Outflows of Resources | <u>\$ 16,122,499</u> | <u>\$ 10,284</u> | <u>\$ 16,132,783</u> | <u>\$ 276,358</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 2,828,863 | \$ 389,393 | \$ 3,218,256 | \$ 155,013 |
| Due to Component Units | 7,210 | - | 7,210 | - |
| Due to Primary Government | - | - | - | 56,216 |
| Due to Other Governments | 681,731 | 1,416 | 683,147 | - |
| Due to Trustee | 1,450 | - | 1,450 | - |
| Current Portion of Long-Term Obligations | 2,430,095 | 152,792 | 2,582,887 | 523,657 |
| Amount Held for Institutions | - | - | - | 296,531 |
| Unearned Revenue | 24,412 | 39,486 | 63,898 | 3,651 |
| Medicaid Liability | 582,234 | - | 582,234 | - |
| Liability for Escheated Property | 433,797 | - | 433,797 | - |
| Other Current Liabilities | 86,383 | 129,266 | 215,649 | 35,576 |
| Total Current Liabilities | <u>7,076,175</u> | <u>712,353</u> | <u>7,788,528</u> | <u>1,070,644</u> |
| Noncurrent Liabilities: | | | | |
| Non-Current Portion of Long-Term Obligations | 96,240,989 | 2,731,830 | 98,972,819 | 6,196,819 |
| Total Noncurrent Liabilities | <u>96,240,989</u> | <u>2,731,830</u> | <u>98,972,819</u> | <u>6,196,819</u> |
| Total Liabilities | <u>\$ 103,317,164</u> | <u>\$ 3,444,183</u> | <u>\$ 106,761,347</u> | <u>\$ 7,267,463</u> |
| Deferred Inflows of Resources | | | | |
| Related to Pensions | \$ 2,391,163 | \$ - | \$ 2,391,163 | \$ 84,062 |
| Other Deferred Inflows | (18,788) | 4,282 | (14,506) | 1,073 |
| Total Deferred Inflows of Resources | <u>\$ 2,372,375</u> | <u>\$ 4,282</u> | <u>\$ 2,376,657</u> | <u>\$ 85,135</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | \$ 6,192,401 | \$ 4,193,263 | \$ 10,385,664 | \$ 493,455 |
| Restricted For: | | | | |
| Transportation | 130,553 | - | 130,553 | - |
| Debt Service | 1,103,038 | - | 1,103,038 | 11,214 |
| Federal Grants and Other Accounts | 3,626,039 | - | 3,626,039 | - |
| Capital Projects | 951,004 | 82,405 | 1,033,409 | 118,386 |
| Grant and Loan Programs | 882,733 | - | 882,733 | - |
| Clean Water and Drinking Water Projects | - | 809,697 | 809,697 | - |
| Bond Indenture Requirements | - | - | - | 1,042,947 |
| Loans | - | 2,225 | 2,225 | - |
| Permanent Investments or Endowments: | | | | |
| Expendable | - | - | - | 22,496 |
| Nonexpendable | 142,505 | 14,722 | 157,227 | 770,526 |
| Other Purposes | 548,872 | 176,012 | 724,884 | 226,636 |
| Unrestricted (Deficit) | (68,893,667) | 717,518 | (68,176,149) | 149,590 |
| Total Net Position (Deficit) | <u>\$ (55,316,522)</u> | <u>\$ 5,995,842</u> | <u>\$ (49,320,680)</u> | <u>\$ 2,835,250</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|----------------------|---|---|---|
| | | <u>Charges for Services, Fees, Fines, and Other</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| Legislative | \$ 139,468 | \$ 2,636 | \$ 81 | \$ - |
| General Government | 5,653,974 | 1,065,741 | 2,015,347 | - |
| Regulation and Protection | 1,207,579 | 823,384 | 326,425 | - |
| Conservation and Development | 1,478,657 | 282,396 | 503,894 | - |
| Health and Hospitals | 3,502,081 | 740,129 | 546,910 | - |
| Transportation | 2,530,536 | 64,521 | - | 986,644 |
| Human Services | 11,914,912 | (39,441) | 7,997,042 | - |
| Education, Libraries, and Museums | 6,189,985 | 26,156 | 1,063,591 | - |
| Corrections | 2,739,688 | 6,728 | 169,249 | - |
| Judicial | 1,208,207 | 133,567 | 37,563 | - |
| Interest and Fiscal Charges | 968,304 | - | - | - |
| Total Governmental Activities | <u>37,533,391</u> | <u>3,105,817</u> | <u>12,660,102</u> | <u>986,644</u> |
| Business-Type Activities: | | | | |
| University of Connecticut & Health Center | 2,765,468 | 1,589,796 | 277,085 | 11,640 |
| Board of Regents | 1,431,493 | 671,877 | 65,185 | - |
| Employment Security | 5,201,294 | 592,659 | 3,754,181 | - |
| Clean Water | 41,606 | 40,228 | 9,447 | - |
| Other | 43,127 | 34,681 | 10,285 | - |
| Total Business-Type Activities | <u>9,482,988</u> | <u>2,929,241</u> | <u>4,116,183</u> | <u>11,640</u> |
| Total Primary Government | <u>\$ 47,016,379</u> | <u>\$ 6,035,058</u> | <u>\$ 16,776,285</u> | <u>\$ 998,284</u> |
| Component Units | | | | |
| Connecticut Housing Finance Authority (12/31/20) | \$ 195,820 | \$ 143,111 | \$ - | \$ - |
| Connecticut Lottery Corporation | 1,506,158 | 1,497,907 | - | - |
| Connecticut Airport Authority | 107,692 | 107,658 | - | 5,079 |
| Other Component Units | 272,473 | 269,638 | 12,210 | 10,862 |
| Total Component Units | <u>\$ 2,082,143</u> | <u>\$ 2,018,314</u> | <u>\$ 12,210</u> | <u>\$ 15,941</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | | | | |
| Corporate Income | | | | |
| Sales and Use | | | | |
| Other | | | | |
| Restricted for Transportation Purposes: | | | | |
| Motor Fuel | | | | |
| Other | | | | |
| Casino Gaming Payments | | | | |
| Tobacco Settlement | | | | |
| Lottery Tickets | | | | |
| Unrestricted Investment Earnings | | | | |
| Transfers-Internal Activities | | | | |
| Total General Revenues, Contributions, and Transfers | | | | |
| Change in Net Position | | | | |
| Net Position (Deficit)- Beginning (as restated) | | | | |
| Net Position (Deficit)- Ending | | | | |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

Net (Expense) Revenue and Changes in Net Position

| | | Primary Government | | | | | |
|----------------------------|---------------------|-----------------------------|--------------------|-------|---------------------|----|------------------|
| Governmental Activities | | Business-Type Activities | | Total | Component Units | | |
| \$ | (136,751) | \$ | - | \$ | (136,751) | \$ | - |
| | (2,572,886) | | - | | (2,572,886) | | - |
| | (57,770) | | - | | (57,770) | | - |
| | (692,367) | | - | | (692,367) | | - |
| | (2,215,042) | | - | | (2,215,042) | | - |
| | (1,479,371) | | - | | (1,479,371) | | - |
| | (3,957,311) | | - | | (3,957,311) | | - |
| | (5,100,238) | | - | | (5,100,238) | | - |
| | (2,563,711) | | - | | (2,563,711) | | - |
| | (1,037,077) | | - | | (1,037,077) | | - |
| | (968,304) | | - | | (968,304) | | - |
| | <u>(20,780,828)</u> | | <u>-</u> | | <u>(20,780,828)</u> | | <u>-</u> |
| | - | | (886,947) | | (886,947) | | - |
| | - | | (694,431) | | (694,431) | | - |
| | - | | (854,454) | | (854,454) | | - |
| | - | | 8,069 | | 8,069 | | - |
| | - | | 1,839 | | 1,839 | | - |
| | <u>-</u> | | <u>(2,425,924)</u> | | <u>(2,425,924)</u> | | <u>-</u> |
| | <u>(20,780,828)</u> | | <u>(2,425,924)</u> | | <u>(23,206,752)</u> | | <u>-</u> |
| | - | | - | | - | | (52,709) |
| | - | | - | | - | | (8,251) |
| | - | | - | | - | | 5,045 |
| | - | | - | | - | | 20,237 |
| | <u>-</u> | | <u>-</u> | | <u>-</u> | | <u>(35,678)</u> |
| | 9,147,622 | | - | | 9,147,622 | | - |
| | 2,925,675 | | - | | 2,925,675 | | - |
| | 4,779,902 | | - | | 4,779,902 | | - |
| | 2,612,691 | | - | | 2,612,691 | | - |
| | 698,146 | | - | | 698,146 | | - |
| | 588,312 | | - | | 588,312 | | - |
| | 228,883 | | - | | 228,883 | | - |
| | 133,121 | | - | | 133,121 | | - |
| | 407,353 | | - | | 407,353 | | - |
| | 35,316 | | 5,754 | | 41,070 | | 389,728 |
| | <u>(1,649,959)</u> | | <u>1,649,463</u> | | <u>(496)</u> | | <u>496</u> |
| | <u>19,907,062</u> | | <u>1,655,217</u> | | <u>21,562,279</u> | | <u>390,224</u> |
| | (873,766) | | (770,707) | | (1,644,473) | | 354,546 |
| | <u>(54,442,756)</u> | | <u>6,766,549</u> | | <u>(47,676,207)</u> | | <u>2,480,704</u> |
| \$ | <u>(55,316,522)</u> | \$ | <u>5,995,842</u> | \$ | <u>(49,320,680)</u> | \$ | <u>2,835,250</u> |

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FUND FINANCIAL STATEMENTS

State of Connecticut

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2021

(Expressed in Thousands)

| | General | Debt Service | Transportation | Restricted Grants & Accounts | Grant & Loan Programs | Other Funds | Total Governmental Funds |
|---|---------------------|-------------------------|-----------------------|---|--------------------------------------|------------------------|---|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 4,779,392 | \$ - | \$ 102,922 | \$ 3,355,983 | \$ 561,220 | \$ 1,752,828 | \$ 10,552,345 |
| Investments | - | - | - | - | - | 139,068 | 139,068 |
| Securities Lending Collateral | - | - | - | - | - | 17,232 | 17,232 |
| Receivables: | | | | | | | |
| Taxes, Net of Allowances | 2,313,291 | - | 223,847 | - | - | - | 2,537,138 |
| Accounts, Net of Allowances | 579,450 | - | 36,726 | 83,325 | 17,214 | 66,059 | 782,774 |
| Loans, Net of Allowances | 3,412 | - | - | 193,607 | 352,259 | 565,469 | 1,114,747 |
| From Other Governments | 296,275 | - | - | 703,974 | - | 22,141 | 1,022,390 |
| Interest | - | 25 | 19 | - | - | - | 44 |
| Other | - | - | - | - | - | 3 | 3 |
| Due from Other Funds | 56,167 | - | 25 | 227 | - | 11,621 | 68,040 |
| Due from Component Units | 52,937 | - | - | 2,638 | - | 641 | 56,216 |
| Inventories | 20,842 | - | 27,182 | - | - | - | 48,024 |
| Restricted Assets | - | 1,103,038 | - | - | - | - | 1,103,038 |
| Total Assets | <u>\$ 8,101,766</u> | <u>\$ 1,103,063</u> | <u>\$ 390,721</u> | <u>\$ 4,339,754</u> | <u>\$ 930,693</u> | <u>\$ 2,575,062</u> | <u>\$ 17,441,059</u> |
| Liabilities, Deferred Inflows, and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 452,730 | \$ - | \$ 34,315 | \$ 282,782 | \$ 47,566 | \$ 87,908 | \$ 905,301 |
| Due to Other Funds | 1,700,682 | 25 | - | 5,173 | 34 | 69,211 | 1,775,125 |
| Due to Component Units | 52 | - | - | 7,158 | - | - | 7,210 |
| Due to Other Governments | 679,869 | - | - | 1,862 | - | - | 681,731 |
| Due to Trustee | - | - | - | 1,450 | - | - | 1,450 |
| Unearned Revenue | 11,429 | - | - | - | - | 12,983 | 24,412 |
| Medicaid Liability | 215,210 | - | - | 367,024 | - | - | 582,234 |
| Liability For Escheated Property | 433,797 | - | - | - | - | - | 433,797 |
| Securities Lending Obligation | - | - | - | - | - | 17,232 | 17,232 |
| Other Liabilities | 48,873 | - | - | 20,278 | - | - | 69,151 |
| Total Liabilities | <u>3,542,642</u> | <u>25</u> | <u>34,315</u> | <u>685,727</u> | <u>47,600</u> | <u>187,334</u> | <u>4,497,643</u> |
| Deferred Inflows of Resources | | | | | | | |
| Receivables to be Collected in Future Periods | <u>1,272,277</u> | <u>-</u> | <u>32,751</u> | <u>73,594</u> | <u>16,679</u> | <u>57,219</u> | <u>1,452,520</u> |
| Fund Balances | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories/Long-Term Receivables | 77,192 | - | 27,182 | - | - | - | 104,374 |
| Permanent Fund Principal | - | - | - | - | - | 138,879 | 138,879 |
| Restricted For: | | | | | | | |
| Debt Service | - | 1,103,038 | - | - | - | - | 1,103,038 |
| Transportation Programs | - | - | 258,166 | - | - | - | 258,166 |
| Federal Grant and State Programs | - | - | - | 3,580,433 | - | - | 3,580,433 |
| Grants and Loans | - | - | - | - | 866,414 | - | 866,414 |
| Other | - | - | - | - | - | 2,168,090 | 2,168,090 |
| Committed For: | | | | | | | |
| Continuing Appropriations | 758,445 | - | 38,307 | - | - | - | 796,752 |
| Budget Reserve Fund | 3,111,959 | - | - | - | - | - | 3,111,959 |
| Assigned To: | | | | | | | |
| Other | - | - | - | - | - | 24,255 | 24,255 |
| Unassigned (Deficit) | <u>(660,749)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(715)</u> | <u>(661,464)</u> |
| Total Fund Balances | <u>3,286,847</u> | <u>1,103,038</u> | <u>323,655</u> | <u>3,580,433</u> | <u>866,414</u> | <u>2,330,509</u> | <u>11,490,896</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 8,101,766</u> | <u>\$ 1,103,063</u> | <u>\$ 390,721</u> | <u>\$ 4,339,754</u> | <u>\$ 930,693</u> | <u>\$ 2,575,062</u> | <u>\$ 17,441,059</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2021

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 11,490,896

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 9). These consist of:

| | | |
|---|--------------|------------|
| Cost of capital assets (excluding internal service funds) | 34,178,470 | |
| Less: Accumulated depreciation (excluding internal service funds) | (17,271,461) | |
| Net capital assets | | 16,907,009 |

Some assets such as receivables, are not available soon enough to pay for current period's expenditures and thus, are offset by unavailable revenue in the governmental funds. 1,471,308

Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds. 34,359

Deferred outflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13). 16,088,140

Long-term debt instruments such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 16). Also, unamortized debt premiums and interest payable are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:

| | | |
|---------------------------------------|--------------|--------------|
| General obligation bonds payable | (18,562,830) | |
| Transportation bonds payable | (6,959,265) | |
| Direct Borrowings & Direct Placements | (268,425) | |
| Unamortized premiums | (2,354,396) | |
| Accrued interest payable | (301,688) | |
| Net long-term debt | | (28,446,604) |

Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).

| | | |
|---|--------------|--------------|
| Net pension liability | (42,551,460) | |
| Net OPEB liability | (26,040,226) | |
| Obligations for worker's compensation | (812,645) | |
| Capital leases payable | (16,511) | |
| Compensated absences (excluding internal service funds) | (576,302) | |
| Claims and judgments payable | (44,008) | |
| Landfill postclosure care | (29,587) | |
| Nonexchange Financial guarantee | (453,185) | |
| Total other liabilities | | (70,523,924) |

Deferred inflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13). (2,391,163)

Pension and OPEB related

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 53,457

Total Net Position - Governmental Activities \$ (55,316,522)

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| | <u>General</u> | <u>Debt Service</u> | <u>Transportation</u> | <u>Restricted Grants & Accounts</u> | <u>Grant & Loan Programs</u> | <u>Other Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-----------------------|---|--------------------------------------|------------------------|---|
| Revenues | | | | | | | |
| Taxes | \$ 18,849,644 | \$ - | \$ 1,293,377 | \$ - | \$ - | \$ - | \$ 20,143,021 |
| Licenses, Permits, and Fees | 325,296 | - | 402,124 | 14,454 | - | 145,709 | 887,583 |
| Tobacco Settlement | - | - | - | - | - | 133,121 | 133,121 |
| Federal Grants and Aid | 2,814,104 | - | 11,957 | 10,695,507 | - | 120,822 | 13,642,390 |
| Assessments | 1,997 | - | - | - | - | - | 1,997 |
| State Grants | - | - | - | 4,356 | - | - | 4,356 |
| Lottery Tickets | 407,353 | - | - | - | - | - | 407,353 |
| Charges for Services | 22,876 | - | 39,940 | - | - | 403 | 63,219 |
| Fines, Forfeits, and Rents | 97,190 | - | 16,661 | - | - | 35 | 113,886 |
| Casino Gaming Payments | 228,883 | - | - | - | - | - | 228,883 |
| Investment Earnings | 2,939 | 1,057 | 345 | 2,882 | 8,789 | 19,233 | 35,245 |
| Interest on Loans | - | - | - | - | - | 71 | 71 |
| Miscellaneous | 240,060 | - | 6,281 | 1,722,977 | 39,274 | 138,716 | 2,147,308 |
| Total Revenues | <u>22,990,342</u> | <u>1,057</u> | <u>1,770,685</u> | <u>12,440,176</u> | <u>48,063</u> | <u>558,110</u> | <u>37,808,433</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Legislative | 117,319 | - | - | 2,235 | - | - | 119,554 |
| General Government | 2,985,787 | - | 8,557 | 1,348,030 | 540,987 | 75,763 | 4,959,124 |
| Regulation and Protection | 490,267 | - | 119,448 | 233,015 | 4,407 | 201,759 | 1,048,896 |
| Conservation and Development | 249,177 | - | 5,151 | 535,897 | 339,103 | 166,033 | 1,295,361 |
| Health and Hospitals | 1,777,118 | - | - | 1,200,842 | 17,399 | 81,613 | 3,076,972 |
| Transportation | - | - | 916,277 | 986,486 | 30,659 | - | 1,933,422 |
| Human Services | 5,371,494 | - | - | 5,114,618 | - | 2,425 | 10,488,537 |
| Education, Libraries, and Museums | 4,539,043 | - | - | 1,076,776 | 14,831 | 1,731 | 5,432,381 |
| Corrections | 2,158,589 | - | - | 229,361 | 1,071 | 1,735 | 2,390,756 |
| Judicial | 956,322 | - | - | 41,816 | - | 55,214 | 1,053,352 |
| Capital Projects | - | - | - | - | - | 988,692 | 988,692 |
| Debt Service: | | | | | | | |
| Principal Retirement | 1,530,831 | 339,585 | - | - | - | - | 1,870,416 |
| Interest and Fiscal Charges | 734,027 | 308,760 | 275 | 123,478 | 3,618 | 6,060 | 1,176,218 |
| Total Expenditures | <u>20,709,974</u> | <u>648,345</u> | <u>1,049,708</u> | <u>10,892,554</u> | <u>952,075</u> | <u>1,581,025</u> | <u>35,833,681</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>2,280,368</u> | <u>(647,288)</u> | <u>720,977</u> | <u>1,547,622</u> | <u>(904,012)</u> | <u>(1,022,915)</u> | <u>1,974,752</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Bonds Issued (Retired) | (2,275) | - | - | - | 975,764 | 1,459,466 | 2,432,955 |
| Premiums on Bonds Issued | - | 34,021 | - | - | 94,775 | 314,809 | 443,605 |
| Transfers In | 1,372,057 | 726,270 | 1,172 | 143,388 | - | 73,451 | 2,316,338 |
| Transfers Out | (2,665,405) | (1,543) | (669,889) | (8) | (91,158) | (538,294) | (3,966,297) |
| Refunding Bonds Issued | - | 300,045 | - | - | - | - | 300,045 |
| Payment to Refunded Bond Escrow Agent | - | (333,044) | - | - | - | - | (333,044) |
| Capital Lease Obligations | 5,646 | - | - | - | - | - | 5,646 |
| Total Other Financing Sources (Uses) | <u>(1,289,977)</u> | <u>725,749</u> | <u>(668,717)</u> | <u>143,380</u> | <u>979,381</u> | <u>1,309,432</u> | <u>1,199,248</u> |
| Net Change in Fund Balances | <u>990,391</u> | <u>78,461</u> | <u>52,260</u> | <u>1,691,002</u> | <u>75,369</u> | <u>286,517</u> | <u>3,174,000</u> |
| Fund Balances - Beginning (restated) | 2,292,784 | 1,024,577 | 269,464 | 1,889,431 | 791,045 | 2,043,992 | 8,311,293 |
| Change in Reserve for Inventories | 3,672 | - | 1,931 | - | - | - | 5,603 |
| Fund Balances - Ending | <u>\$ 3,286,847</u> | <u>\$ 1,103,038</u> | <u>\$ 323,655</u> | <u>\$ 3,580,433</u> | <u>\$ 866,414</u> | <u>\$ 2,330,509</u> | <u>\$ 11,490,896</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 3,174,000

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

In the current period, these amounts consist of

Debt issued or incurred:

| | | |
|---|-------------|--|
| Bonds issued | (2,432,955) | |
| Refunding bonds issued | (300,045) | |
| Premium on bonds issued | (443,600) | |
| Accretion on Capital Appreciation Bonds | (22,768) | |

Principal repayment:

| | | |
|--|-----------|--|
| Principal Retirement | 1,870,416 | |
| Payments to refunded bond escrow agent | 328,836 | |
| Capital lease payments | 4,266 | |

| | | |
|----------------------|--|-----------|
| Net debt adjustments | | (995,850) |
|----------------------|--|-----------|

Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities

(5,645)

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:

| | | |
|---|-----------|---------|
| Capital outlays (including construction-in-progress) | 1,251,644 | |
| Depreciation expense (excluding internal service funds) | (713,135) | |
| Net capital outlay adjustments | | 538,509 |

Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.

5,603

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not recognized in the funds. In the current period, the net adjustments consist of:

| | | |
|--|-------------|-------------|
| Increase in accrued interest | (8,486) | |
| Amortization of bond premium | 229,241 | |
| Amortization of loss on debt refunding's | (12,757) | |
| Increase in Net OPEB Liability & Net pension liability | (5,727,699) | |
| Increase in net deferred inflows related to OPEB & pensions | (301,456) | |
| Increase in net deferred outflows related to OPEB & pensions | 1,758,839 | |
| Increase in compensated absences | (45,815) | |
| Increase in workers compensation | (15,481) | |
| Increase in claims and judgments | (4,583) | |
| Decrease in landfill post closure cost | 2,516 | |
| Decrease in non-exchange financial guarantees | 34,470 | |
| Net expense accruals | | (4,091,211) |

Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.

501,151

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities.

(323)

Change in net position - governmental activities \$ (873,766)

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2021

(Expressed in Thousands)

| | Business-Type Activities | | | | | | Governmental |
|---|---|---------------------|------------------------|---------------------|-------------------|---------------------|------------------------------|
| | Enterprise Funds | | | | | Total | Activities |
| | University of Connecticut & Health Center | Board of Regents | Employment Security | Clean Water | Other Funds | | Internal Service Funds |
| Assets | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | \$ 498,272 | \$ 308,656 | \$ - | \$ 5,290 | \$ 52,623 | \$ 864,841 | \$ 13,524 |
| Deposits with U.S. Treasury | - | - | 319,397 | - | - | 319,397 | - |
| Investments | 697 | 85,492 | - | - | - | 86,189 | - |
| Receivables: | | | | | | | |
| Accounts, Net of Allowances | 153,389 | 38,791 | 178,573 | 460 | 5,194 | 376,407 | 160 |
| Loans, Net of Allowances | 1,979 | 1,360 | - | 211,000 | 59,722 | 274,061 | - |
| Interest | - | - | - | 3,945 | 1,833 | 5,778 | - |
| From Other Governments | - | 18,023 | 3,207 | - | 400 | 21,630 | - |
| Due from Other Funds | 37,414 | 94,859 | 1,277 | - | - | 133,550 | 4,315 |
| Inventories | 18,886 | - | - | - | - | 18,886 | 5,786 |
| Restricted Assets | 132,768 | - | - | - | - | 132,768 | - |
| Other Current Assets | 15,908 | 7,684 | - | - | - | 23,592 | 262 |
| Total Current Assets | <u>859,313</u> | <u>554,865</u> | <u>502,454</u> | <u>220,695</u> | <u>119,772</u> | <u>2,257,099</u> | <u>24,047</u> |
| Noncurrent Assets: | | | | | | | |
| Cash and Cash Equivalents | - | 142,221 | - | 454,444 | 121,849 | 718,514 | - |
| Investments | 20,194 | 33,165 | - | 2,017 | - | 55,376 | - |
| Receivables: | | | | | | | |
| Loans, Net of Allowances | 3,459 | 4,616 | - | 849,166 | 140,803 | 998,044 | - |
| Restricted Assets | 494 | - | - | 231,123 | 32,174 | 263,791 | - |
| Capital Assets, Net of Accumulated Depreciation | 3,230,579 | 1,935,740 | - | - | - | 5,166,319 | 46,405 |
| Other Noncurrent Assets | 12,650 | 133 | - | - | - | 12,783 | - |
| Total Noncurrent Assets | <u>3,267,376</u> | <u>2,115,875</u> | <u>-</u> | <u>1,536,750</u> | <u>294,826</u> | <u>7,214,827</u> | <u>46,405</u> |
| Total Assets | <u>\$ 4,126,689</u> | <u>\$ 2,670,740</u> | <u>\$ 502,454</u> | <u>\$ 1,757,445</u> | <u>\$ 414,598</u> | <u>\$ 9,471,926</u> | <u>\$ 70,452</u> |
| Deferred Outflows of Resources | | | | | | | |
| Unamortized Losses on Bond Refundings | \$ - | \$ - | \$ - | \$ 4,970 | \$ 121 | \$ 5,091 | \$ - |
| Other Deferred Outflows | 128 | 5,065 | - | - | - | 5,193 | - |
| Total Deferred Outflows of Resources | <u>\$ 128</u> | <u>\$ 5,065</u> | <u>\$ -</u> | <u>\$ 4,970</u> | <u>\$ 121</u> | <u>\$ 10,284</u> | <u>\$ -</u> |
| Liabilities | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 223,533 | \$ 145,821 | \$ 351 | \$ 10,806 | \$ 8,882 | \$ 389,393 | \$ 2,454 |
| Due to Other Funds | 35,340 | 344 | 2,219 | - | - | 37,903 | 12,297 |
| Due to Other Governments | 1,390 | - | 26 | - | - | 1,416 | - |
| Current Portion of Long-Term Obligations | 69,995 | 29,242 | - | 46,020 | 7,535 | 152,792 | 95 |
| Unearned Revenue | - | 39,486 | - | - | - | 39,486 | - |
| Other Current Liabilities | 113,384 | 15,882 | - | - | - | 129,266 | - |
| Total Current Liabilities | <u>443,642</u> | <u>230,775</u> | <u>2,596</u> | <u>56,826</u> | <u>16,417</u> | <u>750,256</u> | <u>14,846</u> |
| Noncurrent Liabilities: | | | | | | | |
| Noncurrent Portion of Long-Term Obligations | 564,540 | 429,271 | 725,073 | 861,721 | 151,225 | 2,731,830 | 2,149 |
| Total Noncurrent Liabilities | <u>564,540</u> | <u>429,271</u> | <u>725,073</u> | <u>861,721</u> | <u>151,225</u> | <u>2,731,830</u> | <u>2,149</u> |
| Total Liabilities | <u>\$ 1,008,182</u> | <u>\$ 660,046</u> | <u>\$ 727,669</u> | <u>\$ 918,547</u> | <u>\$ 167,642</u> | <u>\$ 3,482,086</u> | <u>\$ 16,995</u> |
| Deferred Inflows of Resources | | | | | | | |
| Other Deferred Inflows | \$ 4,282 | \$ - | \$ - | \$ - | \$ - | \$ 4,282 | \$ - |
| Total Deferred Inflows of Resources | <u>\$ 4,282</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,282</u> | <u>\$ -</u> |
| Net Position (Deficit) | | | | | | | |
| Net Investment in Capital Assets | \$ 2,510,651 | \$ 1,682,612 | \$ - | \$ - | \$ - | \$ 4,193,263 | \$ 46,405 |
| Restricted For: | | | | | | | |
| Clean and Drinking Water Projects | - | - | - | 632,168 | 177,529 | 809,697 | - |
| Capital Projects | 82,405 | - | - | - | - | 82,405 | - |
| Nonexpendable Purposes | 14,164 | 558 | - | - | - | 14,722 | - |
| Loans | 2,225 | - | - | - | - | 2,225 | - |
| Other Purposes | 26,992 | 149,020 | - | - | - | 176,012 | - |
| Unrestricted (Deficit) | <u>477,916</u> | <u>183,569</u> | <u>(225,215)</u> | <u>211,700</u> | <u>69,548</u> | <u>717,518</u> | <u>7,052</u> |
| Total Net Position | <u>\$ 3,114,353</u> | <u>\$ 2,015,759</u> | <u>\$ (225,215)</u> | <u>\$ 843,868</u> | <u>\$ 247,077</u> | <u>\$ 5,995,842</u> | <u>\$ 53,457</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| | Business-Type Activities | | | | | Governmental Activities | |
|--|---|---------------------|------------------------|-------------------|-------------------|----------------------------|------------------|
| | Enterprise Funds | | | | | | |
| | University of Connecticut & Health Center | Board of Regents | Employment Security | Clean Water | Other Funds | | Totals |
| Operating Revenues | | | | | | | |
| Charges for Sales and Services (Net of allowances & discounts \$325,945) | \$ 1,148,543 | \$ 430,329 | \$ - | \$ - | \$ - | \$ 1,578,872 | \$ 46,076 |
| Assessments | - | - | 580,591 | - | 27,636 | 608,227 | - |
| Federal Grants, Contracts, and Other Aid | 215,732 | 30,341 | 3,732,424 | - | - | 3,978,497 | - |
| State Grants, Contracts, and Other Aid | 16,364 | 22,077 | 21,757 | - | - | 60,198 | - |
| Private Gifts and Grants | 44,989 | 12,767 | - | - | - | 57,756 | - |
| Interest on Loans | - | - | - | 23,042 | 4,168 | 27,210 | - |
| Other | 123,531 | 7,137 | 12,068 | - | 736 | 143,472 | 504 |
| Total Operating Revenues | <u>1,549,159</u> | <u>502,651</u> | <u>4,346,840</u> | <u>23,042</u> | <u>32,540</u> | <u>6,454,232</u> | <u>46,580</u> |
| Operating Expenses | | | | | | | |
| Salaries, Wages, and Administrative | 2,563,370 | 1,293,059 | - | 801 | 10,680 | 3,867,910 | 32,053 |
| Unemployment Compensation | - | - | 5,201,294 | - | - | 5,201,294 | - |
| Claims Paid | - | - | - | - | 22,978 | 22,978 | - |
| Depreciation and Amortization | 193,070 | 102,816 | - | - | - | 295,886 | 15,705 |
| Other | - | 26,892 | - | - | 2,731 | 29,623 | - |
| Total Operating Expenses | <u>2,756,440</u> | <u>1,422,767</u> | <u>5,201,294</u> | <u>801</u> | <u>36,389</u> | <u>9,417,691</u> | <u>47,758</u> |
| Operating Income (Loss) | <u>(1,207,281)</u> | <u>(920,116)</u> | <u>(854,454)</u> | <u>22,241</u> | <u>(3,849)</u> | <u>(2,963,459)</u> | <u>(1,178)</u> |
| Nonoperating Revenue (Expenses) | | | | | | | |
| Interest and Investment Income | 825 | 1,047 | - | 3,418 | 464 | 5,754 | 900 |
| Interest and Fiscal Charges | (9,028) | (8,726) | - | (40,805) | (6,738) | (65,297) | - |
| Other - Net | 317,722 | 234,411 | - | 17,186 | 2,141 | 571,460 | (45) |
| Total Nonoperating Revenues (Expenses) | <u>309,519</u> | <u>226,732</u> | <u>-</u> | <u>(20,201)</u> | <u>(4,133)</u> | <u>511,917</u> | <u>855</u> |
| Income (Loss) Before Capital Contributions, Grants, and Transfers | <u>(897,762)</u> | <u>(693,384)</u> | <u>(854,454)</u> | <u>2,040</u> | <u>(7,982)</u> | <u>(2,451,542)</u> | <u>(323)</u> |
| Capital Contributions | 11,640 | - | - | - | - | 11,640 | - |
| Federal Capitalization Grants | - | - | - | 9,447 | 10,285 | 19,732 | - |
| Transfers In | 928,588 | 726,770 | - | 297 | 192 | 1,655,847 | - |
| Transfers Out | - | - | (6,384) | - | - | (6,384) | - |
| Change in Net Position | 42,466 | 33,386 | (860,838) | 11,784 | 2,495 | (770,707) | (323) |
| Total Net Position (Deficit) - Beginning (as restated) | <u>3,071,887</u> | <u>1,982,373</u> | <u>635,623</u> | <u>832,084</u> | <u>244,582</u> | <u>6,766,549</u> | <u>53,780</u> |
| Total Net Position (Deficit) - Ending | <u>\$ 3,114,353</u> | <u>\$ 2,015,759</u> | <u>\$ (225,215)</u> | <u>\$ 843,868</u> | <u>\$ 247,077</u> | <u>\$ 5,995,842</u> | <u>\$ 53,457</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| | Business-Type Activities | | | | | Totals | Governmental Activities |
|---|---|---------------------|------------------------|----------------|------------|----------------|----------------------------|
| | Enterprise Funds | | | | | | |
| | University of Connecticut & Health Center | Board of Regents | Employment Security | Clean Water | Other | | |
| Cash Flows from Operating Activities | | | | | | | |
| Receipts from Customers | \$ 1,340,905 | \$ 419,105 | \$ 709,090 | \$ 324,130 | \$ 55,447 | \$ 2,848,677 | \$ 46,830 |
| Payments to Suppliers | (701,164) | (333,958) | - | - | (2,731) | (1,037,853) | (15,833) |
| Payments to Employees | (1,576,858) | (978,556) | - | (607) | (10,058) | (2,566,079) | (11,543) |
| Other Receipts (Payments) | 289,253 | 63,134 | (821,180) | (116,688) | (46,112) | (631,593) | (24) |
| Net Cash Provided by (Used in) Operating Activities | (647,864) | (830,275) | (112,090) | 206,835 | (3,454) | (1,386,848) | 19,430 |
| Cash Flows from Noncapital Financing Activities | | | | | | | |
| Retirement of Bonds and Annuities Payable | (40,249) | - | - | (90,284) | (11,701) | (142,234) | - |
| Interest on Bonds and Annuities Payable | (26,197) | - | - | (41,579) | (6,916) | (74,692) | - |
| Transfers In | 595,074 | 632,735 | - | (163) | 192 | 1,227,838 | - |
| Transfers Out | - | - | (6,384) | - | - | (6,384) | - |
| Other Receipts (Payments) | 225,878 | 236,326 | - | - | - | 462,204 | (45) |
| Net Cash Flows from Noncapital Financing Activities | 754,506 | 869,061 | (6,384) | (132,026) | (18,425) | 1,466,732 | (45) |
| Cash Flows from Capital and Related Financing Activities | | | | | | | |
| Additions to Property, Plant, and Equipment | (214,327) | (101,065) | - | - | - | (315,392) | (18,570) |
| Proceeds from Sale of Bonds | 199,320 | (3,201) | - | - | - | 196,119 | - |
| Principal Paid on Capital Debt | (108,465) | (18,345) | - | - | - | (126,810) | - |
| Interest Paid on Capital Debt | (68,533) | (11,372) | - | - | - | (79,905) | - |
| Transfer In | 134,289 | 86,811 | - | - | - | 221,100 | - |
| Federal Grant | - | - | - | 9,447 | 10,115 | 19,562 | - |
| Other Receipts (Payments) | 14,850 | - | - | - | - | 14,850 | - |
| Net Cash Flows from Capital and Related Financing Activities | (42,866) | (47,172) | - | 9,447 | 10,115 | (70,476) | (18,570) |
| Cash Flows from Investing Activities | | | | | | | |
| Proceeds from Sales and Maturities of Investments | - | 49,340 | - | - | - | 49,340 | - |
| Purchase of Investment Securities | (167) | (27,663) | - | - | - | (27,830) | - |
| Interest on Investments | 1,286 | 1,176 | - | 3,694 | 483 | 6,639 | 900 |
| (Increase) Decrease in Restricted Assets | - | - | - | (3,806) | - | (3,806) | - |
| Other Receipts (Payments) | (10) | - | - | (84,154) | 8,160 | (76,004) | - |
| Net Cash Flows from Investing Activities | 1,109 | 22,853 | - | (84,266) | 8,643 | (51,661) | 900 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 64,885 | 14,467 | (118,474) | (10) | (3,121) | (42,253) | 1,715 |
| Cash and Cash Equivalents - Beginning of Year | 566,650 | 436,410 | 118,474 | 5,300 | 55,744 | 1,182,578 | 11,809 |
| Cash and Cash Equivalents - End of Year | \$ 631,535 | \$ 450,877 | \$ - | \$ 5,290 | \$ 52,623 | \$ 1,140,325 | \$ 13,524 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities | | | | | | | |
| Operating Income (Loss) | \$ (1,207,281) | \$ (920,116) | \$ (860,838) | \$ 22,241 | \$ (3,849) | \$ (2,969,843) | \$ (1,178) |
| Adjustments not Affecting Cash: | | | | | | | |
| Depreciation and Amortization | 193,070 | 102,816 | - | - | - | 295,886 | 15,705 |
| Other | 297,748 | - | 6,384 | - | - | 304,132 | - |
| Change in Assets and Liabilities: | | | | | | | |
| (Increase) Decrease in Receivables, Net | (8,914) | (24,231) | 13,494 | 184,594 | (1,819) | 163,124 | (41) |
| (Increase) Decrease in Due from Other Funds | 9,403 | (393) | 2,097 | - | - | 11,107 | 794 |
| (Increase) Decrease in Inventories and Other Assets | 30,953 | (523) | - | - | 1,146 | 31,576 | (527) |
| Increase (Decrease) in Accounts Payables & Accrued Liabilities | 42,381 | 12,172 | 724,985 | - | 1,068 | 780,606 | 4,677 |
| Increase (Decrease) in Due to Other Funds | (5,224) | - | 1,788 | - | - | (3,436) | - |
| Total Adjustments | 559,417 | 89,841 | 748,748 | 184,594 | 395 | 1,582,995 | 20,608 |
| Net Cash Provided by (Used In) Operating Activities | \$ (647,864) | \$ (830,275) | \$ (112,090) | \$ 206,835 | \$ (3,454) | \$ (1,386,848) | \$ 19,430 |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets | | | | | | | |
| Cash and Cash Equivalents - Current | \$ 498,272 | \$ 308,656 | | | | | |
| Cash and Cash Equivalents - Noncurrent | - | 142,221 | | | | | |
| Cash and Cash Equivalents - Noncurrent Restricted | 494 | - | | | | | |
| Cash and Cash Equivalents - Current Restricted | 132,768 | - | | | | | |
| | \$ 631,534 | \$ 450,877 | | | | | |
| Noncash Investing, Capital, and Financing Activities: | | | | | | | |
| Proceeds from refunding bonds | \$ 141,384 | | | | | | |
| Amortization of premiums, discounts, and net loss on debt refunding's | 22,129 | | | | | | |
| Acquisition of software license under long term purchase contract | 4,799 | | | | | | |
| Capital assets acquired through gifts | 694 | | | | | | |
| Unrealized gain (loss) on investment | 4,226 | | | | | | |
| Loss on disposal of capital assets | (199) | | | | | | |
| Mortgage proceeds held by Trustee in construction escrow account | 27 | | | | | | |
| In kind Coronavirus relief donation | 59 | | | | | | |
| Change in endowment | 300 | | | | | | |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2021

(Expressed in Thousands)

| | Pension & Other Employee Benefit Trust Funds | Investment Trust Fund External Investment Pool | Private- Purpose Trust Fund Escheat Securities | Fiduciary Component Unit Paid Family Medical Leave Authority | Custodial Funds | Total |
|---|---|---|---|---|----------------------------|----------------------|
| Assets | | | | | | |
| Current: | | | | | | |
| Cash and Cash Equivalents | \$ 333,970 | \$ - | \$ - | \$ 103,650 | \$ 318,655 | \$ 756,275 |
| Receivables: | | | | | | |
| Accounts, Net of Allowances | 49,572 | - | - | 104,532 | 2,750 | 156,854 |
| From Other Governments | 60 | - | - | - | - | 60 |
| From Other Funds | 1,620,250 | - | - | 1,073 | - | 1,621,323 |
| Interest | 773 | 322 | - | - | 1 | 1,096 |
| Investments (See Note 3) | 44,415,019 | 1,754,745 | - | - | - | 46,169,764 |
| Securities Lending Collateral | 2,548,811 | - | - | - | - | 2,548,811 |
| Other Assets | - | 19 | - | 147 | 339,800 | 339,966 |
| Noncurrent: | | | | | | |
| Due From Employers | 13,386 | - | - | - | - | 13,386 |
| Capital Assets, Net of Accumulated Depreciation | - | - | - | 6,769 | - | 6,769 |
| Other Assets | - | - | 15,588 | - | - | 15,588 |
| Total Assets | <u>\$48,981,841</u> | <u>\$1,755,086</u> | <u>\$ 15,588</u> | <u>\$ 216,171</u> | <u>\$ 661,206</u> | <u>\$ 51,629,892</u> |
| Deferred Outflows of Resources | | | | | | |
| Related to Pensions & Other Postemployment Benefits | \$ - | \$ - | \$ - | \$ 1,017 | \$ - | \$ 1,017 |
| Total Deferred Outflows of Resources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,017</u> | <u>\$ -</u> | <u>\$ 1,017</u> |
| Liabilities | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 66,082 | \$ 39 | \$ - | \$ 492 | \$ 89,103 | 155,716 |
| Securities Lending Obligation | 2,548,811 | - | - | - | - | 2,548,811 |
| Compensated Absences | - | - | - | 134 | - | 134 |
| Due to Other Funds | 1,903 | - | - | - | - | 1,903 |
| Total Current Liabilities | 2,616,796 | 39 | - | 626 | 89,103 | 2,706,564 |
| Noncurrent Liabilities: | | | | | | |
| Pension & OPEB Liability | - | - | - | 693 | - | 693 |
| Noncurrent Portion of Long-Term Obligations | - | - | - | 17,320 | - | 17,320 |
| Total Noncurrent Liabilities | - | - | - | 18,013 | - | 18,013 |
| Total Liabilities | <u>\$ 2,616,796</u> | <u>\$ 39</u> | <u>\$ -</u> | <u>\$ 18,639</u> | <u>\$ 89,103</u> | <u>\$ 2,724,577</u> |
| Other Deferred Inflows | | | | | | |
| Related to Pensions & Other Postemployment Benefits | \$ - | \$ - | \$ - | \$ 16 | \$ - | \$ 16 |
| Total Deferred Inflows of Resources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16</u> | <u>\$ -</u> | <u>\$ 16</u> |
| Net Position | | | | | | |
| Restricted for: | | | | | | |
| Pension Benefits | \$44,011,803 | \$ - | \$ - | \$ - | \$ - | \$ 44,011,803 |
| Other Postemployment Benefits | 2,353,242 | - | - | - | - | 2,353,242 |
| Pool Participants | - | 1,755,047 | - | - | - | 1,755,047 |
| Individuals, Organizations, and Other Governments | - | - | 15,588 | 198,533 | 572,103 | 786,224 |
| Total Net Position | <u>\$46,365,045</u> | <u>\$1,755,047</u> | <u>\$ 15,588</u> | <u>\$ 198,533</u> | <u>\$ 572,103</u> | <u>\$ 48,906,316</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| | Pension & Other Employee Benefit Trust Funds | Investment Trust Fund External Investment Pool | Private- Purpose Trust Fund Escheat Securities | Fiduciary Component Unit Paid Family Medical Leave Authority | Custodial Funds | Total |
|---|---|---|---|---|----------------------------|----------------------|
| Additions | | | | | | |
| Contributions: | | | | | | |
| Plan Members | \$ 807,130 | \$ - | \$ - | \$ - | \$ - | \$ 807,130 |
| State | 5,651,443 | - | - | - | - | 5,651,443 |
| Municipalities | 116,426 | - | - | - | - | 116,426 |
| Participant Contributions | - | - | - | 205,002 | - | 205,002 |
| Total Contributions | <u>6,574,999</u> | <u>-</u> | <u>-</u> | <u>205,002</u> | <u>-</u> | <u>6,780,001</u> |
| Investment Income | 9,620,690 | 2,416 | - | 5 | - | 9,623,111 |
| Less: Investment Expense | (548,435) | (218) | - | - | - | (548,653) |
| Net Investment Income | <u>9,072,255</u> | <u>2,198</u> | <u>-</u> | <u>5</u> | <u>-</u> | <u>9,074,458</u> |
| Insurance Securities | - | - | - | - | 326,275 | 326,275 |
| Escheat Securities Received | - | - | 33,900 | - | - | 33,900 |
| Pool's Share Transactions | - | (231,149) | - | - | - | (231,149) |
| Other | 13,782 | - | - | - | 89,028 | 102,810 |
| Total Additions | <u>15,661,036</u> | <u>(228,951)</u> | <u>33,900</u> | <u>205,007</u> | <u>415,303</u> | <u>16,086,295</u> |
| Deductions | | | | | | |
| Administrative Expense | 31,285 | - | - | 5,858 | 16,825 | 53,968 |
| Benefit Payments and Refunds | 5,429,777 | - | - | - | - | 5,429,777 |
| Escheat Securities Returned or Sold | - | - | 27,054 | - | - | 27,054 |
| Distributions to Pool Participants | - | 2,197 | - | - | - | 2,197 |
| Depreciation & Amortization | - | - | - | 526 | - | 526 |
| Other | 115,074 | - | (4,427) | 90 | - | 110,737 |
| Total Deductions | <u>5,576,136</u> | <u>2,197</u> | <u>22,627</u> | <u>6,474</u> | <u>16,825</u> | <u>5,624,259</u> |
| Change in Net Position Held In Trust For: | | | | | | |
| Pension and Other Employee Benefits | 10,084,900 | - | - | - | - | 10,084,900 |
| Individuals, Organizations, and Other Governments | - | (231,148) | 11,273 | 198,533 | 398,478 | 377,136 |
| Net Position - Beginning (restated) | 36,280,145 | 1,986,195 | 4,315 | - | 173,625 | 38,444,280 |
| Net Position - Ending | <u>\$ 46,365,045</u> | <u>\$ 1,755,047</u> | <u>\$ 15,588</u> | <u>\$ 198,533</u> | <u>\$ 572,103</u> | <u>\$ 48,906,316</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF NET POSITION
COMPONENT UNITS**

June 30, 2021

(Expressed in Thousands)

| Assets | Connecticut Housing Finance Authority (12-31-20) | Connecticut Lottery Corporation | Connecticut Airport Authority | Other Component Units | Total |
|---|--|---------------------------------------|-------------------------------------|-----------------------------|---------------------|
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ - | \$ 24,981 | \$ 128,180 | \$ 166,138 | \$ 319,299 |
| Investments | - | 4,230 | - | 703,228 | 707,458 |
| Receivables: | | | | | |
| Accounts, Net of Allowances | - | 24,218 | 6,272 | 26,159 | 56,649 |
| Loans, Net of Allowances | - | - | - | 2,614 | 2,614 |
| Interest Receivable | - | 995 | - | 497 | 1,492 |
| Due From Other Governments | - | - | 14,815 | - | 14,815 |
| Due From Primary Government | - | - | 6,357 | 853 | 7,210 |
| Restricted Assets | 1,188,570 | - | 6,739 | 477,956 | 1,673,265 |
| Inventories | - | - | - | 5,572 | 5,572 |
| Other Current Assets | - | 3,900 | 890 | 23,290 | 28,080 |
| Total Current Assets | <u>1,188,570</u> | <u>58,324</u> | <u>163,253</u> | <u>1,406,307</u> | <u>2,816,454</u> |
| Noncurrent Assets: | | | | | |
| Investments | - | 122,140 | - | 172,694 | 294,834 |
| Accounts, Net of Allowances | - | - | - | 56,620 | 56,620 |
| Loans, Net of Allowances | - | - | - | 109,862 | 109,862 |
| Restricted Assets | 5,168,488 | - | 152,065 | 303,847 | 5,624,400 |
| Capital Assets, Net of Accumulated Depreciation | 3,104 | 408 | 503,926 | 401,162 | 908,600 |
| Other Noncurrent Assets | - | 6,656 | - | 94,064 | 100,720 |
| Total Noncurrent Assets | <u>5,171,592</u> | <u>129,204</u> | <u>655,991</u> | <u>1,138,249</u> | <u>7,095,036</u> |
| Total Assets | <u>\$ 6,360,162</u> | <u>\$ 187,528</u> | <u>\$ 819,244</u> | <u>\$ 2,544,556</u> | <u>\$ 9,911,490</u> |
| Deferred Outflows of Resources | | | | | |
| Accumulated Decrease in Fair Value of Hedging Derivatives | \$ - | \$ - | \$ 12,672 | \$ - | \$ 12,672 |
| Unamortized Losses on Bond Refundings | 115,687 | - | 1,301 | - | 116,988 |
| Related to Pensions & Other Postemployment Benefits | 36,848 | 34,355 | 46,437 | 26,570 | 144,210 |
| Other | - | - | - | 2,488 | 2,488 |
| Total Deferred Outflows of Resources | <u>\$ 152,535</u> | <u>\$ 34,355</u> | <u>\$ 60,410</u> | <u>\$ 29,058</u> | <u>\$ 276,358</u> |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 22,802 | \$ 8,590 | \$ 39,276 | \$ 84,345 | \$ 155,013 |
| Current Portion of Long-Term Obligations | 484,076 | 4,901 | 8,130 | 26,550 | 523,657 |
| Due To Primary Government | - | - | 2,638 | 53,578 | 56,216 |
| Unearned Revenue | - | - | - | 3,651 | 3,651 |
| Amount Held for Institutions | - | - | - | 296,531 | 296,531 |
| Other Liabilities | - | 28,527 | 7,009 | 40 | 35,576 |
| Total Current Liabilities | <u>506,878</u> | <u>42,018</u> | <u>57,053</u> | <u>464,695</u> | <u>1,070,644</u> |
| Noncurrent Liabilities: | | | | | |
| Pension & OPEB Liability | 152,851 | 124,560 | 176,598 | 105,813 | 559,822 |
| Noncurrent Portion of Long-Term Obligations | 4,784,269 | 122,121 | 245,505 | 485,102 | 5,636,997 |
| Total Noncurrent Liabilities | <u>4,937,120</u> | <u>246,681</u> | <u>422,103</u> | <u>590,915</u> | <u>6,196,819</u> |
| Total Liabilities | <u>\$ 5,443,998</u> | <u>\$ 288,699</u> | <u>\$ 479,156</u> | <u>\$ 1,055,610</u> | <u>\$ 7,267,463</u> |
| Other Deferred Inflows | | | | | |
| Related to Pensions & Other Postemployment Benefits | \$ 24,790 | \$ 17,327 | \$ 20,930 | \$ 21,015 | \$ 84,062 |
| Other Deferred Inflows | - | - | - | 1,073 | 1,073 |
| Total Deferred Inflows of Resources | <u>\$ 24,790</u> | <u>\$ 17,327</u> | <u>\$ 20,930</u> | <u>\$ 22,088</u> | <u>\$ 85,135</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | \$ 3,104 | \$ 408 | \$ 291,325 | \$ 198,618 | \$ 493,455 |
| Restricted: | | | | | |
| Debt Service | - | - | 11,214 | - | 11,214 |
| Bond Indentures | 1,040,805 | - | 2,142 | - | 1,042,947 |
| Expendable Endowments | - | - | - | 22,496 | 22,496 |
| Nonexpendable Endowments | - | - | - | 770,526 | 770,526 |
| Capital Projects | - | - | 118,386 | - | 118,386 |
| Other Purposes | - | - | - | 226,636 | 226,636 |
| Unrestricted (Deficit) | - | (84,551) | (43,499) | 277,640 | 149,590 |
| Total Net Position (Deficit) | <u>\$ 1,043,909</u> | <u>\$ (84,143)</u> | <u>\$ 379,568</u> | <u>\$ 1,495,916</u> | <u>\$ 2,835,250</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF ACTIVITIES
COMPONENT UNITS**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|---------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Connecticut Housing Finance Authority (12/31/20) | \$ 195,820 | \$ 143,111 | \$ - | \$ - |
| Connecticut Lottery Corporation | 1,506,158 | 1,497,907 | - | - |
| Connecticut Airport Authority | 107,692 | 107,658 | - | 5,079 |
| Other Component Units | <u>272,473</u> | <u>269,638</u> | <u>12,210</u> | <u>10,862</u> |
| Total Component Units | <u>\$ 2,082,143</u> | <u>\$ 2,018,314</u> | <u>\$ 12,210</u> | <u>\$ 15,941</u> |

General Revenues:
Investment Income
Transfer In
Total General Revenues
Change in Net Position
Net Position (Deficit)-Beginning (as restated)
Net Position (Deficit)-Ending

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**Net (Expense) Revenue and
Changes in Net Position**

| Connecticut Housing Finance Authority (12-31-20) | Connecticut Lottery Corporation | Connecticut Airport Authority | Other Component Units | Totals |
|---|--|--|--------------------------------------|---------------|
| \$ (52,709) | \$ - | \$ - | \$ - | \$ (52,709) |
| - | (8,251) | - | - | (8,251) |
| - | - | 5,045 | - | 5,045 |
| - | - | - | 20,237 | 20,237 |
| (52,709) | (8,251) | 5,045 | 20,237 | (35,678) |
| 185,930 | 6,048 | 138 | 197,612 | 389,728 |
| - | - | - | 496 | 496 |
| 185,930 | 6,048 | 138 | 198,108 | 390,224 |
| 133,221 | (2,203) | 5,183 | 218,345 | 354,546 |
| 910,688 | (81,940) | 374,385 | 1,277,571 | 2,480,704 |
| \$ 1,043,909 | \$ (84,143) | \$ 379,568 | \$ 1,495,916 | \$ 2,835,250 |

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Note 1

Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit), and the Board of Regents. Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

The following organizations (Connecticut Housing Finance Authority, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Student Loan Foundation, and Capital Region Development Authority) are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the portion of the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

The State appoints a voting majority of the organization's governing board and can access the resources for the following organizations (Connecticut Innovations, Incorporated, and Connecticut Green Bank) therefore, these organizations are reported as component units.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

The Connecticut Airport Authority and the Connecticut Port Authority are reported as component units because the nature and significance of their relationship with the State are such that it would be misleading to exclude the authorities from the State's reporting entity.

The State's major and nonmajor component units are:

Connecticut Housing Finance Authority (CHFA)

CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ended on December 31, 2020.

Connecticut Airport Authority (CAA)

CAA was established to develop, improve, and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports). Beginning in Fiscal Year 2021 Bradley Parking Garage (formally a Nonmajor Enterprise Fund of the State) was merged into the Connecticut Airport Authority.

Materials Innovation and Recycling Authority (MIRA)

MIRA is responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. CHESLA is a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)

CHEFA was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Student Loan Foundation (CSLF)

CSLF was established as a Connecticut state chartered nonprofit corporation established pursuant to State of Connecticut Statute Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans. CSLF is a subsidiary of CHEFA.

Capital Region Development Authority (CRDA)

CRDA markets major sports, convention, and exhibition venues in the region.

Connecticut Innovations, Incorporated (CI)

CI was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Connecticut Green Bank (CGB)

CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)

CLC was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

Connecticut Port Authority (CPA)

CPA was established to grow Connecticut's maritime economy and create jobs by strategically investing in the state's three deep water ports and small harbors.

In addition, the State includes the following non-governmental nonprofit corporation as a component unit:

University of Connecticut Foundation, Incorporated

The Foundation was created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the State's reporting entity.

c. Government-wide and Fund Financial Statements***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities report information on all the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

When both restricted and unrestricted resources are available for use, the State generally uses restricted resources first, then unrestricted resources as needed. There may be occasions when restricted funds may only be spent in proportion to unrestricted funds spent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses but is neither restricted nor committed.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Grant and Loan Programs - This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

Board of Regents - This fund is used to account for the operations of the State University System & the State Community Colleges which consists of four universities: Central, Eastern, Southern, and Western and twelve regional community colleges.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide grants and loans to municipalities to finance wastewater treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 10, 11, and 12.

Other Postemployment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other postemployment benefit plans which are described in notes 13 and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Fiduciary Component Unit (Connecticut Paid Family Medical Leave Authority-PFMLA) - PFMLA was established pursuant to Public Act No 19-25. The main objective of the Authority is to establish and administer a paid leave program to eligible employees funded by the employees under the Connecticut Paid Family and Medical Leave Insurance Act.

The Family and Medical Leave Insurance Trust Fund is a non-lapsing fund held by the State Treasurer to hold all contributions and other amounts intended for the Trust. The amounts in the Trust shall not constitute property of the State and the trust is not a department, institution, or agency of the State. The State has no obligation to pay obligations of the Trust and all amounts to be paid from the Trust are limited to amounts in the Trust. In accordance with paragraph 8 of GASB 84 *Fiduciary Activities* PFMLA has been classified as a Fiduciary Component Unit.

Custodial Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 days after year-end. Exceptions to this policy are federal grant revenues, which are available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 3)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a component unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after considering pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net position.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds 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 in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than \$5,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation or in the case of gifts at acquisition value.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Improvements Other than Buildings | 10-20 years |
| Machinery and Equipment | 5-30 years |
| Infrastructure | 20-28 years |

Securities Lending Transactions (see Note 3)

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a certain amount of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced, and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, considering current conditions and trends.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position on the government-wide and fund financial statements in a separate section, after total assets.

Unearned Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as an expense in the year they are incurred. Other significant long-term obligations include the net pension liability, OPEB obligation, compensated absences, and workers' compensation claims. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net position at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy are as follows: Employees hired on or before June 30, 1977, 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/her accrued sick leave up to a maximum payment equivalent to sixty days.

f. Derivative Instruments

The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position.

g. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position and Balance Sheet in a separate section, after total liabilities.

h. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are

reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for certain expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

i. Endowments

The University of Connecticut and Health Center designate the University of Connecticut Foundation (a component unit of the State) as the manager of the University’s and Health Center’s endowment funds. The Foundation makes spending distributions to the University and Health Center for each participating endowment. The allocation is spent by the University and Health Center in accordance with the respective purposes of the endowments, the policies and procedures of the University and Health Center, and State statutes, and in accordance with the Foundation’s endowment spending policy.

Additional information regarding endowments is presented in the UConn Foundation financial report.

j. Supplemental Nutrition Assistance Program (SNAP)

Nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 3). Pool income is determined based on distributions made to the pool’s participants.

l. Upcoming Accounting Pronouncements

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for fiscal years beginning after June 15, 2021, due to the COVID-19 pandemic this date is eighteen months later than originally required in the Statement. The State is currently evaluating the impact this standard will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2020, due to the COVID-19 pandemic this date is one year later than originally required in the Statement. The State is currently evaluating the impact this standard will have on its financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice related to (1) commitments extended by issuers, (2) arrangements related with debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021, due to the COVID-19 pandemic this date is one year later than originally required in the Statement. The State is currently evaluating the impact this standard will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after

June 15, 2021, due to the COVID-19 pandemic this date is one year later than originally required in the Statement. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of the Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. This Statement is effective for reporting periods beginning after December 31, 2021, due to the COVID-19 pandemic this date is one year later than originally required in the Statement. The requirements in paragraphs 13 and 14 have an effective date for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership (PPP's). This Statement is effective for fiscal years beginning after June 15, 2022. The State is currently evaluating the impact this standard will have on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of the following pronouncements are postponed by one year:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date of the following pronouncement is postponed by 18 months:

- Statement No. 87, *Leases*

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and provide uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement is effective for fiscal years beginning after June 15, 2022, due to the COVID-19 pandemic this date is a year later than what the Board proposed in the exposure draft. The State is currently evaluating the impact this standard will have on its financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units when a component unit does not have a governing board and the primary government performs the duties that a government board would typically perform; (2) ease costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans, and employee benefit plans other than pension plans or OPEB plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for fiscal years beginning after June 15, 2021. The State is currently evaluating the impact this standard will have on its financial statements.

m. Use of Estimates

The preparation of the financial statements in conformity with GAAP 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.

Note 2

Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2021, none of which constitutes a violation of statutory provisions (amounts in thousands).

| | |
|-------------------------|--------|
| Capital Projects | |
| Transportation | \$ 718 |
| Special Revenue | |
| Regional Market | \$ 340 |

The Transportation deficit will be eliminated in the future by the sale of bonds. Bonds have not been issued in this fund since fiscal year 2008.

The Regional Market fund deficit was because of additional expenditures this fiscal year and lower revenue collections. This deficit should be eliminated in the future.

Note 3

Cash Deposits and Investments

According to GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”, the State is required to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State’s deposits may not be recovered.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund and twelve Combined Investment Funds.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers’ acceptances, repurchase agreements, and asset-backed securities. STIF’s investments are reported at amortized cost (which approximates fair value) in the fund’s statement of net position.

For financial reporting purposes, STIF is a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State’s financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State’s financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.

As of June 30, 2021, STIF had the following investments and maturities (amounts in thousands):

| Short-Term Investment Fund | | | | |
|----------------------------|----------------|----------------------------------|------------|--|
| Investment Type | Amortized Cost | Investment Maturities (in years) | | |
| | | Less | | |
| | | Than 1 | 1-5 | |
| Treasury Securities | \$ 2,155,045 | \$ 2,155,045 | \$ - | |
| Federal Agency Securities | 949,124 | 489,132 | 459,992 | |
| Bank Commercial Paper | 853,123 | 853,123 | - | |
| Repurchase Agreements | 902,377 | 902,377 | - | |
| Total Investments | \$ 4,859,669 | \$ 4,399,677 | \$ 459,992 | |

Interest Rate Risk

STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2021, the weighted average maturity of STIF was 31 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities repriced frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2021, the amount of STIF's investments in variable-rate securities was \$969.1 million.

Credit Risk

STIF's policy for managing credit risk is to purchase short-term, high-quality fixed income securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2021, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

| Investment Type | Amortized Cost | Quality Ratings | | |
|-----------------------------------|----------------|-----------------|--------------|------------|
| | | AAAm | AA+/A-1+ | A/A-1 |
| Treasury Securities | \$ 2,155,045 | \$ - | \$ 2,155,045 | \$ - |
| Federal Agency Securities | 949,124 | - | 949,124 | - |
| Corporate & Bank Commercial Paper | 853,123 | - | 774,796 | 78,327 |
| Repurchase Agreements | 902,377 | - | - | 902,377 |
| Total Investments | \$ 4,859,669 | \$ - | \$ 3,878,965 | \$ 980,704 |

Concentration of Credit Risk

STIF reduces its exposure to this risk by ensuring that at least 60 percent of fund assets will be invested in securities rated "A-1+" or equivalent. In addition, exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAm) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 15 percent. As of June 30, 2021, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

| Investment Issuer | Amortized Cost |
|--|----------------|
| Federal Farm Credit Bank | \$ 778,518 |
| ScotiaBank and Treasury Repo with Scotia | \$ 650,000 |
| Bank of America REPO | \$ 602,377 |

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):

STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificates of deposit must be issued from commercial banks whose short-term debt is rated at least "A-1" by Standard and Poor's and "F-1" by Fitch and whose long-term debt is rated at least "A-" or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2021, \$3,794,987 of the bank balance of STIF's deposits of \$4,074,987 was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Uninsured and uncollateralized | \$ 3,794,987 |
| Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State | - |
| Total | \$ 3,794,987 |

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net position.

For financial reporting purposes, the CIFS are external investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

| | Primary Government | | |
|----------------------------------|------------------------------------|-------------------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Fiduciary Funds |
| Equity in the CIFS | \$ 138,878 | \$ 697 | \$ 44,405,341 |
| Other Investments | 190 | 85,492 | 1,754,745 |
| Total Investments-Current | \$ 139,068 | \$ 86,189 | \$ 46,160,086 |

The CIFS measure and record their investments using fair value measurement guidelines. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and Level 3: Unobservable inputs.

As of June 30, 2021, the CIFS had the following investments (amounts in thousands):

| Investments by Fair Value Level | Fair Value Measurements | | | |
|--|--------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash Equivalents | \$ 850,308 | \$ 487,109 | \$ 363,199 | \$ - |
| Asset Backed Securities | 176,736 | - | 176,736 | - |
| Government Securities | 5,722,908 | 3,708,394 | 2,014,514 | - |
| Government Agency Securities | 1,553,274 | - | 1,553,274 | - |
| Mortgage Backed Securities | 547,084 | - | 547,084 | - |
| Corporate Debt | 4,916,630 | - | 4,798,493 | 118,137 |
| Convertible Securities | 160,126 | - | 160,126 | - |
| Common Stock | 19,642,020 | 19,641,676 | - | 344 |
| Preferred Stock | 161,479 | 147,465 | 14,014 | - |
| Real Estate Investment Trust | 748,733 | 592,861 | 155,872 | - |
| Mutual Fund | 565,046 | 565,046 | - | - |
| Limited Partnerships | 241,401 | 241,401 | - | - |
| Total | \$ 35,285,745 | \$ 25,383,952 | \$ 9,783,312 | \$ 118,481 |
| Investments Measured by Net Asset Value (NAV) | | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Limited Liability Corporation | 72 | \$ - | Illiquid | N/A |
| Limited Partnerships | 9,714,299 | 5,483,831 | Illiquid | N/A |
| Total | 9,714,371 | \$ 5,483,831 | | |
| Total Investments in Securities at Fair Value | \$ 45,000,116 | | | |

Investments are stated at fair value for each of the CIF as described below. For the Alternative Investment, Real Assets, Private Credit and Private Investment Funds substantially all of the investments, other than those in the Liquidity Fund, are shown at values that are carried at the general partner's June 30, 2021 fair value, or net asset value ("NAV") equivalent. The CIF's assets are fair valued quarterly by the General Partner and at such other times as determined by the General Partner and are based on Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures". The fair value the General Partner assigned to these investments is based upon available information and does not represent necessarily the amount that ultimately might be realized upon sale or maturity. Because of the inherent uncertainty of the fair valuation process, this estimated fair value presented by the General Partner may differ significantly from the fair value that would have been used had a ready market for the security existed, and the difference could be material. The General Partner is responsible for coordination and oversight of all investment valuations.

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints always require each manager to maintain a diversified portfolio. In addition, each core manager is required to maintain a target duration that is like its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Following is a schedule which provides information about the interest rate risks associated with the CIFS' investments. The investments include short-term cash equivalents including certificates of deposit and collateral, long-term investments and restricted assets by maturity in years (amounts in thousands):

| Combined Investment Funds | | | | | | |
|------------------------------|----------------------|----------------------------------|---------------------|---------------------|---------------------|--|
| Investment Type | Fair Value | Investment Maturities (in Years) | | | | |
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 | |
| Cash Equivalents | \$ 850,308 | \$ 850,308 | \$ - | \$ - | \$ - | |
| Asset Backed Securities | 176,736 | 608 | 44,608 | 49,841 | 81,679 | |
| Government Securities | 5,722,908 | 492,042 | 2,306,911 | 1,359,767 | 1,564,188 | |
| Government Agency Securities | 1,553,274 | 7 | 40,197 | 61,387 | 1,451,683 | |
| Mortgage Backed Securities | 547,084 | - | 21,729 | 27,230 | 498,125 | |
| Corporate Debt | 4,916,630 | 370,203 | 1,991,665 | 1,724,131 | 830,631 | |
| Convertible Debt | 160,126 | 672 | 134,090 | 22,095 | 3,269 | |
| | <u>\$ 13,927,066</u> | <u>\$ 1,713,840</u> | <u>\$ 4,539,200</u> | <u>\$ 3,244,451</u> | <u>\$ 4,429,575</u> | |

Credit Risk

The CIFS minimize exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2021, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

| Combined Investment Funds | | | | | | | | | |
|---|----------------------|-------------------|-------------------------|-----------------------|------------------------------|----------------------------|---------------------|-------------------|------|
| | Fair Value | Cash Equivalents | Asset Backed Securities | Government Securities | Government Agency Securities | Mortgage Backed Securities | Corporate Debt | Convertible Debt | |
| | | | | | | | | | |
| Aaa | \$ 5,611,390 | \$ 487,110 | \$ 90,035 | \$ 3,740,049 | \$ 1,015,588 | \$ 232,789 | \$ 45,819 | \$ - | \$ - |
| Aa | 382,562 | - | 5,946 | 191,416 | - | 23,789 | 161,411 | - | - |
| A | 806,403 | - | 1,858 | 154,830 | - | 3,240 | 643,193 | 3,282 | - |
| Baa | 1,501,552 | - | 3,467 | 375,657 | - | 1,892 | 1,112,811 | 7,725 | - |
| Ba | 1,260,563 | - | 2,368 | 330,963 | - | 117 | 924,489 | 2,626 | - |
| B | 1,236,025 | - | 3,052 | 229,136 | - | - | 998,211 | 5,626 | - |
| Caa | 555,234 | - | 1,295 | 57,092 | - | 974 | 492,400 | 3,473 | - |
| Ca | 15,034 | - | 567 | 859 | - | 765 | 12,815 | 28 | - |
| C | 6,732 | - | - | 5,978 | - | - | 754 | - | - |
| Prime 1 | 256,914 | 51,248 | - | - | - | - | 205,666 | - | - |
| Prime 2 | 17,507 | 3,050 | - | - | - | - | 14,457 | - | - |
| U.S. Government fixed income securities (not rated) | 578,762 | - | - | 41,076 | 537,686 | - | - | - | - |
| Non US Government fixed income securities (not rated) | 595,851 | - | - | 595,851 | - | - | - | - | - |
| Not Rated | 1,127,537 | 308,901 | 68,149 | - | - | 283,518 | 329,603 | 137,366 | - |
| | <u>\$ 13,952,066</u> | <u>\$ 850,309</u> | <u>\$ 176,737</u> | <u>\$ 5,722,907</u> | <u>\$ 1,553,274</u> | <u>\$ 547,084</u> | <u>\$ 4,941,629</u> | <u>\$ 160,126</u> | |

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the marketplace. While managers within the fixed income portion of the portfolio can invest in non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios.

As of June 30, 2021, CIFS' foreign deposits and investments were as follows (amounts in thousands):

| Foreign Currency | Combined Investment Funds | | | | | | | | | |
|-----------------------|---------------------------|------------------|----------------------------|-----------------------|-------------------|---------------|------------------|---------------------|-----------------------------------|------------------|
| | Total | Cash | Fixed Income Securities | | | | Equities | | Real Estate Investment Trust Fund | |
| | | | Cash Equivalent Collateral | Government Securities | Corporate Debt | Asset Backed | Mortgage Backed | Common Stock | | Preferred Stock |
| Argentine Peso | \$ 928 | \$ 205 | \$ - | \$ 723 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Australian Dollar | 316,253 | 1,336 | - | 2,965 | 5,867 | - | 552 | 291,256 | - | 14,277 |
| Brazilian Real | 444,978 | 4,161 | - | 116,580 | 6,008 | 27 | - | 247,590 | 70,612 | - |
| Canadian Dollar | 52,011 | 1,126 | - | - | - | - | 495 | 50,390 | - | - |
| Chilean Peso | 17,164 | - | 40 | 17,426 | - | (302) | - | - | - | - |
| Chinese Yuan Renminbi | 61 | - | 484 | - | - | (423) | - | - | - | - |
| Colombian Peso | 67,507 | 2,232 | (48) | 57,363 | 7,644 | 316 | - | - | - | - |
| Czech Koruna | 43,577 | 117 | 8 | 37,451 | - | (9) | - | 6,010 | - | - |
| Danish Krone | 162,453 | 129 | - | - | - | - | - | 162,324 | - | - |
| Dominican Rep Peso | 7,461 | - | - | 7,461 | - | - | - | - | - | - |
| Egyptian Pound | 37,177 | (53) | - | 17,303 | 18,467 | - | - | 1,460 | - | - |
| Euro Currency | 2,156,024 | 8,775 | 1 | 77,363 | 28,455 | 1,187 | 18,992 | 1,986,294 | 24,623 | 10,334 |
| Hong Kong Dollar | 1,074,719 | 2,609 | - | - | 525 | - | 2,530 | 1,065,565 | - | 3,490 |
| Hungarian Forint | 64,612 | 200 | (1) | 24,017 | - | - | - | 40,396 | - | - |
| Indonesian Rupiah | 143,170 | 872 | - | 54,845 | 43,268 | - | - | 44,185 | - | - |
| Israeli Shekel | 50,410 | 145 | - | 9,859 | - | - | - | 40,406 | - | - |
| Japanese Yen | 1,078,099 | 8,630 | - | - | - | - | 3,170 | 1,045,784 | - | 20,515 |
| Kazakhstan Tenge | 11,061 | - | - | - | 11,061 | - | - | - | - | - |
| Kenyan Shilling | 1,722 | - | - | - | 1,722 | - | - | - | - | - |
| Georgian Lari | 1,474 | - | - | 1,474 | - | - | - | - | - | - |
| Malaysian Ringgit | 69,412 | 522 | - | 64,124 | - | 17 | - | 4,749 | - | - |
| Mexican Peso | 163,771 | 1,517 | 1,414 | 111,110 | 4,092 | (286) | - | 45,924 | - | - |
| New Zealand Dollar | 11,985 | 493 | - | - | - | - | - | 11,047 | - | 445 |
| Norwegian Krone | 27,433 | 214 | - | - | - | - | - | 27,219 | - | - |
| Peruvian Nuevo Sol | 28,934 | 368 | - | 24,519 | 4,047 | - | - | - | - | - |
| Philippine Peso | 1,123 | - | - | 1,123 | - | - | - | - | - | - |
| Polish Zloty | 60,747 | 52 | 143 | 13,954 | - | (102) | - | 46,700 | - | - |
| Pound Sterling | 1,127,720 | 3,984 | - | (86) | 296 | - | 2,160 | 1,111,386 | - | 9,980 |
| Romanian Leu | 18,084 | 281 | - | 17,803 | - | - | - | - | - | - |
| Russian Ruble | 199,968 | 838 | - | 92,633 | - | - | - | 106,497 | - | - |
| Singapore Dollar | 42,942 | 376 | 46 | 2,486 | - | (47) | 411 | 33,057 | - | 6,613 |
| South African Rand | 290,814 | 1,843 | (3,959) | 104,420 | 175 | (93) | - | 188,428 | - | - |
| South Korean Won | 762,271 | 1 | - | - | - | - | - | 718,732 | 43,538 | - |
| Swedish Krona | 211,075 | 369 | - | - | - | - | - | 210,706 | - | - |
| Swiss Franc | 675,428 | 2,043 | - | - | 3,716 | - | 2,138 | 667,531 | - | - |
| Thailand Baht | 66,492 | 9 | - | 30,079 | - | - | - | 36,404 | - | - |
| Turkish Lira | 28,331 | 122 | - | 6,892 | - | - | - | 21,317 | - | - |
| Uganda Shilling | 1,447 | - | - | 1,447 | - | - | - | - | - | - |
| Ukraine Hryvna | 25,793 | - | - | 19,497 | 6,296 | - | - | - | - | - |
| Uruguayan Peso | 32,037 | - | - | 32,037 | - | - | - | - | - | - |
| Uzbekistan Sum | 3,483 | - | - | 3,483 | - | - | - | - | - | - |
| | <u>\$ 9,580,151</u> | <u>\$ 43,516</u> | <u>\$ (1,872)</u> | <u>\$ 950,351</u> | <u>\$ 141,639</u> | <u>\$ 285</u> | <u>\$ 30,448</u> | <u>\$ 8,211,357</u> | <u>\$ 138,773</u> | <u>\$ 65,654</u> |

Derivatives

As of June 30, 2021, the CIFS held the following derivative investments (amounts in thousands):

| | 2021 | | 2020 | |
|--|------------|-----------|------------|-----------|
| | Fair Value | | Fair Value | |
| Adjustable Rate Securities | \$ | 631,503 | \$ | 574,590 |
| Asset Backed Securities | | 177,628 | | 161,029 |
| Mortgage Backed Securities | | 392,400 | | 336,877 |
| Collateralized Mortgage Obligations | | 154,685 | | 157,295 |
| Forward Mortgage Backed Securities (TBA's) | | 536,957 | | 471,954 |
| Interest Only | | 14,358 | | 10,366 |
| Total | \$ | 1,907,531 | \$ | 1,712,111 |

The Core Fixed Income Fund held futures with a negative notional cost of \$285,985,939. The Emerging Market Debt Fund held futures with a negative notional cost of \$53,190,890. Also, the Developed Market International Stock held futures with a notional cost of \$23,741,115. In addition the Real Assets Fund held futures with a notional cost of \$843,597.

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2021, the fair value of contracts to buy and contracts to sell was \$1,050.6 billion and \$1,050.7 billion, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2021, the CIFS had deposits with a bank balance of \$71.9 million which was uninsured and uncollateralized.

Complete financial information about the STIF and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments

The University of Connecticut measures and records its investments using fair value measurement guidelines. These guidelines have a three tiered fair value hierarchy, as follows: Level 1; Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and Level 3: Unobservable inputs. As of June 30, 2021, UConn had the following recurring fair value measurements. (amounts in thousands):

| Fair Value Measurements | | | | |
|--|-----------|-------------------------|-------------------------|-----------------------------|
| Investments by Fair Value Level | Total | Level 1 | Level 2 | Level 3 |
| Cash Equivalents | \$ 1,046 | \$ 1,046 | \$ - | \$ - |
| Fixed Income Securities | 2,027 | 2,027 | - | - |
| Equity Securities | 14,704 | 14,476 | 228 | - |
| Total | \$ 17,777 | \$ 17,549 | \$ 228 | \$ - |
| Investments Measured by Net Asset Value (NAV) | | | | |
| | | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Private Capital Partnerships | \$ 463 | \$ 112 | N/A | N/A |
| Private Real Estate Partnerships | 13 | 35 | N/A | N/A |
| Natural Resource Partnerships | 245 | 36 | N/A | N/A |
| Long/Short Equities | 1 | - | N/A | N/A |
| Relative Value | 1,224 | - | N/A | N/A |
| Other | 699 | - | N/A | N/A |
| Total | 2,645 | 183 | | |
| Total Investments in Securities at Fair Value | \$ 20,422 | | | |

As of June 30, 2021, the State had other investments and maturities as follows (amounts in thousands):

| Investment Type | Other Investments | | | |
|---------------------------------------|-------------------|----------------------------------|-----------|-----------|
| | Fair Value | Investment Maturities (in years) | | |
| | | Less Than 1 | 1-5 | 6-10 |
| State Bonds | \$ 3,395 | \$ - | \$ 3,395 | \$ - |
| U.S. Government and Agency Securities | 107,655 | 104,280 | 2,251 | 1,124 |
| Guaranteed Investment Contracts | 68,881 | 9,333 | 31,914 | 27,634 |
| Money Market Funds | 14,857 | 14,857 | - | - |
| Total Debt Investments | 194,788 | \$ 128,470 | \$ 37,560 | \$ 28,758 |
| Endowment Pool | 19,495 | | | |
| Corporate Stock | 228 | | | |
| Other Investments | 699 | | | |
| Total Investments | \$ 215,210 | | | |

Credit Risk

As of June 30, 2021, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

| Investment Type | Other Investments | | | | |
|---------------------------------------|-------------------|-----------------|-----------|----------|-----------|
| | Fair Value | Quality Ratings | | | |
| | | AA | A | BBB | Unrated |
| State Bonds | \$ 3,395 | \$ 1,416 | \$ 1,979 | \$ - | \$ - |
| U.S. Government and Agency Securities | 3,375 | 3,375 | - | - | - |
| Guaranteed Investment Contracts | 68,881 | 14,565 | 34,012 | 9,333 | 10,971 |
| Money Market Funds | 14,857 | - | - | - | 14,857 |
| Total | \$ 90,508 | \$ 19,356 | \$ 35,991 | \$ 9,333 | \$ 25,828 |

Connecticut State Universities had \$104 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its 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. As of June 30, 2021, \$192,113 of the bank balance of the Primary Government of \$215,713 was exposed to custodial credit risk as follows

| | |
|--|------------|
| Uninsured and uncollateralized | \$ 143,484 |
| Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State | 50,629 |
| Total | \$ 194,113 |

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2020 and June 30, 2021, respectively (amounts in thousands):

| Investment Type | Major Component Units | | | | |
|-------------------------------------|-----------------------|----------------------------------|----------|----------|--------------|
| | Fair Value | Investment Maturities (in years) | | | |
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Collateralized Mortgage Obligations | \$ 447 | \$ - | \$ 108 | \$ - | \$ 339 |
| GNMA & FNMA Program Assets | 2,479,752 | - | - | 5,811 | 2,473,941 |
| Money Market | 4,897 | 4,897 | - | - | - |
| Municipal Bonds | 69,464 | 410 | 1,655 | 2,177 | 65,222 |
| STIF | 985,724 | 985,724 | - | - | - |
| MBS's | 267 | - | 23 | 244 | - |
| Structured Securities | 226 | - | - | 226 | - |
| U.S. Government Agency Securities | 931 | - | - | - | 931 |
| Total Debt Investments | 3,541,708 | \$ 991,031 | \$ 1,786 | \$ 8,458 | \$ 2,540,433 |
| Annuity Contracts | 126,369 | | | | |
| Total Investments | \$ 3,668,077 | | | | |

The CHFA and the CLC own 96.6 percent and 3.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk

CHFA

The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of December 31, 2020 as follows (amounts in thousands):

| Investment Type | Component Units | | | | |
|-------------------------------------|-----------------|--------------|-----------------|------|-----------|
| | Fair Value | AAA | Quality Ratings | | |
| | | | CCC | D | Unrated |
| Collateralized Mortgage Obligations | \$ 447 | \$ - | \$ - | \$ - | \$ 447 |
| GNMA & FNMA Program Assets | 2,479,752 | 2,479,752 | - | - | - |
| Money Market | 4,897 | - | - | - | 4,897 |
| Municipal Bonds | 69,464 | - | - | - | 69,464 |
| STIF | 985,724 | 985,724 | - | - | - |
| MBS's | 267 | 267 | - | - | - |
| Structured Securities | 226 | - | 226 | - | - |
| U.S. Government Agency Securities | 931 | 931 | - | - | - |
| Total | \$ 3,541,708 | \$ 3,466,674 | \$ 226 | \$ - | \$ 74,808 |

Concentration of Credit Risk

CHFA

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2020, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA and FNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions

Certain of the CIFS are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The CIFS' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the fair value of the domestic loaned securities or 105 percent of the fair value of foreign loaned securities.

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were \$4,329.8 million and \$4,251.2 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 7.38 days and an average weighted maturity of 44.21 days.

Note 4

Receivables-Current

As of June 30, 2021, current receivables consisted of the following (amounts in thousands):

| | Primary Government | | |
|---------------------------------|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Component Units |
| Taxes | \$ 2,878,460 | \$ - | \$ - |
| Accounts | 1,466,187 | 485,122 | 61,943 |
| Loans-Current Portion | - | 274,060 | 2,614 |
| Other Governments | 1,022,878 | 21,630 | 14,815 |
| Interest | 45 | 6,238 | 1,323 |
| Other | 3 | - | - |
| Total Receivables | 5,367,573 | 787,050 | 80,695 |
| Allowance for Uncollectibles | (1,025,064) | (109,174) | (5,125) |
| Receivables, Net | \$ 4,342,509 | \$ 677,876 | \$ 75,570 |

Note 5

Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2021 (amounts in thousands):

| | Governmental Activities | | |
|------------------------------|-------------------------|------------------------|--------------|
| | General Fund | Transportation Fund | Total |
| Sales and Use | \$ 988,338 | \$ - | \$ 988,338 |
| Income Taxes | 938,711 | - | 938,711 |
| Corporations | 181,168 | - | 181,168 |
| Gasoline and Special Fuel | - | 223,975 | 223,975 |
| Various Other | 546,268 | - | 546,268 |
| Total Taxes Receivable | 2,654,485 | 223,975 | 2,878,460 |
| Allowance for Uncollectibles | (341,194) | (128) | (341,322) |
| Taxes Receivable, Net | \$ 2,313,291 | \$ 223,847 | \$ 2,537,138 |

Note 6

Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2021, consisted of the following (amounts in thousands):

| | Primary Government | | |
|------------------------------|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Component Units |
| Accounts | \$ - | \$ 4,253 | \$ 56,620 |
| Loans | 1,155,212 | 993,791 | 130,494 |
| Total Receivables | 1,155,212 | 998,044 | 187,114 |
| Allowance for Uncollectibles | (40,465) | - | (20,632) |
| Receivables, Net | \$ 1,114,747 | \$ 998,044 | \$ 166,482 |

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic development agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborhoods and communities and improving the quality of life for state residents. These loans are payable over a ten-year period with rates ranging from 2 percent to 4 percent.

Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20-year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was \$849.2 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 4.85 percent to 6.99 percent. At year end, the noncurrent portion of loans receivable was \$101.3 million.

Note 7

Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2021, restricted assets were comprised of the following (amounts in thousands):

| | Cash & Cash Equivalents | Investments | Loans, Net of Allowances | Other | Total Restricted Assets |
|----------------------------------|----------------------------|--------------|-----------------------------|-----------|-------------------------------|
| Governmental Activities: | | | | | |
| Debt Service | \$ 1,103,038 | \$ - | \$ - | \$ - | \$ 1,103,038 |
| Total Governmental Activities | \$ 1,103,038 | \$ - | \$ - | \$ - | \$ 1,103,038 |
| Business-Type Activities: | | | | | |
| UConn/Health Center | \$ 133,262 | \$ - | \$ - | \$ - | \$ 133,262 |
| Clean Water | 167,617 | 63,506 | - | - | 231,123 |
| Other Proprietary | 28,007 | 4,167 | - | - | 32,174 |
| Total Business-Type Activities | \$ 328,886 | \$ 67,673 | \$ - | \$ - | \$ 396,559 |
| Component Units: | | | | | |
| CHFA | \$ 587 | \$ 3,541,708 | \$ 2,758,677 | \$ 56,086 | \$ 6,357,058 |
| CAA | 149,437 | 6,739 | - | 2,629 | 158,804 |
| Other Component Units | 128,858 | 384,293 | 260,715 | 7,937 | 781,803 |
| Total Component Units | \$ 278,882 | \$ 3,932,739 | \$ 3,019,392 | \$ 66,652 | \$ 7,297,665 |

Note 8

Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2021, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Interest</u> | <u>Other</u> | <u>Total Payables & Accrued Liabilities</u> |
|--|-------------------|----------------------------------|-------------------|---------------------|---|
| Governmental Activities: | | | | | |
| General | \$ 188,167 | \$ 264,563 | \$ - | \$ - | \$ 452,730 |
| Transportation | 17,670 | 16,645 | - | - | 34,315 |
| Restricted Accounts | 264,313 | 18,469 | - | - | 282,782 |
| Grants and Loans | 41,953 | 109 | - | 5,504 | 47,566 |
| Other Governmental | 78,580 | 9,329 | - | - | 87,909 |
| Internal Service | 1,328 | 1,126 | - | - | 2,454 |
| Reconciling amount from fund financial statements to government-wide financial statements | - | - | 301,688 | 1,619,419 | 1,921,107 |
| Total-Governmental Activities | <u>\$ 592,011</u> | <u>\$ 310,241</u> | <u>\$ 301,688</u> | <u>\$ 1,624,923</u> | <u>\$ 2,828,863</u> |
| Business-Type Activities: | | | | | |
| UConn/Health Center | \$ 83,772 | \$ 106,449 | \$ - | \$ 33,312 | \$ 223,533 |
| Board of Regents | 19,472 | 124,437 | 1,795 | 117 | 145,821 |
| Other Proprietary | 6,495 | - | 12,778 | 766 | 20,039 |
| Total-Business-Type Activities | <u>\$ 109,739</u> | <u>\$ 230,886</u> | <u>\$ 14,573</u> | <u>\$ 34,195</u> | <u>\$ 389,393</u> |
| Component Units: | | | | | |
| CHFA | \$ - | \$ - | \$ 16,611 | \$ 6,191 | \$ 22,802 |
| Connecticut Lottery Corporation | 7,595 | - | 995 | - | 8,590 |
| Connecticut Airport Authority | 22,584 | 6,651 | 3,881 | 6,160 | 39,276 |
| Other Component Units | 9,910 | 47 | 848 | 73,540 | 84,345 |
| Total-Component Units | <u>\$ 40,089</u> | <u>\$ 6,698</u> | <u>\$ 22,335</u> | <u>\$ 85,891</u> | <u>\$ 155,013</u> |

Note 9**Capital Assets**

Capital asset activity for the year was as follows (amounts in thousands):

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|------------------------------|-------------------|--------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 1,899,278 | \$ 47,225 | \$ 996 | \$ 1,945,507 |
| Construction in Progress | 5,417,311 | 1,149,221 | 442,513 | 6,124,019 |
| Total Capital Assets not being Depreciated | 7,316,589 | 1,196,446 | 443,509 | 8,069,526 |
| Capital Assets being Depreciated: | | | | |
| Buildings | 4,982,966 | 155,166 | 238,593 | 4,899,539 |
| Improvements Other than Buildings | 480,121 | 2,554 | 579 | 482,096 |
| Equipment | 2,670,501 | 96,271 | 94,855 | 2,671,917 |
| Infrastructure | 17,959,473 | 252,935 | - | 18,212,408 |
| Total Other Capital Assets at Historical Cost | 26,093,061 | 506,926 | 334,027 | 26,265,960 |
| Less: Accumulated Depreciation For: | | | | |
| Buildings | 2,070,180 | 122,485 | 238,593 | 1,954,072 |
| Improvements Other than Buildings | 414,365 | 24,352 | 579 | 438,138 |
| Equipment | 2,626,996 | 93,369 | 94,855 | 2,625,510 |
| Infrastructure | 11,886,111 | 478,241 | - | 12,364,352 |
| Total Accumulated Depreciation | 16,997,652 | 718,447 | 334,027 | 17,382,072 |
| Other Capital Assets, Net | 9,095,409 | (211,521) | - | 8,883,888 |
| Governmental Activities, Capital Assets, Net | <u>\$ 16,411,998</u> | <u>\$ 984,925</u> | <u>\$ 443,509</u> | <u>\$ 16,953,414</u> |

* Depreciation expense was charged to functions as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| Legislative | \$ 4,693 |
| General Government | 26,724 |
| Regulation and Protection | 20,844 |
| Conservation and Development | 9,142 |
| Health and Hospitals | 8,864 |
| Transportation | 567,204 |
| Human Services | 1,065 |
| Education, Libraries and Museums | 28,720 |
| Corrections | 30,857 |
| Judicial | 15,021 |
| Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets | 5,313 |
| Total Depreciation Expense | <u>\$ 718,447</u> |

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|------------------------------|-------------------|--------------------|---------------------------|
| Business-Type Activities | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 78,795 | \$ 24 | \$ - | \$ 78,819 |
| Construction in Progress | 403,825 | 189,357 | 293,157 | 300,025 |
| Total Capital Assets not being Depreciated | 482,620 | 189,381 | 293,157 | 378,844 |
| Capital Assets being Depreciated: | | | | |
| Buildings | 6,749,851 | 325,208 | 48,814 | 7,026,245 |
| Improvements Other Than Buildings | 639,408 | 64,706 | 359 | 703,755 |
| Equipment | 1,094,187 | 45,296 | 34,607 | 1,104,876 |
| Total Other Capital Assets at Historical Cost | 8,483,446 | 435,210 | 83,780 | 8,834,876 |
| Less: Accumulated Depreciation For: | | | | |
| Buildings | 2,796,183 | 207,328 | 23,237 | 2,980,274 |
| Improvements Other Than Buildings | 276,755 | 21,176 | 321 | 297,610 |
| Equipment | 736,161 | 67,418 | 34,062 | 769,517 |
| Total Accumulated Depreciation | 3,809,099 | 295,922 | 57,620 | 4,047,401 |
| Other Capital Assets, Net | 4,674,347 | 139,288 | 26,160 | 4,787,475 |
| Business-Type Activities, Capital Assets, Net | <u>\$ 5,156,967</u> | <u>\$ 328,669</u> | <u>\$ 319,317</u> | <u>\$ 5,166,319</u> |

Component Units and Fiduciary Component Unit

Capital assets of the component units and the fiduciary component unit consisted of the following as of June 30, 2021 (amounts in thousands):

| | | |
|-----------------------------------|----|-----------|
| Land | \$ | 60,300 |
| Buildings | | 992,776 |
| Improvements other than Buildings | | 382,278 |
| Machinery and Equipment | | 433,501 |
| Construction in Progress | | 191,886 |
| Total Capital Assets | | 2,060,741 |
| Accumulated Depreciation | | 1,145,372 |
| Capital Assets, Net | \$ | 915,369 |

Note 10

State Retirement Systems

The State sponsors three major public employee retirement systems: The State Employees' Retirement System (SERS)-consisting of Tier I, Tier II, Tier IIA, Tier III, and Tier IV, the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of these financial statements.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees' Retirement Commission administers SERS and JRS. The sixteen members are: The State Treasurer or a designee who serves as a non-voting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: The State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education, or their designees, who serve as ex-officio voting members. Six members are elected by teacher membership and five public members are appointed by the Governor.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68, to be non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses because of being statutorily required to contribute to SERS.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

| | <u>SERS</u> | <u>TRS</u> | <u>JRS</u> |
|--|-------------|------------|------------|
| Inactive Members or their Beneficiaries receiving benefits | 52,498 | 38,540 | 304 |
| Inactive Members Entitled to but not yet Receiving Benefits | 2,437 | 10,366 | 6 |
| Active Members | 47,662 | 50,951 | 180 |

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living allowances, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 4.0 percent and 6.0 percent of their earnings, respectively, up to the Social Security Taxable Wage Base plus 7.0 percent above that level; Tier I Plan C members are required to contribute 7.0 percent of their earnings; Tier II Plan regular and Hazardous Duty members are required to contribute 2 percent and 6.0 percent of their earnings, respectively; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 4.0 percent and 7.0 percent of their earnings, respectively; Tier IV Hybrid Plan regular and Hazardous Duty members are required to contribute 5.0 percent and 8.0 percent of their earnings, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011 but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA/III plans. Employees in Tier IV Hybrid Plan will be required to contribute 1.0 percent to the Defined Contributions (DC) portion of the Hybrid Plan and may elect additional contribution of up to 3.0 percent of earnings to the DC portion. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System***Plan Description***

TRS is a cost-sharing multiple-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 7 percent of their annual salary. The State's contribution requirement is determined in accordance with Section 10-183z. Administrative costs of the plan are funded by the State.

Judicial Retirement System***Plan Description***

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 5 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2020.

| <u>Asset Class</u> | <u>SERS</u> | | <u>TRB</u> | | <u>JRS</u> | |
|-----------------------------------|--------------------------|---|--------------------------|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Domestic Equity Fund | 20.0% | 5.6% | 20.0% | 5.6% | 20.0% | 5.6% |
| Developed Market Intl. Stock Fund | 11.0% | 6.0% | 11.0% | 6.0% | 11.0% | 6.0% |
| Emerging Markets Intl. Stock Fund | 9.0% | 7.9% | 9.0% | 7.9% | 9.0% | 7.9% |
| Core Fixed Income Fund | 16.0% | 2.1% | 16.0% | 2.1% | 16.0% | 2.1% |
| Inflation Linked Bonds | 5.0% | 1.1% | 5.0% | 1.1% | 5.0% | 1.1% |
| Emerging Market Debt Fund | 5.0% | 2.7% | 5.0% | 2.7% | 5.0% | 2.7% |
| High Yield Bonds | 6.0% | 4.0% | 6.0% | 4.0% | 6.0% | 4.0% |
| Real Estate Fund | 10.0% | 4.5% | 10.0% | 4.5% | 10.0% | 4.5% |
| Private Equity | 10.0% | 7.3% | 10.0% | 7.3% | 10.0% | 7.3% |
| Alternative Investments | 7.0% | 2.9% | 7.0% | 2.9% | 7.0% | 2.9% |
| Liquidity Fund | 1.0% | 0.4% | 1.0% | 0.4% | 1.0% | 0.4% |

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Rate of Return: For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 24.36 percent, 24.28 percent, and 24.37 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net Pension Liability

The components of the net pension liability as of the measurement June 30, 2020 were as follows (amounts in millions):

| | <u>SERS</u> | <u>TRS</u> | <u>JRS</u> |
|--|------------------|------------------|---------------|
| Total Pension Liability | \$ 36,971 | \$ 37,128 | \$ 490 |
| Fiduciary Net Position | 13,249 | 18,282 | 240 |
| Net Pension Liability | <u>\$ 23,722</u> | <u>\$ 18,846</u> | <u>\$ 250</u> |
| Ratio of Fiduciary Net Position to Total Pension Liability | 35.84% | 49.24% | 48.92% |

Deferred Retirement Option Program (DROP)

Section 10-183v of the General Statute authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

As of June 30, 2021, the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

The discount rate used to measure the total pension liability was 6.9, 6.9, and 6.9 percent for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rates assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for current plan members were projected through the year 2139.

Based on those assumptions, SERS, TRS, and JRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the State, calculated using the discount rates of 6.9, 6.9 and 6.9 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in millions):

| | 1% Decrease in Rate | Current Discount Rate | 1% Increase in Rate |
|----------------------------|---------------------------|-----------------------------|---------------------------|
| SERS Net Pension Liability | \$ 27,866 | \$ 21,454 | \$ 19,768 |
| TRS Net Pension Liability | \$ 23,571 | \$ 18,846 | \$ 14,923 |
| JRS Net Pension Liability | \$ 300 | \$ 250 | \$ 207 |
| Component Units | \$ 317 | \$ 268 | \$ 225 |

c. GASB Statement 68 Employer Reporting

Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the pension plans at the reporting date June 30, 2021 (amounts in thousands):

| | <u>SERS</u> | <u>TRS</u> | <u>JRS</u> | <u>Total</u> |
|------------------------------|---------------------|---------------------|------------------|---------------------|
| Primary Government | \$ 1,016,171 | \$ 2,153,477 | \$ 31,894 | \$ 3,201,542 |
| Component Units | 18,551 | - | - | 18,551 |
| Fiduciary Component Unit | 449 | - | - | 449 |
| Total Employer Contributions | <u>\$ 1,035,171</u> | <u>\$ 2,153,477</u> | <u>\$ 31,894</u> | <u>\$ 3,220,542</u> |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the measurement date June 30, 2020, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

| | Primary Government | Component Units | Fiduciary Component Unit |
|--|-----------------------|--------------------|-----------------------------|
| Proportionate Share of the Net Pension Liability | | | |
| State Employees' Retirement System | \$ 23,454,732 | \$ 266,596 | \$ 320 |
| Net Pension Liability | | | |
| Teachers' Retirement System | 18,846,090 | - | - |
| Judicial Retirement System | 250,318 | - | - |
| Total Net Pension Liability | <u>\$ 42,551,140</u> | <u>\$ 266,596</u> | <u>\$ 320</u> |

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2020 as follows:

| | Primary Government | Component Units |
|------------------------------------|-----------------------|--------------------|
| State Employees' Retirement System | | |
| Proportion-June 30, 2020 | 98.87% | 1.13% |

For the measurement June 30, 2020, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

| | Primary Government | Component Units | Fiduciary Component Unit |
|------------------------------------|-----------------------|--------------------|-----------------------------|
| Pension Expense | | | |
| State Employees' Retirement System | \$ 3,170,686 | \$ 36,040 | \$ 43 |
| Teachers' Retirement System | 2,699,613 | - | - |
| Judicial Retirement System | 28,519 | - | - |
| | <u>\$ 5,898,818</u> | <u>\$ 36,040</u> | <u>\$ 43</u> |

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Units | | Fiduciary Component Unit | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| State Employees' Retirement System | | | | | | |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ 395,339 | \$ - | \$ 4,494 | \$ - | \$ 5 | \$ - |
| Difference Between Expected and Actual Experience | 1,265,894 | - | 14,389 | - | 17 | - |
| Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions | - | - | 16,183 | 28,551 | - | - |
| Change in Assumptions | 624,755 | - | 7,101 | - | 9 | - |
| Employer Contributions Subsequent to Measurement Date | 1,016,171 | - | 18,551 | - | 449 | - |
| Total | <u>\$ 3,302,159</u> | <u>\$ -</u> | <u>\$ 60,718</u> | <u>\$ 28,551</u> | <u>\$ 480</u> | <u>\$ -</u> |
| Teachers' Retirement System | | | | | | |
| Differences Between Expected and Actual Experience | \$ - | \$ 565,948 | | | | |
| Change in Assumptions | 4,117,548 | - | | | | |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 774,432 | - | | | | |
| Employer Contributions Subsequent to Measurement Date | 2,153,477 | - | | | | |
| Total | <u>\$ 7,045,457</u> | <u>\$ 565,948</u> | | | | |
| Judicial Retirement System | | | | | | |
| Net Difference Between Projected and Actual Earnings on Plan Investments | \$ 8,021 | \$ - | | | | |
| Differences Between Expected and Actual Experience | 12,920 | 3,132 | | | | |
| Change in Assumptions | - | - | | | | |
| Employer Contributions Subsequent to Measurement Date | 31,894 | - | | | | |
| Total | <u>\$ 52,835</u> | <u>\$ 3,132</u> | | | | |

State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in Pension Expense as follows (amounts in thousands):

| <u>State Employees' Retirement System</u> | | Primary | Component |
|---|--|---------------------|------------------|
| <u>Year</u> | | <u>Government</u> | <u>Units</u> |
| 1 | | \$ 1,049,809 | \$ 7,879 |
| 2 | | 479,389 | 4,187 |
| 3 | | 461,413 | 3,455 |
| 4 | | 286,671 | 278 |
| 5 | | 21,075 | (2,152) |
| | | <u>\$ 2,298,357</u> | <u>\$ 13,647</u> |

| <u>Teachers' Retirement System</u> | | Primary |
|------------------------------------|--|---------------------|
| <u>Year</u> | | <u>Government</u> |
| 1 | | \$ 1,003,265 |
| 2 | | 1,147,742 |
| 3 | | 903,336 |
| 4 | | 866,336 |
| 5 | | 359,576 |
| 6 | | 45,777 |
| | | <u>\$ 4,326,032</u> |

| <u>Judges' Retirement System</u> | | Primary |
|----------------------------------|--|-------------------|
| <u>Year</u> | | <u>Government</u> |
| 1 | | \$ 3,543 |
| 2 | | 8,974 |
| 3 | | 3,138 |
| 4 | | 2,154 |
| 5 | | - |
| | | <u>\$ 17,809</u> |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>SERS</u> | <u>TRS</u> | <u>JRS</u> |
|---------------------------|-------------|------------|------------|
| Valuation Date | 6/30/2020 | 6/30/2020 | 6/30/2020 |
| Inflation | 2.50% | 2.50% | 2.50% |
| Salary Increases | 3.5%-19.50% | 3%-6.50% | 4.50% |
| Investment Rate of Return | 6.90% | 6.90% | 6.90% |

The actuarial assumptions used in the June 30, 2020 SERS and JRS reported mortality rates based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2020 TRS actuarial report were based on the Pub T-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The Pub T-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The Pub T-2010 Contingent Survivor Table used for projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The Pub T-2010 Employee Table projected generationally with MP-2019 was used for active members.

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2020 (amounts in thousands):

| Total Pension Liability | SERS | TRS | JRS |
|---|----------------------|----------------------|-------------------|
| Service Cost | \$ 388,671 | \$ 616,370 | \$ 9,813 |
| Interest | 2,416,577 | 2,379,886 | 31,815 |
| Benefit Changes | - | - | - |
| Difference between expected and actual experience | 208,138 | (306,400) | 2,474 |
| Changes of assumptions | - | 1,022,137 | - |
| Benefit payments | (2,120,811) | (2,150,168) | (30,200) |
| Refunds of Contributions | (9,377) | - | - |
| Net change in total pension liability | 883,198 | 1,561,825 | 13,902 |
| Total pension liability - beginning (a) | 36,087,938 | 35,566,175 | 476,189 |
| Total pension liability - ending (c) | \$ 36,971,136 | \$ 37,128,000 | \$ 490,091 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 1,616,312 | \$ 1,209,573 | \$ 27,011 |
| Contributions - member | 192,716 | 318,217 | 1,575 |
| Net investment income | 295,737 | 410,311 | 5,461 |
| Benefit payments | (2,120,811) | (2,150,168) | (30,200) |
| Administrative Expense | (782) | - | - |
| Refunds of Contributions | (9,377) | - | - |
| Other | - | 522 | - |
| Net change in plan fiduciary net position | (26,205) | (211,545) | 3,847 |
| Plan net position - beginning (b) | 13,275,693 | 18,493,455 | 235,926 |
| Plan net position - ending (d) | \$ 13,249,488 | \$ 18,281,910 | \$ 239,773 |
| Net pension liability - beginning (a)-(b) | \$ 22,812,245 | \$ 17,072,720 | \$ 240,263 |
| Net pension liability - ending (c)-(d) | \$ 23,721,648 | \$ 18,846,090 | \$ 250,318 |

d. Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees' Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed \$30.1 million and \$39.6 million, respectively.

Note 11**Other Retirement Systems Administered by the State of Connecticut**

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (MERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above-mentioned systems issue stand-alone financial reports. However, financial statements for MERS and CPJERS are presented in Note No. 12.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following to date of the latest actuarial information:

| | MERS | CPJERS |
|--|-------------|---------------|
| Retirees and beneficiaries receiving benefits | 7,933 | 377 |
| Terminated plan members entitled to but not receiving benefits | 1,358 | 70 |
| Active plan members | 9,459 | 331 |
| Total | 18,750 | 778 |
| Number of participating employers | 189 | 1 |

Connecticut Municipal Employees' Retirement System**Plan Description**

MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled, and the plan assets can be used to pay the pensions of the retirees of any participating employer. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

| Asset Class | MERS | |
|-----------------------------|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| Large Cap U.S. Equities | 20.0% | 5.3% |
| Developed Non-U.S. Equities | 11.0% | 5.1% |
| Emerging Markets (Non-U.S.) | 9.0% | 7.4% |
| Real Estate | 10.0% | 4.7% |
| Private Equity | 10.0% | 7.3% |
| Alternative Investment | 7.0% | 3.2% |
| Fixed Income (Core) | 16.0% | 1.6% |
| High Yield Bonds | 6.0% | 3.4% |
| Emerging Market Bond | 5.0% | 2.9% |
| Inflation Linked Bonds | 5.0% | 1.3% |
| Cash | 1.0% | 0.9% |

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

c. GASB Statement 68 Employer Reporting**Net Pension Liability of Participating Employers**

The components of the net pension liability for MERS as June 30, 2020 were as follows (amounts in millions):

| | MERS |
|--|----------|
| Total Pension Liability | \$ 3,862 |
| Fiduciary Net Position | 2,749 |
| Net Pension Liability | \$ 1,113 |
| Ratio of Fiduciary Net Position to Total Pension Liability | 71.18% |

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent for MERS. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of MERS, calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate (amounts in millions):

| | 1% Decrease in Rate | Current Discount Rate | 1% Increase in Rate |
|-----------------------|---------------------|-----------------------|---------------------|
| Net Pension Liability | \$ 1,586 | \$ 1,113 | \$ 717 |

Deferred outflows and deferred inflows of resources

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Municipal Employees Retirement System | | |
| Difference Between Expected and Actual Experience | \$ 24,222 | \$ 58,892 |
| Changes in actuarial assumptions | 174,611 | - |
| Net Difference Between Projected and Actual Investment Earnings on Plan Investments | 115,817 | - |
| Employer Contributions Subsequent to Measurement Date | 115,452 | - |
| | <u>\$ 430,102</u> | <u>\$ 58,892</u> |

Amounts recognized in subsequent fiscal years:

| Year | MERS |
|------|------------|
| 1 | \$ 103,948 |
| 2 | 122,478 |
| 3 | 15,702 |
| 4 | 13,630 |

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2020 (amounts in thousands):

| | |
|--|---------------------|
| Total Pension Liability MERS | |
| Service Cost | \$ 87,509 |
| Interest on the total pension liability | 258,006 |
| Difference between expected and actuary experience | (74,680) |
| Changes of assumptions | - |
| Benefit payments | (188,550) |
| Refunds of contributions | (1,516) |
| Net change in total pension | 80,769 |
| Total pension liability - beginning | 3,780,832 |
| Total pension liability - ending (a) | \$ 3,861,601 |
| Plan net position | |
| Contributions - employer | 99,816 |
| Initial Liability Payments and Transfers | - |
| Contributions - member | 27,416 |
| Net investment income | 63,300 |
| Benefit payments | (188,550) |
| Refunds of contributions | (1,516) |
| Other | (155) |
| Net change in plan net position | 311 |
| Plan net position - beginning | \$ 2,748,242 |
| Plan net position - ending (b) | \$ 2,748,553 |
| Net pension liability - ending (a) -(b) | \$ 1,113,048 |

Actuarial Assumptions

The total pension liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement date:

| | |
|-------------------------------------|---|
| Inflation | 2.50% |
| Salary increase | 3.5-10.0%, including inflation |
| Long-Term investment rate of return | 7.00%, net of pension plan investment expenses, including inflation |

Mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used.

d. Connecticut Probate Judges and Employees' Retirement System**Plan Description**

CPJERS is an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Pension plan assets are pooled for investment purposes, but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

Funding

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 12**Pension Trust Funds Financial Statements**

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. As of June 30, 2021, the Fiduciary Fund financial statements were as follows (amounts in thousands):

| Statement of Fiduciary Net Position (thousands) | | | | | | | |
|---|---------------------|--------------------|------------|--|--------------------|----------|---------------|
| | State Employees' | State Teachers' | Judicial | Connecticut Municipal Employees' | Probate Judges' | Other | Total |
| Assets | | | | | | | |
| Current: | | | | | | | |
| Cash and Cash Equivalents | \$ 5,473 | \$ 3,961 | \$ 3,729 | \$ 3,046 | \$ 274 | \$ 448 | \$ 16,931 |
| Receivables: | | | | | | | |
| Accounts, Net of Allowances | 14,368 | 12,564 | 7 | 22,629 | 4 | - | 49,572 |
| From Other Governments | - | 60 | - | - | - | - | 60 |
| From Other Funds | 714,673 | 903,644 | - | 2 | - | - | 1,618,319 |
| Interest | 276 | 436 | 5 | 52 | 3 | - | 772 |
| Investments | 16,345,927 | 22,200,626 | 298,259 | 3,328,688 | 140,860 | 2,699 | 42,317,059 |
| Securities Lending Collateral | 937,867 | 1,275,824 | 17,003 | 190,375 | 7,775 | 153 | 2,428,997 |
| Noncurrent: | | | | | | | |
| Due From Employers | - | - | - | 13,386 | - | - | 13,386 |
| Total Assets | \$ 18,018,584 | \$ 24,397,115 | \$ 319,003 | \$ 3,558,178 | \$ 148,916 | \$ 3,300 | \$ 46,445,096 |
| Liabilities | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 77 | \$ 2,300 | \$ 5 | \$ - | \$ 11 | \$ - | \$ 2,393 |
| Securities Lending Obligation | 937,867 | 1,275,824 | 17,003 | 190,375 | 7,775 | 153 | 2,428,997 |
| Due to Other Funds | - | 1,903 | - | - | - | - | 1,903 |
| Total Liabilities | \$ 937,944 | \$ 1,280,027 | \$ 17,008 | \$ 190,375 | \$ 7,786 | \$ 153 | \$ 2,433,293 |
| Net Position | | | | | | | |
| Held in Trust For Employee | | | | | | | |
| Pension Benefits | \$ 17,080,640 | \$ 23,117,088 | \$ 301,995 | \$ 3,367,803 | \$ 141,130 | \$ 3,147 | \$ 44,011,803 |
| Total Net Position | \$ 17,080,640 | \$ 23,117,088 | \$ 301,995 | \$ 3,367,803 | \$ 141,130 | \$ 3,147 | \$ 44,011,803 |

| Statement of Changes in Fiduciary Net Position (thousands) | | | | | | | |
|--|---------------------|--------------------|------------|--|--------------------|----------|---------------|
| | State Employees' | State Teachers' | Judicial | Connecticut Municipal Employees' | Probate Judges' | Other | Total |
| Additions | | | | | | | |
| Contributions: | | | | | | | |
| Plan Members | \$ 194,775 | \$ 323,306 | \$ 1,570 | \$ 32,662 | \$ 233 | \$ 27 | \$ 552,573 |
| State | 2,568,591 | 2,153,477 | 31,894 | - | - | - | 4,753,962 |
| Municipalities | - | - | - | 115,452 | - | - | 115,452 |
| Total Contributions | 2,763,366 | 2,476,783 | 33,464 | 148,114 | 233 | 27 | 5,421,987 |
| Investment Income | 3,509,985 | 4,815,062 | 63,667 | 715,388 | 29,334 | 570 | 9,134,006 |
| Less: Investment Expenses | (208,767) | (286,395) | (3,787) | (42,550) | (1,745) | (34) | (543,278) |
| Net Investment Income | 3,301,218 | 4,528,667 | 59,880 | 672,838 | 27,589 | 536 | 8,590,728 |
| Other | - | 791 | - | 4,534 | 8,457 | - | 13,782 |
| Total Additions | 6,064,584 | 7,006,241 | 93,344 | 825,486 | 36,279 | 563 | 14,026,497 |
| Deductions | | | | | | | |
| Administrative Expense | 568 | - | - | - | - | - | 568 |
| Benefit Payments and Refunds | 2,227,462 | 2,171,063 | 31,116 | 201,992 | 5,884 | - | 4,637,517 |
| Other | 5,402 | - | 6 | 4,244 | - | 24 | 9,676 |
| Total Deductions | 2,233,432 | 2,171,063 | 31,122 | 206,236 | 5,884 | 24 | 4,647,761 |
| Changes in Net Assets | 3,831,152 | 4,835,178 | 62,222 | 619,250 | 30,395 | 539 | 9,378,736 |
| Net Position Held in Trust For Employee Pension Benefits: | | | | | | | |
| Beginning of Year | 13,249,488 | 18,281,910 | 239,773 | 2,748,553 | 110,735 | 2,608 | 34,633,067 |
| End of Year | \$ 17,080,640 | \$ 23,117,088 | \$ 301,995 | \$ 3,367,803 | \$ 141,130 | \$ 3,147 | \$ 44,011,803 |

Note 13**Other Postemployment Benefits (OPEB)**

The State sponsors two defined benefit OPEB plans: The State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP).

The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions. The Teachers' Retirement Board administers the Retired Teachers' Healthcare Plan. None of these plans issue stand alone statements, however, financial statements for these plans are presented in Note No. 14.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following to date of the latest actuarial information:

| | <u>SEOPEBP</u> | <u>RTHP</u> |
|--|----------------|-------------|
| Inactive Members or their Beneficiaries receiving benefits | 77,141 | 27,431 |
| Inactive Members Entitled to but not yet Receiving Benefits | 649 | 10,687 |
| Active Members | 48,015 | 50,951 |

State Employee OPEB Plan**Plan Description**

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

Retired Teacher Healthcare Plan**Plan Description**

RTHP is a single employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits required contributions of plan participants and the State, and other plan provisions are described in Section 10-183t of the General Statutes.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily

through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2020, the measurement date.

| <u>Asset Class</u> | <u>SEOPEBP</u> | | <u>RTHP</u> | |
|---|--------------------------|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Expected 10 year Geometric Real Rate of Return</u> |
| Domestic Equity Fund | 20.0% | 5.6% | 0.00% | 0.00% |
| Developed Market International Stock Fund | 11.0% | 6.0% | 0.00% | 0.00% |
| Emerging Markets International Stock Fund | 9.0% | 7.9% | 0.00% | 0.00% |
| Core Fixed Income | 16.0% | 2.1% | 0.00% | 0.00% |
| Inflation Linked Bonds | 5.0% | 1.1% | 0.00% | 0.00% |
| Emerging Market Debt Fund | 5.0% | 2.7% | 0.00% | 0.00% |
| High Yield Bonds | 6.0% | 4.0% | 0.00% | 0.00% |
| Real Estate Fund | 10.0% | 4.5% | 0.00% | 0.00% |
| Private Equity | 10.0% | 7.3% | 0.00% | 0.00% |
| Alternative Investment | 7.0% | 2.9% | 0.00% | 0.00% |
| Liquidity Fund | 1.0% | 0.4% | 0.00% | 0.00% |
| U. S. Treasuries (Cash Equivalents) | 0.0% | 0.0% | 100.00% | -0.42% |

The long-term expected rate of return on RTHP OPEB plan assets was determined by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The assumption is not expected to change absent a significant change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Net OPEB Liability

The components of the net OPEB liability as of June 30, 2020, the measurement date, were as follows (amounts in thousands):

| | <u>Total Primary Government</u> | |
|---|---------------------------------|---------------------|
| | <u>SEOPEBP</u> | <u>RTHP</u> |
| Total OPEB Liability | \$ 25,078,100 | \$ 2,882,836 |
| Fiduciary Net Position | 1,537,194 | 71,941 |
| Net OPEB Liability | <u>\$ 23,540,906</u> | <u>\$ 2,810,895</u> |
| Ratio of Fiduciary Net Position to Total OPEB Liability | 6.13% | 2.50% |

Actuarial Assumptions

The total OPEB liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>SEOPEBP</u> | <u>RTHP</u> |
|-----------------------------|---|--|
| Payroll growth rate | 3.50% | 0.50% |
| Salary increase | 3.25% to 4.5% varying by years of service & retirement system, including inflation | 3.0%-6.5% |
| Discount Rate | 2.38% | 2.21% |
| Investment rate of return | 6.90% | 3.00%, net of OPEB plan investment expense including price inflation |
| Healthcare cost trend rates | 6.0% for drug cost graded to 4.5% over 6 years 6.0% for medical graded to 4.5% over 6 years 3.0% for dental 4.5% for Part B 3.0% for administrative expense | 5.125%, decreasing to ultimate rate of 4.5% by 2023 |

Mortality rates for healthy State Employees OPEB Plan were based on the RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females. Morality rates for disabled State Employees OPEB Plan were based on the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females.

Mortality rates for the State Teachers Retirement System were based on the Pub-T-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above) projected generationally with MP-2019 for the period after service retirement. The Pub-T-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The Pub-T-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The Pub-T-2010 Employee Table projected generationally with MP-2019 was used for active members.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 2.38 and 2.21 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (amounts in thousands):

| | <u>SEOPEBP</u> | | |
|---|---|----------------------------------|---|
| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
| | <u>1.38%</u> | <u>2.38%</u> | <u>3.38%</u> |
| SEOPEBP: | | | |
| Primary Government Net OPEB Liability | \$ 27,323,993 | \$ 23,228,957 | \$ 19,937,035 |
| Component Units Net OPEB Liability | 366,504 | 311,576 | 267,419 |
| Fiduciary Component Unit Net OPEB Liability | 439 | 373 | 320 |
| | | | |
| | <u>RTHP</u> | | |
| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
| | <u>1.21%</u> | <u>2.21%</u> | <u>3.21%</u> |
| RTHP Net OPEB Liability | \$ 3,431,738 | \$ 2,810,895 | \$ 2,327,450 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (amounts in thousands):

| | <u>SEOPEBP</u> | | |
|---|--|--|--|
| | 1% Decrease in Health Care Cost Trend Rates | Current Health Care Cost Trend Rate | 1% Increase in Health Care Cost Trend Rates |
| SEOPEBP: | | | |
| Primary Government Net OPEB Liability | \$ 19,473,453 | \$ 23,228,957 | \$ 28,058,473 |
| Component Units Net OPEB Liability | 261,203 | 311,576 | 376,355 |
| Fiduciary Component Unit Net OPEB Liability | 313 | 373 | 451 |
| | | | |
| | <u>RTHP</u> | | |
| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
| | <u>3.50%</u> | <u>4.50%</u> | <u>5.50%</u> |
| RTHP Net OPEB Liability | \$ 2,296,392 | \$ 2,810,895 | \$ 3,521,815 |

*c. GASB Statement 75 Employer Reporting
Employer Contributions*

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at the reporting date June 30, 2021 (amounts in thousands):

| | <u>SEOPEBP</u> | <u>RTHP</u> | <u>Total</u> |
|------------------------------|-------------------|------------------|-------------------|
| Primary Government | \$ 858,605 | \$ 29,411 | \$ 888,016 |
| Component Units | 9,236 | - | 9,236 |
| Fiduciary Component Unit | 229 | - | 229 |
| Total Employer Contributions | <u>\$ 868,070</u> | <u>\$ 29,411</u> | <u>\$ 897,481</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employees Benefits

As of the measurement date June 30, 2020, the primary government and component units reported net OPEB liabilities for the following plans administered by the State as follows (amounts in thousands):

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Component Unit</u> |
|---|-------------------------------|----------------------------|-------------------------------------|
| Proportionate Share of the Net OPEB Liability | | | |
| State Employees' OPEB Plan | \$ 23,228,958 | \$ 311,576 | \$ 373 |
| Net OPEB Liability | | | |
| Retired Teachers' Health Plan | 2,810,895 | - | - |
| Total Net OPEB Liability | <u>\$ 26,039,853</u> | <u>\$ 311,576</u> | <u>\$ 373</u> |

The primary government's and component units' proportions of the collective net OPEB liability for the State Employees' OPEB Plan as of the measurement date June 30, 2020 as follows (amounts in thousands):

| | <u>Primary Government</u> | <u>Component Units</u> |
|----------------------------|-------------------------------|----------------------------|
| State Employees' OPEB Plan | | |
| Proportion-June 30, 2020 | 98.67% | 1.33% |

For the measurement date June 30, 2020, the primary government and component units' recognized OPEB expense (income) for the following OPEB plan administered by the State as follows (amounts in thousands):

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Component Unit</u> |
|-------------------------------|-------------------------------|----------------------------|-------------------------------------|
| OPEB Expense (Income) | | | |
| State Employees' OPEB Plan | \$ 2,296,617 | \$ 26,648 | \$ 95 |
| Retired Teachers' Health Plan | 129,842 | - | - |
| | <u>\$ 2,426,459</u> | <u>\$ 26,648</u> | <u>\$ 95</u> |

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans from the following sources:

| | Primary | | Component Units | | Fiduciary | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Government | | | | Component Units | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| State Employees' OPEB Plan | | | | | | |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | \$ 45,804 | \$ - | \$ 614 | \$ - | \$ 1 | \$ - |
| Net Difference Between Expected and Actual Experience in the Total OPEB Liability | - | 536,181 | - | 7,505 | - | 9 |
| Change in Assumptions | 3,855,772 | 451,088 | 53,757 | 6,051 | 62 | 7 |
| Change in Proportion | 43,106 | 24,436 | 25,929 | 44,500 | 245 | - |
| Employer Contributions Subsequent to Measurement Date | 858,605 | - | 9,236 | - | 229 | - |
| Total | <u>\$ 4,803,287</u> | <u>\$ 1,011,705</u> | <u>\$ 89,536</u> | <u>\$ 58,056</u> | <u>\$ 537</u> | <u>\$ 16</u> |
| Retired Teachers' Health Plan | | | | | | |
| Difference Between Expected and Actual Experience | \$ 184,854 | \$ 503,816 | | | | |
| Change in Assumptions | 675,428 | 306,546 | | | | |
| Differences between projected and actual earnings on plan investments | 1,667 | - | | | | |
| Employer Contributions Subsequent to Measurement Date | 29,411 | - | | | | |
| Total | <u>\$ 891,360</u> | <u>\$ 810,362</u> | | | | |

The amount reported as deferred outflows of resources related to OPEB resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (amounts in thousands):

| <u>State Employees' OPEB Plan</u> | Primary | Component | Fiduciary |
|--------------------------------------|---------------------------|------------------|-----------------------|
| <u>Year</u> | <u>Government</u> | <u>Units</u> | <u>Component Unit</u> |
| 1 | \$ 698,339 | \$ 5,699 | \$ 69 |
| 2 | 757,155 | 6,455 | 70 |
| 3 | 869,385 | 9,344 | 72 |
| 4 | 521,056 | 1,250 | 66 |
| 5 | 87,042 | (502) | 14 |
| | <u>\$ 2,932,977</u> | <u>\$ 22,246</u> | <u>\$ 291</u> |
| Retired Teachers' Health Plan | | | |
| <u>Year</u> | <u>Primary Government</u> | | |
| 1 | \$ (5,985) | | |
| 2 | (6,289) | | |
| 3 | (6,445) | | |
| 4 | (6,047) | | |
| 5 | 39,352 | | |
| Thereafter | 37,001 | | |
| | <u>\$ 51,587</u> | | |

Changes in Net OPEB Liability

The following schedule presents changes in the State's OPEB liability and fiduciary net position for each plan for the measurement date June 30, 2020 (amounts in thousands):

| Total OPEB Liability | SEOPEBP | RTHP |
|---|----------------------|---------------------|
| Service Cost | \$ 901,280 | \$ 93,324 |
| Interest | 735,707 | 97,264 |
| Difference between expected and actual experience | (711,743) | (586,004) |
| Changes of assumptions | 4,817,956 | 626,595 |
| Benefit payments | (623,104) | (67,383) |
| Net change in total OPEB liability | 5,120,096 | 163,796 |
| Total OPEB liability - beginning | 19,958,005 | 2,719,040 |
| Total OPEB liability - ending (a) | \$ 25,078,101 | \$ 2,882,836 |
| | | |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 867,222 | \$ 29,173 |
| Contributions - member | 159,377 | 53,221 |
| Net investment income | 33,373 | 849 |
| Benefit payments | (623,104) | (67,383) |
| Administrative expense | - | (372) |
| Other | (95,682) | - |
| Net change in plan fiduciary net position | 341,186 | 15,488 |
| Plan fiduciary net position - beginning | \$ 1,196,008 | \$ 56,453 |
| Plan fiduciary net position - ending (b) | \$ 1,537,194 | \$ 71,941 |
| Net OPEB liability - ending (a)-(b) | \$ 23,540,907 | \$ 2,810,895 |

d. Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 14.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of the most recent actuarial report there were 7 municipalities participating in the plan with a total membership of 668 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 14**OPEB Trust Funds Financial Statements**

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

| Statement of Fiduciary Net Position (thousands) | | | | |
|--|---|--|--|---------------------|
| | State Employees' OPEB Plan | Retired Teachers' Healthcare Plan | Policemen, Firemen, and Survivors' Benefits | Total |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 198,503 | \$ 118,366 | \$ 170 | \$ 317,039 |
| Receivables: | | | | |
| From Other Funds | 26 | 1,905 | - | 1,931 |
| Interest | - | - | 1 | 1 |
| Investments | 2,050,349 | - | 47,611 | 2,097,960 |
| Securities Lending Collateral | 117,096 | - | 2,718 | 119,814 |
| Total Assets | <u>\$ 2,365,974</u> | <u>\$ 120,271</u> | <u>\$ 50,500</u> | <u>\$ 2,536,745</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | \$ 49,333 | \$ 14,356 | \$ - | \$ 63,689 |
| Securities Lending Obligation | 117,096 | - | 2,718 | 119,814 |
| Total Liabilities | <u>\$ 166,429</u> | <u>\$ 14,356</u> | <u>\$ 2,718</u> | <u>\$ 183,503</u> |
| Net Position | | | | |
| Held in Trust For Employee Pension and Other Benefits | \$ 2,199,545 | \$ 105,915 | \$ 47,782 | \$ 2,353,242 |
| Total Net Position | <u>\$ 2,199,545</u> | <u>\$ 105,915</u> | <u>\$ 47,782</u> | <u>\$ 2,353,242</u> |

| Statement of Changes in Fiduciary Net Position (thousands) | | | | |
|--|---|--|---|---------------------|
| | State Employees' OPEB Plan | Retired Teachers' Healthcare Plan | Policemen, Firemen, and Survivors' Benefit | Total |
| Additions | | | | |
| Contributions: | | | | |
| Plan Members | \$ 147,037 | \$ 106,833 | \$ 687 | \$ 254,557 |
| State | 868,070 | 29,411 | - | 897,481 |
| Municipalities | - | - | 974 | 974 |
| Total Contributions | <u>1,015,107</u> | <u>136,244</u> | <u>1,661</u> | <u>1,153,012</u> |
| Investment Income | 394,328 | 82,254 | 10,102 | 486,684 |
| Less: Investment Expenses | (4,556) | - | (601) | (5,157) |
| Net Investment Income | <u>389,772</u> | <u>82,254</u> | <u>9,501</u> | <u>481,527</u> |
| Total Additions | <u>1,404,879</u> | <u>218,498</u> | <u>11,162</u> | <u>1,634,539</u> |
| Deductions | | | | |
| Administrative Expense | - | 30,717 | - | 30,717 |
| Benefit Payments and Refunds | 637,221 | 153,716 | 1,323 | 792,260 |
| Other | 105,307 | 91 | - | 105,398 |
| Total Deductions | <u>742,528</u> | <u>184,524</u> | <u>1,323</u> | <u>928,375</u> |
| Changes in Net Assets | 662,351 | 33,974 | 9,839 | 706,164 |
| Net Position Held in Trust For Other Postemployment Benefits: | | | | |
| Beginning of Year | 1,537,194 | 71,941 | 37,943 | 1,647,078 |
| End of Year | <u>\$ 2,199,545</u> | <u>\$ 105,915</u> | <u>\$ 47,782</u> | <u>\$ 2,353,242</u> |

Note 15

Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

| | | |
|------------|----|----------------|
| 2022 | \$ | 30,701 |
| 2023 | | 18,351 |
| 2024 | | 15,496 |
| 2025 | | 15,287 |
| 2026 | | 14,757 |
| Thereafter | | 70,948 |
| Total | \$ | <u>165,540</u> |

Contingent revenues for the year ended June 30, 2021, were \$764 thousand. The contingent revenue amount represents rental revenue which was paid in addition to the minimum lease revenues.

State as Lessee

Obligations under capital and operating leases as of June 30, 2021, were as follows (amounts in thousands):

| | <u>Noncancelable Operating Leases</u> | <u>Capital Leases</u> |
|--|---|---------------------------|
| 2022 | \$ 34,362 | \$ 7,211 |
| 2023 | 14,585 | 6,329 |
| 2024 | 34,779 | 4,966 |
| 2025 | 24,569 | 3,705 |
| 2026 | 15,598 | 2,028 |
| 2027-2031 | 12,816 | 6,101 |
| 2032-2036 | 4,067 | - |
| 2037-2041 | 3,042 | - |
| Total minimum lease payments | <u>\$ 143,818</u> | 30,340 |
| Less: Amount representing interest costs | | <u>13,829</u> |
| Present value of minimum lease payments | | <u>\$ 16,511</u> |

Minimum capital lease payments were discounted using interest rates ranging from .309 percent to 6.27 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2021, were \$34.4 million.

Note 16

Long-Term Liabilities

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2021 (amounts in thousands):

| Governmental Activities | Beginning | | | Ending | |
|--|----------------------|----------------------|---------------------|-----------------------|-----------------------------|
| | Balance | Additions | Reductions | Balance | Amounts due within one year |
| Bonds: | | | | | |
| General Obligation | \$ 18,480,218 | \$ 1,891,605 | \$ 1,808,993 | \$ 18,562,830 | \$ 1,628,409 |
| Direct Borrowings and Direct Placements | 329,080 | - | 60,655 | 268,425 | 5,790 |
| Transportation | 6,424,705 | 886,695 | 352,135 | 6,959,265 | 378,845 |
| | 25,234,003 | 2,778,300 | 2,221,783 | 25,790,520 | 2,013,044 |
| Plus (Less) Premiums | 2,140,036 | 443,601 | 229,241 | 2,354,396 | 229,241 |
| Total Bonds | 27,374,039 | 3,221,901 | 2,451,024 | 28,144,916 | 2,242,285 |
| Other L/T Liabilities:¹ | | | | | |
| Net Pension Liability (Note 10) | 39,840,819 | 7,078,938 | 4,368,297 | 42,551,460 | - |
| Net OPEB Liability (Note 10) | 23,023,169 | 4,860,566 | 1,843,509 | 26,040,226 | - |
| Compensated Absences | 531,881 | 80,722 | 34,762 | 577,841 | 33,470 |
| Workers' Compensation | 797,164 | 119,940 | 104,459 | 812,645 | 101,015 |
| Capital Leases | 15,132 | 5,645 | 4,266 | 16,511 | 7,211 |
| Claims and Judgments | 39,425 | 6,868 | 2,285 | 44,008 | 9,188 |
| Landfill Post Closure Care | 32,103 | - | 2,516 | 29,587 | 2,516 |
| Contracts Payable & Other | 705 | - | - | 705 | - |
| Non-exchange Financial Guarantees | 487,655 | - | 34,470 | 453,185 | 34,410 |
| Total Other Liabilities | 64,768,053 | 12,152,679 | 6,394,564 | 70,526,168 | 187,810 |
| Governmental Activities Long-Term Liabilities | | | | | |
| | \$ 92,142,092 | \$ 15,374,580 | \$ 8,845,588 | \$ 98,671,084 | \$ 2,430,095 |
| ¹ In prior years, the General and Transportation funds have been used to liquidate other liabilities. | | | | | |
| Business-Type Activities | | | | | |
| Revenue Bonds | \$ 1,588,254 | \$ 99,751 | \$ 239,030 | \$ 1,448,975 | \$ 78,055 |
| Plus/(Less) Premiums and Discounts | 204,122 | 568 | 28,051 | 176,639 | 1,784 |
| Total Revenue Bonds | 1,792,376 | 100,319 | 267,081 | 1,625,614 | 79,839 |
| Compensated Absences | 196,440 | 56,066 | 39,310 | 213,196 | 51,450 |
| Other | 304,731 | 43,689 | 25,600 | 322,820 | 23,585 |
| Total Other Liabilities | 501,171 | 99,755 | 64,910 | 536,016 | 75,035 |
| Business-Type Long-Term Liabilities | \$ 2,293,547 | \$ 200,074 | \$ 331,991 | \$ 2,161,630 | \$ 154,874 |
| Primary Government Long-Term Liabilities | | | | | |
| | \$ 94,435,639 | \$ 15,574,654 | \$ 9,177,579 | \$ 100,832,714 | \$ 2,584,969 |

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$31.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2021, long-term debt of component units consisted of the following (amounts in thousands):

| Long-Term Debt | Balance June 30, 2021 | Amounts due within year |
|---|----------------------------------|------------------------------------|
| Bonds Payable (includes premiums/discounts) | \$ 5,601,191 | \$ 480,414 |
| Escrow Deposits | 192,371 | 37,603 |
| Annuities Payable | 126,851 | 4,901 |
| Rate Swap Liability | 189,755 | - |
| Net Pension Liability | 266,596 | - |
| Net Post Employment Liability | 312,575 | - |
| Other | 347,018 | 297,270 |
| Total | \$ 7,036,357 | \$ 820,188 |

Not all component units report net pension liabilities and OPEB liabilities; therefore, the notes show a higher liability for the net pension liability of \$8,461 and a higher net OPEB liability of \$10,889 than the financial statements.

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). During the year ended June 30, 2014, the legal transfer of \$35.8 million in post closure care obligations and the concurrent transfer of \$31.0 million of Authority reserve funds to the State resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP.

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled \$2,515,7 in FY 2021.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17**Long-Term Notes and Bonded Debt****a. Primary Government – Governmental Activities****General Obligation Bonds**

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued as June 30, 2021, were as follows (amounts in thousands):

| <u>Purpose of Bonds</u> | <u>Final Dates</u> | <u>Original Rates</u> | <u>Outstanding</u> | <u>Authorized But Unissued</u> |
|--|--------------------|-----------------------|--------------------|--------------------------------|
| Capital Improvements | 2021-2041 | .45-5.632% | \$ 3,948,418 | \$ 656,937 |
| School Construction | 2021-2041 | 2.00-5.632% | 4,765,970 | 3,003 |
| Municipal & Other | | | | |
| Grants & Loans | 2021-2037 | .31-5.632% | 2,852,325 | 984,283 |
| Housing Assistance | 2021-2035 | 1.89-5.350% | 704,309 | 167,951 |
| Elimination of Water | | | | |
| Pollution | 2021-2038 | 3.00-5.09% | 500,760 | 34 |
| General Obligation | | | | |
| Refunding | 2021-2038 | 1.50-5.00% | 2,973,688 | - |
| GAAP Conversion | 2021-2027 | 4.00-5.00% | 344,875 | - |
| Pension Obligation | 2022-2032 | 5.69-6.27% | 2,197,477 | - |
| Miscellaneous | 2021-2034 | 3.50-5.10% | 62,900 | 72,085 |
| | | | 18,350,722 | \$ 1,884,293 |
| Accretion-Various Capital Appreciation Bonds | | | 212,108 | |
| | | Total | \$ 18,562,830 | |

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding as June 30, 2021, were as follows (amounts in thousands):

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|---------------|
| <u>June 30,</u> | | | |
| 2022 | \$ 1,628,409 | \$ 852,423 | \$ 2,480,833 |
| 2023 | 1,651,486 | 795,817 | 2,447,303 |
| 2024 | 1,549,119 | 753,669 | 2,302,788 |
| 2025 | 1,492,012 | 690,327 | 2,182,340 |
| 2026 | 1,468,575 | 540,391 | 2,008,966 |
| 2027-2031 | 6,384,660 | 1,740,698 | 8,125,358 |
| 2032-2036 | 3,271,900 | 516,073 | 3,787,973 |
| 2037-2041 | 904,560 | 75,959 | 980,519 |
| Total | \$ 18,350,722 | \$ 5,965,358 | \$ 24,316,080 |

Direct Borrowing and Direct Placements

On June 28, 2017, the State issued direct placement debt raising cash from a non-public offering based on a contractual agreement. The State entered into the agreement to take advantage of various favorable terms and at a substantially lower cost than if the State used a traditional public offering. Direct placement debt outstanding as of June 30, 2021 is as follows:

| <u>Type of debt</u> | <u>Final Maturity Dates</u> | <u>Original Interest Rates</u> | <u>Amount Outstanding</u> |
|---------------------|-----------------------------|--------------------------------|---------------------------|
| Direct Placements | 2041 | 2.45% | \$ 268,425 |

Future amounts required to pay principal and interest on direct borrowings and direct placements outstanding as June 30, 2021 were as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------|-----------|------------|
| 2022 | \$ 5,790 | \$ 9,704 | \$ 15,494 |
| 2023 | 15,790 | 9,494 | 25,284 |
| 2024 | 15,790 | 8,935 | 24,725 |
| 2025 | 15,790 | 8,341 | 24,131 |
| 2026 | 15,790 | 7,782 | 23,572 |
| 2027-2031 | 118,155 | 26,487 | 144,642 |
| 2032-2036 | 72,240 | 8,992 | 81,232 |
| 2037-2041 | 9,080 | 328 | 9,408 |
| Total | \$ 268,425 | \$ 80,063 | \$ 348,488 |

GO Demand Bonds

The State enters into standby bond purchase and remarketing agreements with brokerage firms and/or banks upon the issuance of demand bonds. The State issued demand bonds as General Obligation Tax Exempt 2016 Series C bonds maturing in 2034.

Under the Standby Bond Purchase Agreement, the Bank would purchase the put bonds and hold them until they were remarketed. The Bank Bonds would bear a base rate for a period up to 270 days and base rate plus 1.0 percent thereafter. The State is required to pay the standby bond purchase provider a quarterly fee of .37 percent of the principal and interest commitment.

The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders. The State is required to pay the remarketing agent a quarterly fee of .06 percent per annum on the amount of outstanding demand bond principal.

Term out funding would commence on the 271st day following the bank purchase date. The outstanding bank bonds would be amortized on a quarterly basis for a three-year period as shown below. The interest on the bonds would be calculated at a rate determined per the Standby Bond Purchase Agreement (base rate plus 1 percent). For example, at the end of fiscal year 2021, the calculated rate was 6.0 percent, based on the terms of the agreement. The standby bond purchase agreement expires on June 13, 2022. The agreement could be terminated at an earlier date if certain termination events described in the agreement were to occur. As of June 30, 2021, the amount of demand bonds outstanding was \$241,465,000. The table below shows the debt service requirements should the bond holders exercise their option in the full amount of the outstanding demand bonds.

| Fiscal Year | Beginning Banked Bonds | | | Ending Bank Bonds | |
|----------------|---------------------------|---------------|---------------|-----------------------|----------------|
| | Outstanding | Principal | Interest | Total Debt Service | Outstanding |
| First | \$ 241,465,000 | \$ 80,488,333 | \$ 12,676,913 | \$ 93,165,246 | \$ 160,976,667 |
| Second | 160,976,667 | 80,488,333 | 7,847,613 | 88,335,946 | 80,488,334 |
| Third | 89,335,000 | 80,488,333 | 3,018,313 | 83,506,646 | 8,846,667 |

Transportation Related Bonds

Transportation Related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation Related bonds outstanding and bonds authorized but unissued as June 30, 2021, were as follows (amounts in thousands):

| Purpose of Bonds | Final | Original | Amount Outstanding | Authorized |
|---|-------------------|-------------------|-----------------------|-----------------|
| | Maturity Dates | Interest Rates | | But Unissued |
| Infrastructure | | | | |
| Improvements | 2021-2041 | 3.00-5.740% | \$ 6,496,955 | \$ 3,652,960 |
| STO Refunding | 2021-2029 | 3.00-5.00% | 462,310 | - |
| | | | 6,959,265 | \$ 3,652,960 |
| Accretion-Variou Capital Appreciation Bonds | | | - | |
| | | Total | \$ 6,959,265 | |

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2021, were as follows (amounts in thousands):

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2022 | \$ 378,845 | \$ 333,099 | \$ 711,944 |
| 2023 | 401,270 | 316,103 | 717,373 |
| 2024 | 414,125 | 297,446 | 711,571 |
| 2025 | 424,585 | 276,673 | 701,258 |
| 2026 | 418,715 | 254,826 | 673,541 |
| 2027-2031 | 2,172,720 | 947,108 | 3,119,828 |
| 2032-2036 | 1,859,145 | 434,310 | 2,293,455 |
| 2037-2041 | 889,860 | 90,740 | 980,600 |
| | <u>\$ 6,959,265</u> | <u>\$ 2,950,305</u> | <u>\$ 9,909,570</u> |

b. Primary Government – Business-Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding as June 30, 2021, were as follows (amounts in thousands):

| Funds | Dates | Rates | (000's) |
|-------------------------------------|-----------|-----------|---------------------|
| UConn | 2022-2051 | 1.5-5.25% | \$ 200,915 |
| Board of Regents | 2022-2041 | 2.0-5.25% | 319,810 |
| Clean Water | 2022-2039 | 1.0-5.0% | 793,492 |
| Drinking Water | 2022-2039 | 1.0-5.0% | 134,758 |
| Total Revenue Bonds | | | 1,448,975 |
| Plus/(Less) premiums and discounts: | | | |
| UConn | | | 25,094 |
| Board of Regents | | | 14,792 |
| Clean Water | | | 114,248 |
| Drinking Water | | | 22,505 |
| Revenue Bonds, net | | | <u>\$ 1,625,614</u> |

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements, and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements, and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding as June 30, 2021, were as follows (amounts in thousands):

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 78,055 | \$ 63,927 | \$ 141,982 |
| 2023 | 85,965 | 60,236 | 146,201 |
| 2024 | 93,130 | 56,550 | 149,680 |
| 2025 | 318,894 | 146,783 | 465,677 |
| 2026 | 265,480 | 82,302 | 347,782 |
| 2076-2031 | 322,556 | 90,707 | 413,263 |
| 2032-2036 | 165,625 | 41,397 | 207,022 |
| 2037-2041 | 65,615 | 19,736 | 85,351 |
| 2042-2046 | 36,285 | 9,436 | 45,721 |
| 2047-2051 | 17,370 | 924 | 18,294 |
| Total | <u>\$ 1,448,975</u> | <u>\$ 571,998</u> | <u>\$ 2,020,973</u> |

c. Component Units

Component Units' revenue bonds outstanding as June 30, 2021, were as follows (amounts in thousands):

| Component Unit | Final Maturity Date | Interest Rates | Amount Outstanding (000's) |
|--|------------------------------------|---------------------------|---|
| CT Housing Finance Authority | 2020-2060 | 0.0-6.274% | \$ 4,851,339 |
| CT Student Loan Foundation | 2046 | 0.01-1.655% | 121,825 |
| CT Higher Education Supplemental Loan Authority | 2025-2037 | 1.65-5.25% | 166,740 |
| CT Airport Authority | 2022-2050 | 2.8-5% | 237,880 |
| CT Regional Development Authority | 2022-2034 | 1.00-5.0% | 66,895 |
| UConn Foundation | 2022-2025 | 1.00-2.92% | 7,275 |
| CT Green Bank | 2022-2038 | .95-7.04% | 87,848 |
| Total Revenue Bonds | | | 5,539,802 |
| Plus/(Less) premiums and discounts: | | | |
| CHFA | | | 48,368 |
| CSLF | | | (201) |
| CHESLA | | | 8,707 |
| CAA | | | 3,083 |
| UConn Foundation | | | (71) |
| CRDA | | | 1,503 |
| Revenue Bonds, net | | | \$ 5,601,191 |

Revenue bonds issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated September 27, 1972; a special needs indenture dated September 25, 1995, and other bond resolutions dated October 2009. As of December 31, 2020, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$4,749.6 million, \$60.6 million, and \$89.5 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's General fund, and (3) all monies and securities of the Authority's General and Capital Reserve funds. The resolution and indenture Capital Reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in any succeeding calendar year on all outstanding bonds. The required reserves are \$378.2 million per the resolution and \$5.2 million per the indenture as December 31, 2020. As of December 31, 2020, the Authority has entered into interest rate swap agreements for \$930.7 million of its outstanding variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials Innovation and Recycling Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Capital Reserves

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year if the Authority is unable to do so.

The Capital Region Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed \$9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding as June 30, 2021, were as follows (amounts in thousands):

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|--------------|--------------|--------------|
| 2022 | \$ 262,949 | \$ 169,799 | \$ 432,748 |
| 2023 | 214,852 | 162,825 | 377,677 |
| 2024 | 218,644 | 157,359 | 376,003 |
| 2025 | 215,883 | 150,808 | 366,691 |
| 2026 | 213,045 | 144,213 | 357,258 |
| 2027-2031 | 1,111,622 | 618,477 | 1,730,099 |
| 2032-2036 | 1,021,603 | 438,684 | 1,460,287 |
| 2037-2041 | 795,807 | 287,311 | 1,083,118 |
| 2042-2046 | 862,570 | 201,613 | 1,064,183 |
| 2047-2051 | 508,620 | 51,360 | 559,980 |
| 2052-2056 | 73,667 | 14,037 | 87,704 |
| 2057-2061 | 40,540 | 2,209 | 42,749 |
| | \$ 5,539,802 | \$ 2,398,695 | \$ 7,938,497 |

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., issues revenue bonds to finance such projects as described previously in the Component Unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2021 were \$297.5 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding as of June 30, 2021, were \$8,303.0 million, of which \$319.8 million was secured by special capital reserve funds.

d. Debt Refundings

During the fiscal year the State issued General Obligation UConn 2000 and Special Tax Obligation bonds of \$300 million at an average coupon interest rate of 4.38 percent to refund \$328.8 million of General Obligation UConn 2000 and Special Tax Obligation bonds. The State reduced its fund level debt service payments by \$38.1 million over the next 10 years.

Once the refunding bond proceeds were delivered, the State entered into escrow agreements with escrow holders, to provide for the redemption of the refunded bonds. The refunding proceeds were deposited in an escrow holder's account of the State's Short-Term Investment Fund until needed for redemption of the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

e. Nonexchange Financial Guarantee

In March 2018, the State entered a Contract for Financial Assistance with the City of Hartford, according to Section 376 of Public Act 17-2 of the June Special Session guaranteeing \$540,080,000 of outstanding general obligation bonds of the City of Hartford, with maturity dates ranging from July 1, 2028 through July 15, 2035, and semiannual interest payments. The contract assistance is limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by the City of Hartford pursuant to section 7-370c of the general statutes, or (B) any other bonds or notes issued by the City of Hartford, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitutions of bonds, notes or other obligations previously issued by the City of Hartford, and (2) cost of issuance on any such refunding bonds and any other expenses that result directly from the refunding of debt. The Act also establishes that the City of Hartford must be under the supervision of the Municipal Accountability Review Board of the State and that the City may not issue any new debt without the board's approval. The State Representatives, defined by the contract as the Secretary of the Office of Policy and Management and the State Treasurer, may agree to provide credit support to the City of Hartford, including, but not limited to, assuming all or part of any bonds, notes, or other obligations of the City or issuance of new State obligations in replacement of such bonds, notes, or other obligations, provided such credit support does not exceed the amount of contract assistance that could otherwise be provided by the State to the City.

In April 2018, because of the possibility that the City of Hartford would declare bankruptcy, the State of Connecticut began making contract assistance payments for the City of Hartford's then outstanding \$540 million general obligation debt. During fiscal year 2021, the State of Connecticut has paid \$34,470,000 in principal and \$21,844,629 in interest on the guarantee.

The liability recognized for nonexchange financial guarantees by the State of Connecticut at June 30, 2021 is as follows (amounts in thousands):

| Beginning of Year | Increases | Decreases | End of Year |
|----------------------|-----------|-----------|----------------|
| \$ 487,655 | \$ - | \$ 34,470 | \$ 453,185 |

Note 18 Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management 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 schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

| Risk of Loss | Risk Financed by | |
|--|--|--------------------|
| | Purchase of Commercial Insurance | Self- Insurance |
| Liability (Torts): | | |
| -General (State buildings, parks, or grounds) | | X |
| -Other | X | |
| Theft of, damage to, or destruction of assets | X | |
| Business interruptions | X | |
| Errors or omissions: | | |
| -Professional liability | X | |
| -Medical malpractice (John Dempsey Hospital) | | X |
| Injuries to employees | | X |
| Natural disasters | X | |

For the general liability risk, the State is self-insured 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.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than \$100 thousand. When purchasing commercial insurance, the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries many insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is \$25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the claim's liabilities during the last two fiscal years were as follows (amounts in thousands):

| | <u>Activities Workers' Compensation</u> | <u>Activities Medical Malpractice</u> |
|-----------------|---|---|
| Balance 6-30-19 | \$ 771,753 | \$ 12,158 |
| Incurred claims | 126,426 | - |
| Paid claims | <u>(101,015)</u> | <u>(2,803)</u> |
| Balance 6-30-20 | 797,164 | 9,355 |
| Incurred claims | 119,940 | 37,289 |
| Paid claims | <u>(104,459)</u> | <u>(4,974)</u> |
| Balance 6-30-21 | <u>\$ 812,645</u> | <u>\$ 41,670</u> |

Note 19 Interfund Receivables and Payables

Interfund receivable and payable balances as June 30, 2021, were as follows (amounts in thousands):

| | General | Transportation | Accounts | Governmental | UConn | Regents | Security | Services | Fiduciary | Units | Total |
|---------------------------------|-------------------|----------------|-----------------|------------------|------------------|------------------|-----------------|-----------------|---------------------|-----------------|---------------------|
| Balance due from fund(s) | | | | | | | | | | | |
| General | \$ - | \$ - | \$ 227 | \$ 86 | \$ 32,452 | \$ 42,905 | \$ 1,277 | \$ 4,315 | \$ 1,619,420 | \$ 52 | \$ 1,700,734 |
| Debt Service | - | 25 | - | - | - | - | - | - | - | - | 25 |
| Restricted Grants & Accounts | 5,173 | - | - | - | - | - | - | - | - | 7,158 | 12,331 |
| Grant & Loan Programs | 34 | - | - | - | - | - | - | - | - | - | 34 |
| Other Governmental | 2,979 | - | - | 9,316 | 4,962 | 51,954 | - | - | - | - | 69,211 |
| UConn | 35,340 | - | - | - | - | - | - | - | - | - | 35,340 |
| Board of Regents | 344 | - | - | - | - | - | - | - | - | - | 344 |
| Employment Security | - | - | - | 2,219 | - | - | - | - | - | - | 2,219 |
| Internal Services | 12,297 | - | - | - | - | - | - | - | - | - | 12,297 |
| Fiduciary | - | - | - | - | - | - | - | - | 1,903 | - | 1,903 |
| Component Units | 52,937 | - | 2,638 | 641 | - | - | - | - | - | - | 56,216 |
| Total | <u>\$ 109,104</u> | <u>\$ 25</u> | <u>\$ 2,865</u> | <u>\$ 12,262</u> | <u>\$ 37,414</u> | <u>\$ 94,859</u> | <u>\$ 1,277</u> | <u>\$ 4,315</u> | <u>\$ 1,621,323</u> | <u>\$ 7,210</u> | <u>\$ 1,890,654</u> |

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 20 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2021, consisted of the following (amounts in thousands):

| | Amount transferred to fund(s) | | | | | | | | | |
|--|-------------------------------|-------------------|-----------------|------------------------------------|-----------------------|-------------------|---------------------|---------------------------------|--------------------|---------------------|
| | General | Debt Service | Transportation | Restricted Grants & Accounts | Other Governmental | UConn | Board of Regents | Clean Water & Drinking Water | Component Units | Total |
| Amount transferred from fund(s) | | | | | | | | | | |
| General | \$ 1,241,460 | \$ - | \$ - | \$ - | \$ 61,567 | \$ 728,102 | \$ 633,780 | \$ - | \$ 496 | \$ 2,665,405 |
| Debt Service | - | 13 | 1,172 | 358 | - | - | - | - | - | 1,543 |
| Transportation | - | 664,389 | - | - | 5,500 | - | - | - | - | 669,889 |
| Restricted Grants & Accounts | 8 | - | - | - | - | - | - | - | - | 8 |
| Grants and Loans | - | - | - | 91,158 | - | - | - | - | - | 91,158 |
| Other Governmental | 130,589 | 61,868 | - | 51,872 | - | 200,486 | 92,990 | 489 | - | 538,294 |
| Employment Security | - | - | - | - | 6,384 | - | - | - | - | 6,384 |
| Total | <u>\$ 1,372,057</u> | <u>\$ 726,270</u> | <u>\$ 1,172</u> | <u>\$ 143,388</u> | <u>\$ 73,451</u> | <u>\$ 928,588</u> | <u>\$ 726,770</u> | <u>\$ 489</u> | <u>\$ 496</u> | <u>\$ 3,972,681</u> |

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 21**Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position****Restatement of Net Position**

In fiscal year 2021, Nonmajor Enterprise funds beginning net position has been restated by \$(17.9) million and Component Units beginning net position has been restated by \$17.9 million. This is the result of an operating agreement between Bradley Parking Garage and Connecticut Airport Authority. Prior to Fiscal Year 2021 Bradley Parking Garage was reported and audited separately from the Connecticut Airport Authority. As a result of this operating agreement Bradley Parking Garage merged with the Connecticut Airport Authority, which required a change in reporting.

During the year the Connecticut Innovations, Incorporated restated the prior year amount for deferred outflows relating to OPEB, this resulted in a restatement to the beginning net position to the Nonmajor Component Units by \$22 thousand. Also, the beginning net position of the Nonmajor Component Units was restated by \$65.0 million because of the State including the Connecticut Port Authority as a Nonmajor Component Unit.

During the year ended June 30, 2021 the State adopted new accounting guidance by implementing the provisions of GASB 84 *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of financial statements by reclassifying Paid Family Medical Leave Authority from a Nonmajor Permanent fund to a Fiduciary Component Unit as a result the beginning net position of Nonmajor Permanent funds has been restated by \$(4.5) million. Also, the statement required including accruals and ending net position to custodial funds which was not previously required. As a result of this change Fiduciary funds beginning net position has been restated by \$173.6 million.

Fund Balance – Restricted and Assigned

As of June 30, 2021, restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

| | Restricted | Assigned |
|------------------------------------|---------------------|------------------|
| | Purposes | Purposes |
| Capital Projects | \$ 952,805 | \$ - |
| Environmental Programs | 114,287 | - |
| Housing Programs | 586,369 | - |
| Employment Security Administration | 37,949 | - |
| Banking | 13,754 | - |
| Other | 462,926 | 24,255 |
| Total | <u>\$ 2,168,090</u> | <u>\$ 24,255</u> |

Restricted Net Position

As of June 30, 2021, the government-wide statement of net position reported \$8,469.8 million of restricted net position, of which \$384.7 million was restricted by enabling legislation.

Note 22**Tax Abatements**

For financial purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

Film, Television, and Digital Media Tax Program

This program assists film, television, and digital media companies with direct financial assistance programs. Including but not limited to loans, grants, and job expansion tax credits structured to incentivize relocation to Connecticut and the growth and development of current Connecticut-based companies.

Beginning after January 1, 2010, (a) an eligible production company that incurs production expenses of not less than \$100 thousand, but not more than \$500 thousand, will be eligible for a credit against the tax imposed equal to ten percent of such production expenses,

(b) a production company incurring expenses of more than \$500 thousand, but not more than \$1 million, will be eligible for a credit against the tax imposed equal to fifteen percent of production expenses, and (c) a production company incurring expenses of more than \$1 million will be eligible for a credit against the tax imposed (chapter 207, section 12-217jj) equal to thirty percent of production expenses.

No eligible company incurring an amount of production expenses that qualifies for a tax credit shall be eligible unless on or after January 1, 2010, the company conducts (1) not less than fifty percent of principal filming days within the state, or (2) expends not less than fifty percent of postproduction costs within the state, or (3) expends not less than \$1 million of postproduction costs within the state.

An eligible production company shall apply to the Department of Economic and Community Development (DECD) for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses are incurred in the production of a qualified production and will provide with the application information that DECD may require to determine if the company is eligible to claim a credit.

Urban and Industrial Sites Reinvestment Tax Program

This tax program is designed to encourage development and redevelopment activities in eligible communities and to encourage private investment in contaminated properties.

In accordance with Chapter 578 section 32-9t of the General Statutes taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit against the tax imposed under chapter 207 and 212a or section 38a-743 in the General Statutes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (a) the income year in which the investment in the project was made and the next two succeeding income years, zero percent; (b) in the third full income year succeeding the year in which the investment was made and the three succeeding years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding years, twenty percent. The sum of all tax credits shall not exceed \$100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed \$950 million.

Tax credits allowed may be claimed by a taxpayer who has made an investment (1) directly only if the investment has a total asset value, either alone or combined with other investors in an eligible project, of not less than \$5 million or, in the case of an investment in an eligible project for the preservation of a historic facility and redevelopment of the facility for combined uses which includes at least four housing units, the total asset value should not be less than \$2 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than \$60 million for the income year for which the initial credit is taken; and (b) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund at the date the investment is made; or (3) through a community development entity or a contractually bound community development entity. A tax credit made through a fund, should only be available for investments in funds that are not open to additional investments beyond the amount set forth at the formation of the fund.

Insurance Reinvestment Fund Program

The purpose of the Insurance Reinvestment Fund Program is to capitalize on the base of local insurance expertise and help people laid off after the massive restructuring of the insurance industry. The program was also intended to encourage small insurance startups and specialty insurance businesses in Connecticut companies engaged in the insurance business or providing services to insurance companies.

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys the taxpayer invested through a fund manager in an insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed \$15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

The tax credit allowed may be claimed by a taxpayer who has invested in an insurance business through a fund (a) which has total assets of not less than \$30 million for the income year for which the initial credit is taken; (b) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and (c) which invests only in insurance businesses that are not related persons to each other.

The credit allowed may only be claimed with respect to an insurance business which (a) occupies the new facility for which an eligibility certificate has been issued by the Commissioner of DECD, or the certificate has been issued as its home office, and (b) employs not less than twenty-five percent of its total work force in new jobs.

The maximum allowed credit shall be \$350 million in total and \$40 million per year.

The Connecticut Neighborhood Assistance Act Credit Program (Conn. Gen. Stat. §§12-631 through 12-638)

The Neighborhood Assistance Act tax credit may be earned by businesses that make cash investments of at least \$250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services.

This tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, and 212 of the Connecticut General Statutes.

A tax credit equal to one hundred percent of the cash invested is available to businesses that invest in energy conservation projects and comprehensive college access loan forgiveness programs. A tax credit equal to sixty percent of the cash invested is available to businesses that invest in programs that provide: community-based alcoholism prevention or treatment programs; neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; investment in child day care facilities; child care services; and any other program which serves persons at least seventy five percent of whom are at an income level not exceeding one hundred fifty percent of the poverty level for the preceding year.

Under the Connecticut Neighborhood Assistance Act there are several statutory limits which must be observed, including the following: (1) the total tax credits under the Neighborhood Assistance Act tax credit program are limited to \$150,000 annually for each business. The tax credit for investments in child day care facilities may not exceed \$50,000 per income year for each business; (2) the minimum contribution on which a tax credit can be granted is \$250; (3) any organization conducting a program or programs eligible to receive contributions under the Neighborhood Assistance Act tax credit program is limited to receiving a total of \$150,000 of funding for any program or programs for any fiscal year; (4) the cap on the total amount of credits that may be allowed annually is \$5 million. If the proposals submitted to the Department of Revenue Services claim credits in excess of the cap, such credits will be prorated among the approved organizations; (5) no business shall receive both the Neighborhood Assistance tax credit and the Housing Program Contribution tax credit for the same cash contribution; (6) no business can claim the tax credit for investments in child care facilities in an income year that the business claims the Human Capital Investment tax credit; (7) carryforward and carryback limitations, no carryforward is allowed any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years.

Research and Development Expenditures

This credit is based on the incremental increase in expenditures for research and experiments conducted in Connecticut. "Research and development expenses" refers to research or experimental expenditures deductible under Section 174 of the Internal Revenue Code of 1986, as of May 28, 1993, determined without regard to Section 280C(e) elections made by a taxpayer to amortize such expenses on its federal income tax return that were otherwise deductible, and basic research payments as defined under Section 41 of the Internal Revenue Code to the extent not deducted under said Section 174, provided: such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in the State of Connecticut; and such expenditures and payments are not funded, within the meaning of Section 41(d)(4)(H) of the Internal Revenue Code, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses.

In accordance with Sec. 12-217n a tax credit may be applied against the Corporation Business Tax for research and development expenses conducted in Connecticut. A small business qualifies for the credit if it has gross income for the previous income year that does not exceed \$100 million, and has not, in the determination of the Commissioner of Economic and Community Development, met the gross income test through transactions with a related person. The amount of the credit increases ratably from one percent of the annual research and development expenses paid or incurred, where these expenses equal \$50 million or less, to six percent when expense exceed \$200 million.

Qualified small business may exchange unused amounts of this credit with the state for a cash payment of sixty-five percent of the value of the credit or carry forward the full value until fully taken. Credits are limited to \$1.5 million in any one income year.

Historic Structures Rehabilitation (Conn. Gen. Stat. §10-416a)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a certified historic structure for residential use or to a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

The tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, and 212 of the Connecticut General Statutes.

This tax credit is equal to the lesser of the tax credit reserved upon certification of the rehabilitation plan or 25% of the actual qualified rehabilitation expenditures not exceeding \$2.7 million. The amount of the tax credit that may be claimed will be entered on the tax credit voucher issued by the Department of Economic and Community Development.

The tax credit may be carried forward for five years following the year in which the rehabilitated structure was placed in service. No carryback is allowed.

Historic Preservation (Conn. Gen. Stat. §10-416b)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a qualified historic structure for nonresidential use or mixed residential and nonresidential use or a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

This tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, and 212 of the Connecticut General Statutes.

This tax credit is equal to the lesser of twenty-five percent of the projected certified rehabilitation expenditures or twenty-five percent of the actual certified rehabilitation expenditures. If the project creates affordable housing units and the owner provides the Department of Economic and Community Development and the Department of Housing information to show that the owner is compliant with the affordable housing certificate, then the tax credit is equal to the lesser of thirty percent of the projected certified rehabilitation expenditures of thirty percent of the actual qualified rehabilitation expenditures.

The maximum tax credit allowed for any project shall not exceed \$5 million for any fiscal three-year period.

Historic Rehabilitation (Conn. Gen. Stat. §10-416c)

A tax credit administered by the Connecticut Department of Economic and Community Development is available for the qualified rehabilitation expenditures associated with the certified rehabilitation of a certified historic structure. No credit may be claimed until the Department of Economic and Community Development issues a tax credit voucher.

This tax credit can be used to offset the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

The tax credit is equal to twenty-five percent of the total qualified rehabilitation expenditures. The tax credit increases to thirty percent of the total qualified rehabilitation expenditures if the project includes a component with at least twenty percent of the rental units or ten percent of for-sale units qualify as affordable housing under Conn. Gen. Stat. §8-39a. The tax credit allowed for any project shall not exceed \$4.5 million.

The tax credit may be carried forward for five succeeding income years following the year in which the substantially rehabilitated structure was placed in service. No carryback is allowed.

Enterprise Zone Property Tax Reimbursement Program

The enterprise zone program offers various tax incentives and other benefits to businesses that start up or improve real property in areas designated as enterprise zones. This designation is one of several geographic designations the state uses to target economic development assistance (e.g., distressed municipalities).

In 1981, Connecticut became the first state to establish an enterprise zone program when the legislature authorized the DECD commissioner to designate six zones based on statutory criteria (PA 81-445). Over the past several decades, the legislature has made many changes to the program, including expanding the number of zones, changing the eligibility criteria for zone designation, and adding to the types of businesses eligible for benefits under the program.

In most instances, the legislature authorized the DECD commissioner to approve a specified number of zones according to broad eligibility criteria. For example, the initial two designation rounds authorized a total of 10 zones—four in municipalities with a population of 80,000 or more and six in municipalities with a population of fewer than 80,000. The proposed zones also had to meet specific poverty criteria (e.g., 25 percent of the proposed zone’s population had to be below the federal poverty level or unemployed). However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

There are eighteen enterprise zones currently designated, and one (Wallingford) which has been authorized by the legislature but not yet designated by DECD. The designated enterprise zones are in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

The zones’ benefits are generally available to businesses that start up in the zone or that improve property or relocate there. The benefits include: (1) a five-year, state-reimbursed, 80 percent property tax exemption for improving or acquiring manufacturing facilities (see below) and acquiring machinery and equipment. The state generally reimburses the municipality for half the forgone property tax revenue (CGS 12-81 (59)); (2) a 10-year, 25 percent corporate business tax credit attributed to facility improvements. The credit increases to 50 percent for certain businesses that meet resident employment criteria (CGS 12-217e); (3) a seven-year property tax exemption (100 percent in first two years, 50 percent in third, and a decrease to 10 percent in each of the remaining four years), with no state reimbursement, for commercial and residential real property improvements that do not qualify for the 5-year, 80 percent exemption (other than improvements to manufacturing facilities, as defined below) (CGS 32-71); (4) a 10-year corporate business tax credit (100 percent for first three years, 50 percent for next seven years) for starting a new business in an enterprise zone (business must employ a certain number of residents to qualify) (CGS 12-217v).

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing ; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

The law designates municipalities that contain enterprise zones as “targeted investment communities” (TICs), and businesses located in these municipalities, but outside the enterprise zone, are eligible for certain benefits, including: (1) a five-year, state-reimbursed property tax exemption for improving manufacturing facilities. The exemption varies depending on the value of improvements, up to a maximum of 80 percent for improvements valued over \$90 million (CGS 12-81(60)); (2) a 10-year corporate business tax credit attributed to improving manufacturing facilities in TICs. The credit varies from 15 percent to 50 percent depending on the number of new employees (CGS 12-217e).

Information relevant to the disclosure of these programs is as follows:

| Tax Abatement Program | Amount of Taxes Abated |
|---|-----------------------------------|
| The Film, Television, and Digital Media Tax Program | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 42,954,192 |
| <i>Insurance Companies (as of 6/30/2021)</i> | 55,368,016 |
| <i>Public Service Tax (as of 6/30/2021)</i> | 9,039,145 |
| The Urban and Industrial Sites Reinvestment Tax Program | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 3,656,132 |
| <i>Insurance Companies (as of 6/30/2021)</i> | 3,894,731 |
| <i>Public Service Tax (as of 6/30/2021)</i> | 18,794,550 |
| The Insurance Reinvestment Fund Program | |
| <i>Insurance Companies (as of 6/30/2021)</i> | 35,305,114 |
| The Connecticut Neighborhood Assistance Act Credit Program | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 1,456,756 |
| <i>Insurance Companies (as of 6/30/2021)</i> | 1,114,348 |
| <i>Public Service Tax (as of 6/30/2021)</i> | 194,722 |
| Historic Structures Rehabilitation | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 1,900,312 |
| <i>Public Service Tax (as of 6/30/2021)</i> | 1,132,523 |
| Historic Preservation | |
| <i>Public Service Tax (as of 6/30/2021)</i> | 4,436,402 |
| Historic Rehabilitation | |
| <i>Public Service Tax (as of 6/30/2021)</i> | 20,713,408 |
| Research and Development Expenditures | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 6,786,206 |
| Manufacturing Facility Credit | |
| <i>Corporate Income Tax (as of 6/30/2021)</i> | 735,267 |
| Enterprise Zone Property Tax Reimbursement Program | |
| <i>Property Tax (6/30/2021)</i> | - |

In addition, the State has other various tax credit incentives that are not defined as tax abatements under generally accepted accounting principles and therefore are not described and included here.

Note 23

Asset Retirement Obligations

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and the normal operation of a long-lived asset. The State assesses asset retirement obligations on an annual basis. If a reasonable estimate of fair value can be made, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred or a change in estimate occurs.

During the year, the Department of Veterans Affairs reported that when their power plant is retired there will be a cost associated with the mitigation of hazardous materials. The State cannot estimate the cost associated with the removal of the hazardous materials, therefore, has not recorded an asset retirement obligation for this matter.

Note 24

Related Organizations

The Community Economic Development Fund and Connecticut Health Insurance Exchange are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 25

New Accounting Pronouncements

The State implemented the following statements issued by the Governmental Accounting Standards Board (“GASB”). During the fiscal year 2021, the State adopted the following new accounting standards issued by GASB.

GASB Statement 84, *Fiduciary Activities*.

GASB Statement 84 – This Statement establishes standards of accounting and financial reporting for fiduciary activities. The implementation of this statement has resulted in changing the reporting of Agency funds as Custodial funds. The implementation also, has resulted in changing the presentation of the financial statements by replacing the Combining Statement of Changes in Assets and Liabilities-Agency Funds with the Combining Statement of Changes Fiduciary Net Position-Custodial Funds. Beginning net position has been restated to reflect this change see Note 21 for details.

GASB Statement 98, *The Annual Comprehensive Financial Report*.

GASB Statement 98 – This Statement addresses references in authoritative literature to the term comprehensive annual financial report. The implementation establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Note 26

Commitments and Contingencies

a. Commitments

Primary Government

Commitments are defined as “existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities.”

As of June 30, 2021, the State had contractual commitments as follows (amounts in millions):

| | |
|--|---------|
| Infrastructure & Other Transportation Programs | \$1,014 |
| Construction Programs | 176 |
| School Construction and Alteration Grant Program | 2,559 |
| Clean and Drinking Water Loan Programs | 537 |
| Various Programs and Services | 3,011 |

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2020, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$172.1 million.

b. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses 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. When the agreement is terminated the State shall assume or plan for the assumption of all the existing obligations of the management companies including but not limited to all past, present, and future pension plan liabilities and obligations.

As of June 30, 2021, the State reported an escheat liability of \$433.8 million in the General Fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of \$223.9 in the future.

Grant amounts received or receivable by the State 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.

c. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

Note 27
COVID-19 Pandemic

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.

COVID-19 has materially affected state, national, and global activity; increased public health emergency response costs; and materially impacted the financial condition of the State. Many states and municipalities undertook measures that had negative effects on global and local economies. In addition, businesses and people altered behaviors in manners that negatively affected the economy. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19 concerns, but in response to Federal relief initiatives generally recovered all of their initial losses.

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut because 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. Gradual improvement has been made over the last year and the State is beginning to see lower hospitalization rates and a steady increase in vaccinations. On May 19, 2021, most COVID-19 related restrictions on businesses were lifted. 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 more than \$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 received \$1.382 billion to cover statewide costs associated with the response to the outbreak of COVID-19. In addition, on March 28, 2020, the President approved Governor Lamont's request for a disaster declaration for the State. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19.

On March 11, 2021, the United States Congress enacted the American Rescue Plan Act of 2021 (ARP Act) that provides additional relief to individuals, grants to businesses, and support to state and local governments. The State of Connecticut received approximately \$2.8 billion to respond to the impacts of the COVID-19 pandemic. On April 26, 2021, Governor Lamont presented his proposal on the usage of the ARP Act funds for the State. Sections 306 and 207 of Public Act No. 21-2 of the June Special Session outline the legislature's approved allocation of the ARPA funds awarded to the State. All allocations are subject to the United States Treasury's regulations and guidance regarding allowable uses.

The extent to which COVID-19 impacts the State's operations and its financial condition 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.

Note 28

Subsequent Events

In preparing the financial statements, the State has evaluated events and transactions for potential recognition or disclosure in its financial statement footnotes. The effect of this evaluation led the State to report the following events which took place after the date of the State's fiscal year end through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority includes events which took place after their fiscal year end of December 31, 2020.

In September and December of 2021, the State made transfers in the amount of \$1,142.4 billion and \$475.9 million from the Budget Reserve Fund (BRF) and the General Fund, respectively to the State Employee Retirement Fund (SERF) and the Teacher's Retirement Fund. This transfer was the result of the Budget Reserve Fund exceeding the statutory cap of 15 percent of General Fund appropriations. According to CGS Section 4-30a(c)(1)(A), no further transfers will be made to the Budget Reserve Fund. Instead, the State Treasurer decides what is in the best interest of the state, whether to transfer the balance above the 15 percent threshold as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement System (TRS). The State Treasurer determined this year to transfer \$238.8 million to SERF and \$903.6 million to TRS. The \$475.9 million transfer from the General Fund represented the General Fund surplus in fiscal year 2021, normally this amount is transferred to the Budget Reserve Fund, but because the BRF reached the 15 percent cap the transfer was made to SERF to reduce the pension liability.

In July 2021, the State issued \$221.3 million of General Obligation bonds Series D. The bonds were issued for various projects of the State. The bonds mature in 2031 and bear interest rate 5 percent.

In December 2021, the State issued \$800 million of General Obligation bonds 2022 Series A and 2022 Series B Social Bonds. The bonds were issued for various projects of the State. The bonds mature in 2042 and bear interest rates ranging from 2 to 5 percent.

In October 2021, the State issued \$144.2 million Special Tax Obligation Infrastructure Purposes 2021 Series C Refunding bonds. The bonds were issued for various transportation infrastructure projects. The bonds mature in 2032 and bear interest rate of 5 percent.

In November 2021, the State issued \$500 million Special Tax Obligation Bonds Infrastructure Purposes, 2021 Series D. The bonds were issued for various transportation infrastructure projects throughout the state. The bonds mature in 2041 and bear interest rates ranging from 1.75 to 5 percent.

In July 2021, the Connecticut Health and Educational Facilities Authority issued \$50.1 million Revenue Bonds, Trinity College Issue, Series S. The proceeds of the Series 2021 Bonds will be used, with other available moneys, for (i) paying costs of the Series S Project, (ii) paying capitalized interest on the Series S Bonds, (iii) refunding \$30,000,000 of the outstanding principal amount of the Authority's Revenue Bonds, Trinity College Issue, Series Q, and (iv) paying certain costs of issuance of the Series S Bonds.

Also, in July of 2021, Connecticut Health and Educational Facilities Authority issued \$90.9 million Revenue Bonds, Wesleyan University Issue, Series I (Tax-Exempt) (Green Bonds) and Series 2021 (Federally Taxable) (Green Bonds). The proceeds of the Series I Bonds will be used to finance the construction, renovations, equipping and furnishing of the Public Affairs Center located on Wesleyan's main campus to provide classroom, faculty, library, and other meeting space. Proceeds will be used to finance the construction of a new science center to be located on the main campus to provide research and teaching laboratories, classrooms, and faculty and administrative offices.

In August 2021, Connecticut Health and Educational Facilities Authority issued \$25.1 million Revenue Bonds, Greenwich Academy Issue, Series G. The proceeds of the Series G bonds along with other available moneys, will be used for (i) the financing and refinancing of costs of construction of the Project as defined in the offering statement, and (ii) costs incidental to the issuance of the Series G Bonds.

In August 2021, Connecticut Health and Educational Facilities Authority issued \$206.4 million in forward delivery Revenue Bonds, Stamford Hospital Issue, Series M. The Series M Bonds will be special obligation of the Authority secured under the provisions of the Trust Indenture dated as of April 1, 2022 by and between the Authority of the Bond Trustee, payable solely from the Revenues of the Authority paid to the Bond Trustee for the account of the Authority by The Stamford Hospital in accordance with the Loan Agreement dated as of April 1, 2022.

In September 2021, Connecticut Health and Educational Facilities Authority issued \$169.7 million Revenue Bonds, Hartford Healthcare Issue, Series 2021 A. The proceeds of the Bonds will be used to (i) finance the acquisition, construction, improvement, and equipping of capital projects at Hartford Hospital's main campus in Harford, MidState in Meriden, HOCC in New Britain, Backus Hospital in Norwich, St. Vincent's Hospital in Bridgeport, Windham Hospital in Willimantic, Charlotte Hungerford Hospital in Torrington and certain other health care facilities owned or operated by Members of the Obligated Group and (ii) pay certain costs associated with the issuance of the Bonds.

In November 2021, Connecticut Health and Educational Facilities Authority issued \$14.9 million of Revenue Bonds, the Jerome Home Issue, Series E. The proceeds of the Bonds will be loaned to the Institution pursuant to the Loan Agreement and together with other available funds, will be used for refunding the Authority's Variable Rate Demand Revenue Bonds, the Jerome Home Issue, Series D; financing or refinancing the improvement of real property located on the Jerome Home campus, including: (i) the acquisition, construction, equipping and furnishing of a new 19,000 square-foot, two-story addition to the Home's existing facility to include 20 memory care apartments and a state-of-the-art rehabilitation gymnasium for outpatient, lymphedema and speech therapy; (ii) acquisition, construction, equipping, and furnishing of a new courtyard, including landscaping, plantings, and furniture; (iii) acquisition and construction of a new parking lot and internal roadways, including paving, site work, and landscaping; (iv) other capital expenditures for improvements and/or equipment of the Institution's campus; (v) funding a debt service reserve fund with respect to the Bonds; and (vi) paying costs of issuance.

On January 19, 2022, Connecticut Health and Educational Facilities Authority issued \$60.8 million of Revenue Bonds, Connecticut College Issue, Series M. The proceeds from the sale of the bonds will be used (a) to refund on a current basis all of the Authority's Revenue Bonds, Connecticut College Issue, Series J and Series K, (b) to finance a portion of the costs of various capital projects of Connecticut College, (c) pay capitalized interest on a portion of the Series M bonds, and pay certain Cost of Issuance incurred in connection with the issuance of the Series M Bonds.

The Connecticut Housing Finance Authority (CHFA), whose financial statements are published as of December 31st of the calendar year prior to State's fiscal year-end, had numerous financial events between January 1 and the publication of this report including the following.

On February 24, 2021, the Authority issued \$263.4 million 2021 Series A fixed rate bonds under the Bond Resolution. The bond proceeds were used to refund a portion of the Authority's outstanding bonds and to fund the purchase of single family whole loans and mortgage backed securities.

On March 16, 2021, March 30, 2021 and April 9, 2021, the Authority redeemed \$9.8 million, \$161.9 million, and \$885 thousand, respectively of various series of outstanding bonds held under the Bond resolution.

In April 2021, the Authority issued \$54.1 million State-Supported Special Obligation Bonds. Of these bonds \$7.5 million are Series 27 (Non-AMT) (Social Bonds), \$16.5 million are Series 28 (Non-AMT) (Social Bonds), \$29.3 million are Series 29 (Federally Taxable (Social Bonds), and \$865 thousand are Series 30 (Federally Taxable) NRO.

In April 2021, the Authority issued \$197.6 million of Housing Mortgage Finance Program Bonds 2021 Series B. The bond proceeds were used to refund a portion of the Authority's outstanding bonds and to fund the purchase of single family whole loans and mortgage backed securities.

In May 2021, the Authority remarketed \$128.0 million Housing Mortgage Finance Program Bonds, Various Series.

In September 2021, the Authority issued \$161.4 million of Housing Mortgage Finance Program Bonds 2021 Series D. The bond proceeds were used to refund a portion of the Authority's outstanding bonds and to fund the purchase of single family whole loans and mortgage backed securities. Also, in September 2021, the Authority signed a continuing covenant agreement with Bank of America to issue and sell \$217.6 million of Housing Mortgage Finance Program Bonds, 2021 Series C bonds.

In October 2021, the Authority issued \$146.5 million of Housing Mortgage Finance Program Bonds 2021 Series E. The bond proceeds were used to refund a portion of the Authority's outstanding bonds and to fund the purchase of single family whole loans and mortgage backed securities.

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SUPPLEMENTARY
INFORMATION*

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REQUIRED SUPPLEMENTARY INFORMATION BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosure for statutory reporting.

The following schedules are included in the Required Supplementary Information for Budget:
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual
(Budgetary Basis—Non-GAAP):
General Fund and Transportation Fund

Notes to Required Supplementary Information: Statutory Reporting

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL AND TRANSPORTATION FUNDS**

For the Fiscal Year Ended June 30, 2021

(Expressed in Thousands)

| | General Fund | | | Variance with Final Budget positive (negative) |
|--|-------------------|-------------------|---------------------|---|
| | Budget | | Actual | |
| | Original | Final | | |
| Revenues | | | | |
| Budgeted: | | | | |
| Taxes, Net of Refunds | \$ 17,388,700 | \$ 18,437,300 | \$ 18,651,418 | \$ 214,118 |
| Indian Gaming Payments | 225,400 | 228,800 | 228,883 | 83 |
| Licenses, Permits, and Fees | 384,300 | 328,800 | 329,568 | 768 |
| Other | 803,100 | 881,100 | 876,999 | (4,101) |
| Federal Grants | 1,571,500 | 1,496,300 | 1,496,315 | 15 |
| Refunds of Payments | (67,700) | (37,700) | (37,661) | 39 |
| Operating Transfers In | 114,500 | 114,500 | 114,500 | - |
| Operating Transfers Out | - | - | - | - |
| Transfer to BRF - Volatility Adjustment | (301,500) | (1,220,100) | (1,241,460) | (21,360) |
| Transfer to/from the Resources of the General Fund | 134,200 | 99,100 | 112,856 | 13,756 |
| Total Revenues | <u>20,252,500</u> | <u>20,328,100</u> | <u>20,531,418</u> | <u>203,318</u> |
| Expenditures | | | | |
| Budgeted: | | | | |
| Legislative | 83,351 | 83,352 | 69,727 | 13,625 |
| General Government | 708,634 | 709,567 | 646,356 | 63,211 |
| Regulation and Protection | 304,075 | 316,551 | 284,104 | 32,447 |
| Conservation and Development | 190,131 | 204,389 | 189,475 | 14,914 |
| Health and Hospitals | 1,290,341 | 1,291,306 | 1,243,573 | 47,733 |
| Transportation | - | - | - | - |
| Human Services | 4,708,653 | 4,653,636 | 4,257,971 | 395,665 |
| Education, Libraries, and Museums | 5,327,498 | 5,378,560 | 5,303,846 | 74,714 |
| Corrections | 1,480,659 | 1,482,486 | 1,412,659 | 69,827 |
| Judicial | 618,351 | 618,786 | 580,979 | 37,807 |
| Non Functional | 5,823,105 | 5,831,081 | 5,447,514 | 383,567 |
| Total Expenditures | <u>20,534,798</u> | <u>20,569,714</u> | <u>19,436,204</u> | <u>1,133,510</u> |
| Appropriations Lapsed | <u>309,400</u> | <u>374,445</u> | <u>-</u> | <u>(374,445)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>27,102</u> | <u>132,831</u> | <u>1,095,214</u> | <u>(1,304,637)</u> |
| Other Financing Sources (Uses) | | | | |
| Prior Year Appropriations Carried Forward | 139,105 | 139,105 | 139,105 | - |
| Appropriations Continued to Fiscal Year 2021 | - | - | (758,445) | (758,445) |
| Miscellaneous Adjustment | - | (10) | (10) | - |
| Total Other Financing Sources (Uses) | <u>139,105</u> | <u>139,095</u> | <u>(619,350)</u> | <u>(758,445)</u> |
| Net Change in Fund Balance | <u>\$ 166,207</u> | <u>\$ 271,926</u> | <u>475,864</u> | <u>\$ (2,063,082)</u> |
| Budgetary Fund Balances - July 1 | | | 518,435 | |
| Changes in Reserves | | | <u>436,219</u> | |
| Budgetary Fund Balances - June 30 | | | <u>\$ 1,430,518</u> | |

The information about budgetary reporting is an integral part of this schedule.

State of Connecticut

Transportation Fund

| <u>Budget</u> | | <u>Actual</u> | <u>Variance with Final Budget positive (negative)</u> |
|------------------|------------------|-------------------|---|
| <u>Original</u> | <u>Final</u> | | |
| \$ 1,360,500 | \$ 1,269,100 | \$ 1,292,530 | \$ 23,430 |
| - | - | - | - |
| 452,500 | 451,000 | 452,167 | 1,167 |
| 36,700 | 1,900 | 1,922 | 22 |
| 11,800 | 12,000 | 11,957 | (43) |
| (5,200) | (5,400) | (5,359) | 41 |
| 30,000 | 30,000 | 30,000 | - |
| (5,500) | (5,500) | (5,500) | - |
| - | - | - | - |
| - | - | - | - |
| <u>1,880,800</u> | <u>1,753,100</u> | <u>1,777,717</u> | <u>24,617</u> |
| - | - | - | - |
| 8,934 | 10,034 | 9,905 | 129 |
| 77,906 | 77,991 | 67,745 | 10,246 |
| 2,865 | 2,865 | 2,865 | - |
| - | - | - | - |
| 747,336 | 747,661 | 709,711 | 37,950 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>1,042,796</u> | <u>1,042,386</u> | <u>908,285</u> | <u>134,101</u> |
| 1,879,837 | 1,880,937 | 1,698,511 | 182,426 |
| <u>31,700</u> | <u>148,813</u> | <u>-</u> | <u>(148,813)</u> |
| - | - | - | - |
| <u>32,663</u> | <u>20,976</u> | <u>79,206</u> | <u>58,230</u> |
| 31,804 | 31,804 | 31,804 | - |
| - | - | (38,307) | (38,307) |
| - | - | - | - |
| <u>31,804</u> | <u>31,804</u> | <u>(6,503)</u> | <u>(38,307)</u> |
| <u>\$ 64,467</u> | <u>\$ 52,780</u> | 72,703 | <u>\$ 19,923</u> |
| | | 230,234 | |
| | | <u>(23,496)</u> | |
| | | <u>\$ 279,441</u> | |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. Budgeting Process

By statute, the Governor 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 the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund, and the Regional Market Operations Fund, and the Tourism Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

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. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds 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, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the 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 carryforwards of spending authority from one fiscal budget into a subsequent 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 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. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. Beginning in Fiscal Year 2016, based on changes enacted in the biennial budget (Public Act 15-244) the GAAP expense accrual appropriations were consolidated into a single appropriation at the fund-level for the General Fund, Transportation Fund and all other budgeted special revenue funds. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the State Comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the Required Supplemental Information section of this report.

State of Connecticut

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund and Transportation Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between statutory financial data and GAAP financial data.

- Revenues are recorded when received in cash except for certain year-end accruals statutory basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).
- Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).
- For statutory reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

The following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2021. Amounts are expressed in thousands.

| | General Fund | Transportation Fund |
|--|-----------------|------------------------|
| Net change in fund balances (statutory basis) | \$ 475,864 | \$ 72,703 |
| Volatility Deposit Budget Reserve Fund | 1,241,460 | - |
| Increase (Decrease) Statutory Surplus Reserve | (144,400) | - |
| Transfer to SERS (FY 2020 BRF excess & Surplus) | (61,622) | - |
| Adjustments: | | |
| Increases (decreases) in revenue accruals: | | |
| Receivables and Other Assets | 1,038,437 | (38,676) |
| (Increases) decreases in expenditure accruals: | | |
| Accounts Payable and Other Liabilities | (2,196,379) | 9,752 |
| Salaries and Fringe Benefits Payable | 17,690 | 1,360 |
| Increase (Decrease) in Continuing Appropriations | 619,340 | 6,504 |
| Fund Reclassification-Bus Operations | - | 617 |
| Net change in fund balances (GAAP basis) | \$ 990,390 | \$ 52,260 |

C. Budget Reserve Fund (“Rainy Day Fund”)

In accordance with Section 4-30a of the Connecticut State Statutes, the State maintains a Budget Reserve (“Rainy Day”) Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have been made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted.

In fiscal year 2021, for the fourth consecutive year, significant progress was made toward building the balance of the Budget Reserve Fund. This was primarily due to the revenue volatility cap, first implemented in fiscal year 2018. This statutory provision requires revenues above a certain threshold to be transferred to the Budget Reserve Fund. For fiscal year 2021, the cap was just over \$3.4 billion for estimated and final income tax payments and revenue from the Pass-through Entity tax. At year-end, a volatility transfer of \$1.2 billion was made to the Budget Reserve Fund.

Prior to the close of fiscal year 2021, the balance in the Budget Reserve Fund was just over \$3.03 billion. Adding the \$1.24 billion volatility transfer brought the Budget Reserve Fund total to \$4.25 billion, or 20.5 percent of net General Fund appropriations for FY

State of Connecticut

2022. As a result, the Budget Reserve Fund was \$1.14 billion above the statutory 15 percent cap. According to CGS Section 40-30a(c)(1)(A), no further transfers will be made to the Budget Reserve Fund. Instead, the State Treasurer decides what is in the best interest of the state, whether to transfer the balance above the 15 percent threshold as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement System (TRS). In late September, the State Treasurer elected to transfer \$903.6 million to TRS to reduce unfunded pension liability, with the remaining balance of \$238.8 million going to SERF. During fiscal year 2021 the General Fund surplus of \$480.9 million will be transferred to SERF to reduce unfunded service liability.

When the excess \$1.14 billion is transferred from the Budget Reserve Fund to SERF and TRS this would bring the Budget Reserve Fund to just over \$3.1 billion or approximately 15 percent of net General Fund appropriations for fiscal year 2021. Achieving and surpassing the 15 percent threshold represents an important benchmark for Connecticut. Due to fiscal discipline and hard work, our state is in a much stronger position to provide critical services to those in need and to weather the public health and fiscal crisis brought on by the COVID-19 pandemic.



REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

- Schedule of Changes in the Net Pension Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Investment Returns

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Seven Fiscal Years*

(Expressed in Thousands)

SERS

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 388,671 | \$ 391,941 | \$ 429,321 | \$ 480,350 | \$ 322,114 | \$ 310,472 | \$ 287,473 |
| Interest | 2,416,577 | 2,290,633 | 2,212,890 | 2,255,533 | 2,105,947 | 2,052,651 | 1,998,736 |
| Benefit Changes | - | - | - | (1,444,220) | - | - | - |
| Difference between expected and actual experience | 208,138 | 1,224,344 | 482,904 | - | 772,762 | - | - |
| Changes of assumptions | - | - | - | - | 4,959,705 | - | - |
| Benefit payments | (2,120,811) | (2,026,793) | (1,955,985) | (1,847,715) | (1,729,181) | (1,650,465) | (1,563,029) |
| Refunds of contributions | (9,377) | (6,350) | (7,659) | (7,972) | (7,098) | (7,124) | (3,935) |
| Net change in total pension liability | 883,198 | 1,873,775 | 1,161,471 | (564,024) | 6,424,249 | 705,534 | 719,245 |
| Total pension liability - beginning | 36,087,938 | 34,214,163 | 33,052,692 | 33,616,716 | 27,192,467 | 26,486,933 | 25,767,688 |
| Total pension liability - ending (a) | \$ 36,971,136 | \$ 36,087,938 | \$ 34,214,163 | \$ 33,052,692 | \$ 33,616,716 | \$ 27,192,467 | \$ 26,486,933 |

Plan net position

| | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contributions - employer | \$ 1,616,312 | \$ 1,578,323 | \$ 1,443,053 | \$ 1,542,298 | \$ 1,501,805 | \$ 1,371,651 | \$ 1,268,890 |
| Contributions - member | 192,716 | 489,099 | 193,942 | 132,557 | 135,029 | 187,339 | 144,807 |
| Net investment income | 295,737 | 710,861 | 875,944 | 1,509,862 | (100) | 294,412 | 1,443,391 |
| Benefit payments | (2,120,811) | (2,026,793) | (1,955,985) | (1,847,715) | (1,729,181) | (1,650,465) | (1,563,029) |
| Administrative expense | (782) | (693) | (391) | (674) | (651) | - | - |
| Refunds of contributions | (9,377) | (6,350) | (7,659) | (7,972) | (7,098) | (7,124) | (3,935) |
| Other | - | 3,704 | (3,139) | (371) | 85,608 | - | - |
| Net change in plan net position | (26,205) | 748,151 | 545,765 | 1,327,985 | (14,588) | 195,813 | 1,290,124 |
| Plan net position - beginning | 13,275,693 | 12,527,542 | 11,981,777 | 10,653,792 | 10,668,380 | 10,472,567 | 9,182,443 |
| Plan net position - ending (b) | \$ 13,249,488 | \$ 13,275,693 | \$ 12,527,542 | \$ 11,981,777 | \$ 10,653,792 | \$ 10,668,380 | \$ 10,472,567 |
| Ratio of plan net position to total pension liability | 35.84% | 36.79% | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% |
| Net pension liability - ending (a) -(b) | \$ 23,721,648 | \$ 22,812,245 | \$ 21,686,621 | \$ 21,070,915 | \$ 22,962,924 | \$ 16,524,087 | \$ 16,014,366 |
| Covered-employee payroll | \$ 3,672,443 | \$ 3,686,365 | \$ 3,428,068 | \$ 3,850,978 | \$ 3,720,751 | \$ 3,618,361 | \$ 3,487,577 |
| Net pension liability as a percentage of covered-employee payroll | 645.94% | 618.83% | 632.62% | 547.16% | 617.16% | 456.67% | 459.18% |

TRS

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 616,370 | \$ 463,997 | \$ 465,207 | \$ 450,563 | \$ 419,616 | \$ 404,449 | \$ 347,198 |
| Interest | 2,379,886 | 2,406,206 | 2,371,168 | 2,308,693 | 2,228,958 | 2,162,174 | 2,090,483 |
| Benefit Changes | - | (224,281) | 28,036 | - | - | - | - |
| Difference between expected and actual experience | (306,400) | - | (396,067) | - | (375,805) | - | - |
| Changes of assumptions | 1,022,137 | 3,875,996 | - | - | 2,213,190 | - | - |
| Benefit payments | (2,150,168) | (2,066,641) | (1,994,092) | (1,962,533) | (1,738,131) | (1,773,408) | (1,737,144) |
| Refunds of contributions | - | - | - | - | - | (50,329) | - |
| Net change in total pension liability | 1,561,825 | 4,455,277 | 474,252 | 796,723 | 2,747,828 | 742,886 | 700,537 |
| Total pension liability - beginning | 35,566,175 | 31,110,898 | 30,636,646 | 29,839,923 | 27,092,095 | 26,349,209 | 25,648,672 |
| Total pension liability - ending (a) | \$ 37,128,000 | \$ 35,566,175 | \$ 31,110,898 | \$ 30,636,646 | \$ 29,839,923 | \$ 27,092,095 | \$ 26,349,209 |

Plan net position

| | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contributions - employer | \$ 1,209,573 | \$ 1,292,672 | \$ 1,272,277 | \$ 1,012,162 | \$ 975,578 | \$ 984,110 | \$ 948,540 |
| Contributions - member | 318,217 | 309,333 | 312,150 | 288,251 | 293,493 | 228,100 | 261,213 |
| Net investment income | 410,311 | 1,012,089 | 1,224,931 | 2,199,895 | (18,473) | 452,942 | 2,277,550 |
| Benefit payments | (2,150,168) | (2,066,641) | (1,994,092) | (1,962,533) | (1,738,131) | (1,773,408) | (1,737,144) |
| Refunds of contributions | - | - | - | - | - | (50,329) | - |
| Other | 522 | (837) | (2,753) | 1,679 | (37,648) | 57,749 | (5,307) |
| Net change in plan net position | (211,545) | 546,616 | 812,513 | 1,539,454 | (525,181) | (100,836) | 1,744,852 |
| Plan net position - beginning | 18,493,455 | 17,946,839 | 17,134,326 | 15,594,872 | 16,120,053 | 16,220,889 | 14,462,903 |
| Plan net position - ending (b) | \$ 18,281,910 | \$ 18,493,455 | \$ 17,946,839 | \$ 17,134,326 | \$ 15,594,872 | \$ 16,120,053 | \$ 16,207,755 |
| Ratio of plan net position to total pension liability | 49.24% | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |
| Net pension liability - ending (a) -(b) | \$ 18,846,090 | \$ 17,072,720 | \$ 13,164,059 | \$ 13,502,320 | \$ 14,245,051 | \$ 10,972,042 | \$ 10,141,454 |
| Covered-employee payroll | \$ 4,352,967 | \$ 4,389,654 | \$ 4,321,593 | \$ 4,279,755 | \$ 4,125,066 | \$ 4,078,367 | \$ 3,831,624 |
| Net pension liability as a percentage of covered-employee payroll | 432.95% | 388.93% | 304.61% | 315.49% | 345.33% | 269.03% | 264.68% |

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Seven Fiscal Years*

(Expressed in Thousands)

| JRS | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 9,813 | \$ 10,834 | \$ 11,352 | \$ 10,159 | \$ 8,508 | \$ 8,142 | \$ 7,539 |
| Interest | 31,815 | 29,559 | 29,954 | 29,062 | 28,251 | 27,240 | 26,301 |
| Difference between expected and actual experience | 2,474 | 22,095 | (18,528) | - | (9,380) | - | - |
| Changes of assumptions | - | - | - | - | 64,604 | - | - |
| Benefit payments | (30,200) | (29,386) | (27,616) | (24,899) | (22,994) | (22,541) | (21,668) |
| Net change in total pension liability | 13,902 | 33,102 | (4,838) | 14,322 | 68,989 | 12,841 | 12,172 |
| Total pension liability - beginning | 476,189 | 443,087 | 447,925 | 433,603 | 364,614 | 351,773 | 339,601 |
| Total pension liability - ending (a) | \$ 490,091 | \$ 476,189 | \$ 443,087 | \$ 447,925 | \$ 433,603 | \$ 364,614 | \$ 351,773 |
| Plan net position | | | | | | | |
| Contributions - employer | \$ 27,011 | \$ 27,427 | \$ 25,458 | \$ 19,164 | \$ 18,259 | \$ 17,731 | \$ 16,298 |
| Contributions - member | 1,575 | 1,694 | 1,663 | 1,689 | 1,831 | 1,791 | 1,641 |
| Net investment income | 5,461 | 13,383 | 13,178 | 24,452 | 1,440 | 4,781 | 23,156 |
| Benefit payments | (30,200) | (29,386) | (27,616) | (24,899) | (22,994) | (22,541) | (21,668) |
| Other | - | - | - | (39) | 1,680 | - | - |
| Net change in plan net position | 3,847 | 13,118 | 12,683 | 20,367 | 216 | 1,762 | 19,427 |
| Plan net position - beginning | 235,926 | 222,808 | 210,125 | 189,758 | 189,542 | 187,780 | 168,353 |
| Plan net position - ending (b) | \$ 239,773 | \$ 235,926 | \$ 222,808 | \$ 210,125 | \$ 189,758 | \$ 189,542 | \$ 187,780 |
| Ratio of plan net position to total pension liability | 48.92% | 49.54% | 50.29% | 46.91% | 43.76% | 51.98% | 53.38% |
| Net pension liability - ending (a) -(b) | \$ 250,318 | \$ 240,263 | \$ 220,279 | \$ 237,800 | \$ 243,845 | \$ 175,072 | \$ 163,993 |
| Covered-employee payroll | \$ 31,495 | \$ 34,643 | \$ 34,970 | \$ 36,467 | \$ 34,897 | \$ 34,972 | \$ 33,386 |
| Net pension liability as a percentage of covered-employee payroll | 794.79% | 693.54% | 629.91% | 652.10% | 698.76% | 500.61% | 491.20% |

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is complied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

(Expressed in Thousands)

| <u>SERS</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined employer contribution | \$ 1,616,302 | \$ 1,574,537 | \$ 1,443,110 | \$ 1,569,142 |
| Actual employer contributions | <u>1,616,312</u> | <u>1,578,323</u> | <u>1,443,053</u> | <u>1,542,298</u> |
| Annual contributions deficiency excess | <u>\$ (10)</u> | <u>\$ (3,786)</u> | <u>\$ 57</u> | <u>\$ 26,844</u> |
| Covered Payroll | \$ 3,672,443 | \$ 3,686,365 | \$ 3,428,068 | \$ 3,850,978 |
| Actual contributions as a percentage of covered-employee payroll | 44.01% | 42.82% | 42.10% | 40.05% |

| <u>TRS</u> | | | | |
|--|------------------|------------------|------------------|------------------|
| Actuarially determined employer contribution | \$ 1,208,819 | \$ 1,292,314 | \$ 1,272,277 | \$ 1,012,162 |
| Actual employer contributions | <u>1,208,819</u> | <u>1,292,314</u> | <u>1,272,277</u> | <u>1,012,162</u> |
| Annual contributions deficiency excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 4,352,967 | \$ 4,389,654 | \$ 4,321,593 | \$ 4,279,755 |
| Actual contributions as a percentage of covered-employee payroll | 27.77% | 29.44% | 29.44% | 23.65% |

| <u>JRS</u> | | | | |
|--|---------------|---------------|---------------|---------------|
| Actuarially determined employer contribution | \$ 27,011 | \$ 27,427 | \$ 25,458 | \$ 19,164 |
| Actual employer contributions | <u>27,011</u> | <u>27,427</u> | <u>25,458</u> | <u>19,164</u> |
| Annual contributions deficiency excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 31,495 | \$ 34,643 | \$ 34,970 | \$ 36,467 |
| Actual contributions as a percentage of covered-employee payroll | 85.76% | 79.17% | 72.80% | 52.55% |

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2020.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay, closed |
| | 5 year phase into level dollar |
| Remaining Amortization Period | SERS 25.1 years |
| | TRS 30 years |
| | JRS 13 years |
| Asset Valuation Method | SERS & JRS 5 year smoothed market |
| | TRS 4 year smoothed market value |
| Investment Rate of Return | SERS & JRS 6.90% |
| | TRS 6.9% |
| Salary Increases | 3.25%-19.50% percent, including inflation |
| Cost-of-Living Adjustments | 2.0%-7.5% |
| Inflation | 2.5%-2.75% |
| Social Security Wage Base | SERS 3.5% |

State of Connecticut

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------|------------------|------------------|------------------|----------------|-------------------|
| \$ 1,514,467 | \$ 1,379,189 | \$ 1,268,935 | \$ 1,059,652 | \$ 926,372 | \$ 944,077 |
| <u>1,501,805</u> | <u>1,371,651</u> | <u>1,268,890</u> | <u>1,058,113</u> | <u>926,343</u> | <u>825,801</u> |
| <u>\$ 12,662</u> | <u>\$ 7,538</u> | <u>\$ 45</u> | <u>\$ 1,539</u> | <u>\$ 29</u> | <u>\$ 118,276</u> |
| \$ 3,720,751 | \$ 3,618,361 | \$ 3,487,577 | \$ 3,480,483 | \$ 3,354,682 | \$ 3,210,666 |
| 40.36% | 37.91% | 36.38% | 30.40% | 27.61% | 25.72% |
| | | | | | |
| \$ 975,578 | \$ 984,110 | \$ 948,540 | \$ 787,536 | \$ 757,246 | \$ 581,593 |
| <u>975,578</u> | <u>984,110</u> | <u>948,540</u> | <u>787,536</u> | <u>757,246</u> | <u>581,593</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,125,066 | \$ 4,078,367 | \$ 3,930,957 | \$ 4,101,750 | \$ 3,943,990 | \$ 3,823,754 |
| 23.65% | 24.13% | 24.13% | 19.20% | 19.20% | 15.21% |
| | | | | | |
| \$ 18,259 | \$ 17,731 | \$ 16,298 | \$ 16,006 | \$ 15,095 | \$ 16,208 |
| <u>18,259</u> | <u>17,731</u> | <u>16,298</u> | <u>16,006</u> | <u>15,095</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,208</u> |
| \$ 34,897 | \$ 34,972 | \$ 33,386 | \$ 31,748 | \$ 30,308 | \$ 33,102 |
| 52.32% | 50.70% | 48.82% | 50.42% | 49.81% | 0.00% |

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS**

Last Eight Fiscal Years*

Annual money-weighted rates of return

| <u>net of investment expense</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| State Employees' Retirement Fund | 24.36% | 1.86% | 5.88% | 7.30% | 14.32% | 0.23% | 2.83% | 15.62% |
| Teachers' Retirement Fund | 24.28% | 1.85% | 5.85% | 7.04% | 14.37% | 0.17% | 2.82% | 15.67% |
| State Judges' Retirement Fund | 24.37% | 2.10% | 6.12% | 6.24% | 13.04% | 1.11% | 2.57% | 13.66% |

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS

Required supplementary information for other postemployment benefits provides information on funding progress and employer contributions.

The following schedules are included in the Required Supplementary Information for Other Postemployment Benefits:

- Schedule of Changes in Net OPEB Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Investment Returns

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State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION**

Last Four Fiscal Year

(Expressed in Thousands)

SEOPEBP

| Total OPEB Liability | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|
| Service Cost | \$ 969,674 | \$ 848,198 | \$ 901,698 | \$ 960,992 |
| Interest | 806,906 | 737,298 | 680,154 | 511,133 |
| Differences between expected and actual experience | (179,538) | (645,590) | - | - |
| Changes of assumptions | 2,225,764 | 3,417,609 | (724,140) | (510,781) |
| Benefit payments | (623,104) | (593,403) | (648,347) | (639,467) |
| Net change in total OPEB liability | 3,199,702 | 3,764,112 | 209,365 | 321,877 |
| Total OPEB liability - beginning | 21,878,399 | 18,114,287 | 17,904,922 | 17,583,045 |
| Total OPEB liability - ending (a) | \$ 25,078,101 | \$ 21,878,399 | \$ 18,114,287 | \$ 17,904,922 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 867,222 | \$ 752,941 | \$ 801,893 | \$ 667,401 |
| Contributions - member | 159,377 | 116,539 | 116,814 | 120,783 |
| Net investment income | 33,373 | 68,847 | 37,001 | 53,194 |
| Benefit payments | (623,104) | (593,403) | (648,347) | (639,467) |
| Other | (95,682) | 1,194 | 186 | (187) |
| Net change in plan fiduciary net position | 341,186 | 346,118 | 307,547 | 201,724 |
| Plan fiduciary net position - beginning | 1,196,008 | 849,889 | 542,342 | 340,618 |
| Plan fiduciary net position - ending (b) | \$ 1,537,194 | \$ 1,196,007 | \$ 849,889 | \$ 542,342 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.13% | 5.47% | 4.69% | 3.03% |
| Net OPEB liability - ending (a) - (b) | \$ 23,540,907 | \$ 20,682,392 | \$ 17,264,398 | \$ 17,362,580 |
| Covered-employee payroll | \$ 3,745,802 | \$ 3,619,133 | \$ 3,875,035 | \$ 3,743,995 |
| Net OPEB liability as a percentage of covered-employee payroll | 628.46% | 571.47% | 445.53% | 463.74% |

RTHP

| Total OPEB Liability | 2020 | 2019 | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|---------------------|
| Service Cost | \$ 93,324 | \$ 87,313 | \$ 132,392 | \$ 148,220 |
| Interest | 97,264 | 105,702 | 133,597 | 111,129 |
| Benefit Changes | - | (339,076) | (1,044,628) | - |
| Difference between expected and actual experience | (586,004) | 66,502 | 217,853 | - |
| Changes of assumptions | 626,595 | 182,438 | (196,049) | (370,549) |
| Benefit payments | (67,383) | (55,154) | (110,622) | (84,071) |
| Net change in total OPEB liability | 163,796 | 47,725 | (867,457) | (195,271) |
| Total OPEB liability - beginning | 2,719,040 | 2,671,315 | 3,538,772 | 3,734,043 |
| Total OPEB liability - ending (a) | \$ 2,882,836 | \$ 2,719,040 | \$ 2,671,315 | \$ 3,538,772 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 29,173 | \$ 35,320 | \$ 35,299 | \$ 19,922 |
| Contributions - member | 53,221 | 51,944 | 51,484 | 50,436 |
| Net investment income | 849 | 1,090 | 411 | 369 |
| Benefit payments | (67,383) | (55,154) | (110,622) | (84,071) |
| Administrative expense | (372) | (383) | (264) | (150) |
| Other | - | (16,100) | - | 42 |
| Net change in plan fiduciary net position | 15,488 | 16,717 | (23,692) | (13,452) |
| Plan fiduciary net position - beginning | 56,453 | 39,736 | 63,428 | 76,880 |
| Plan fiduciary net position - ending (b) | \$ 71,941 | \$ 56,453 | \$ 39,736 | \$ 63,428 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.50% | 2.08% | 1.49% | 1.79% |
| Net OPEB liability - ending (a) - (b) | \$ 2,810,895 | \$ 2,662,587 | \$ 2,631,579 | \$ 3,475,344 |
| Covered-employee payroll | \$ 4,438,394 | \$ 4,389,554 | \$ 4,075,939 | \$ 4,279,755 |
| Net OPEB liability as a percentage of covered-employee payroll | 63.33% | 60.66% | 64.56% | 81.20% |

* Governmental Accounting Standards Board Statement No. 75, [Accounting and Financial Reporting for Other Postemployment Benefits](#), requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

(Expressed in Thousands)

| <u>SEOPEBP</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined employer contribution | \$ 1,287,059 | \$ 1,203,406 | \$ 1,157,121 | \$ 1,043,143 | \$ 1,443,716 |
| Actual employer contributions | <u>867,222</u> | <u>752,941</u> | <u>801,893</u> | <u>667,401</u> | <u>608,593</u> |
| Annual contributions deficiency excess | <u>\$ 419,837</u> | <u>\$ 450,465</u> | <u>\$ 355,228</u> | <u>\$ 375,742</u> | <u>\$ 835,123</u> |
| Covered Payroll | \$ 3,619,133 | \$ 3,619,133 | \$ 3,875,035 | \$ 3,743,995 | \$ 3,895,100 |
| Actual contributions as a percentage of covered-employee payroll | 23.96% | 20.80% | 20.69% | 17.83% | 15.62% |

RTHP

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined employer contribution | \$ 173,273 | \$ 167,819 | \$ 172,223 | \$ 166,802 | \$ 130,331 |
| Actual employer contributions | <u>29,173</u> | <u>35,320</u> | <u>35,299</u> | <u>19,922</u> | <u>19,960</u> |
| Annual contributions deficiency excess | <u>\$ 144,100</u> | <u>\$ 132,499</u> | <u>\$ 136,924</u> | <u>\$ 146,880</u> | <u>\$ 110,371</u> |
| Covered Payroll | \$ 4,438,394 | \$ 4,389,654 | \$ 4,075,939 | \$ 4,279,755 | \$ 3,949,900 |
| Actual contributions as a percentage of covered-employee payroll | 0.66% | 0.80% | 0.87% | 0.47% | 0.51% |

Note:

June 30, 2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2020

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | SEOPEBP- Entry Age Normal RTHP-Entry Age |
| Amortization Method | SEOPEBP- Level percent of growing payroll, closed, 30 years RTHP-Level Percent of Payroll over an open period |
| Remaining Amortization Period | SEOPEBP- 18 years RTHP-30 years |
| Asset Valuation Method | Market Value |
| Investment Rate of Return | SEOPEBP-6.9% RTHP-3.0% |
| Salary Increases | SEOPEBP-3.5%-19.50% RTHP-3.25%-6.5% |
| Inflation | RTHP-2.5% |
| Claims Trend Assumption | 3.0%-6.00% |

State of Connecticut

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------|--------------|--------------|--------------|--------------|
| \$ 1,513,336 | \$ 1,525,371 | \$ 1,271,279 | \$ 1,354,738 | \$ 1,276,099 |
| 546,284 | 514,696 | 542,615 | 541,262 | 544,767 |
| \$ 967,052 | \$ 1,010,675 | \$ 728,664 | \$ 813,476 | \$ 731,332 |
| \$ 3,539,800 | \$ 3,539,728 | \$ 3,539,728 | \$ 3,902,248 | \$ 3,902,248 |
| 15.43% | 14.54% | 15.33% | 13.87% | 13.96% |
| | | | | |
| \$ 125,620 | \$ 187,227 | \$ 180,460 | \$ 184,145 | \$ 177,063 |
| 25,145 | 25,955 | 27,040 | 49,486 | 5,312 |
| \$ 100,475 | \$ 161,272 | \$ 153,420 | \$ 134,659 | \$ 171,751 |
| \$ 3,831,600 | \$ 3,831,600 | \$ 3,652,500 | \$ 3,652,500 | \$ 3,646,000 |
| 0.66% | 0.68% | 0.74% | 1.35% | 0.15% |

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS**

Last Eight Fiscal Years*

Annual money-weighted rates of return

| <u>net of investment expense</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| OPEB Fund | 24.61% | 2.13% | 6.62% | 5.85% | 11.83% | 2.44% | 3.44% | 11.80% |

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is complied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of this measurement date (one year before the most recent fiscal year end).

APPENDIX II-D

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NATALIE BRASWELL
STATE COMPTROLLER


MARTHA CARLSON
DEPUTY COMPTROLLER



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

November 21, 2022

The Honorable Shawn Wooden
State Treasurer
165 Capitol Ave
Hartford, CT 06106

Dear Treasurer Wooden,

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2018-2022. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the Connecticut General Statutes, and reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2018-2021.

The statements have been prepared on a statutory basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied in accordance with the governing statutory requirements for all periods shown. In fiscal year 2022, statutory provisions provided appropriations of projected expenditure accrual within budgeted funds.

Sincerely,

DocuSigned by:

31C0AB707D5E4B1...
Natalie Braswell
State Comptroller

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT

Governor Ned Lamont
Members of the General Assembly

Adverse and Unmodified Opinions

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2018, 2019, 2020 and 2021, and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices II-D-6, II-D-7, II-D-8 and II-D-9.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State of Connecticut, as of June 30, 2018, 2019, 2020 and 2021.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the General Fund of the State of Connecticut as of June 30, 2018, 2019, 2020 and 2021, and the results of its operations – statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-6.

Basis for Adverse and Unmodified Opinions

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

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

As discussed in Note (a) to Appendix II-D-6, the State of Connecticut prepared its financial statements for the fiscal years ended June 30, 2018, 2019, 2020 and 2021, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Emphasis of Matter

The financial statements in Appendices II-D-6, II-D-7, II-D-8 and II-D-9 present only the General Fund and do not purport to, and do not, present fairly the financial position-statutory basis of the State of Connecticut as of June 30, 2018, 2019, 2020 and 2021 and the results of its operations-statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-6. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

November 17, 2022
State Capitol
Hartford, Connecticut

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GENERAL FUND^(a)

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

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> <u>(Unaudited)</u> |
|---|---------------------|---------------------|---------------------|----------------|-----------------------------------|
| Assets | | | | | |
| Cash and Short-Term Investments | \$ -- | \$ -- | \$ -- | \$ 342,496 | \$ 1,717,969 |
| Accrued Taxes Receivable | 1,689,255 | 1,662,280 | 3,163,868 | 1,733,156 | 1,641,988 |
| Accrued Accounts Receivable | 22,394 | 20,733 | 19,780 | 17,572 | 20,434 |
| Loans Receivable | <u>3,419</u> | <u>3,419</u> | <u>3,419</u> | <u>3,412</u> | <u>3,412</u> |
| Total Assets | <u>\$ 1,715,068</u> | <u>\$ 1,686,432</u> | <u>\$ 3,187,066</u> | \$ 2,096,636 | \$ 3,383,803 |
| Liabilities, Reserves, Fund Balances and Surplus | | | | | |
| Liabilities | | | | | |
| Deficiency in Cash and Short-Term Investments | \$ 1,271,699 | \$ 253,198 | \$ 2,030,662 | \$ -- | \$ -- |
| Accounts Payable Nonfunctional Change to Accruals | 666,339 | 609,367 | 636,018 | 665,656 | 873,763 |
| Due to Other Funds | <u>5,271</u> | <u>8,415</u> | <u>1,951</u> | <u>462</u> | <u>9,995</u> |
| Total Liabilities | <u>\$ 1,943,309</u> | <u>\$ 870,980</u> | <u>\$ 2,668,631</u> | \$ 666,118 | \$ 883,758 |
| Reserves and Fund Balances | | | | | |
| Petty Cash Funds | \$ 785 | \$ 785 | \$ 1,000 | \$ 995 | \$ 991 |
| Statutory Surplus Reserves | (366,760) | 646,698 | 183,110 | 475,864 | 1,261,379 |
| Statutory Surplus Reserves for FY 2022 - 2023 | -- | -- | -- | -- | 208,200 |
| Appropriations Continued to Following Year | 134,315 | 164,550 | 139,105 | 758,445 | 834,261 |
| Reserve for Receivables | 3,419 | 3,419 | 3,419 | 3,412 | 3,412 |
| Fund Balance Related to Statutory GAAP Budgeting ^(b) | <u>--</u> | <u>--</u> | <u>191,802</u> | <u>191,802</u> | <u>191,802</u> |
| Total Reserves and Fund Balance | \$ (228,241) | \$ 815,452 | \$ 518,435 | \$ 1,430,518 | \$ 2,500,045 |
| Unappropriated Surplus (Deficit) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Liabilities, Reserves and Surplus | <u>\$ 1,715,068</u> | <u>\$ 1,686,432</u> | <u>\$ 3,187,066</u> | \$ 2,096,636 | \$ 3,383,803 |

(a) For Fiscal Years 2018-2022, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of CGS Sections 3-115, 3-115b and 3-114b through 3-114r.

(b) Amount is deemed a statutory surplus reserve. The negative unassigned fund balance in the General Fund as defined by Public Act No. 17-51 was \$603,828,154 as of June 30, 2020. Pursuant to such act, commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM shall annually publish an amortization schedule to fully reduce the negative unassigned balance by June 30, 2028.

GENERAL FUND

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

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> <u>(Unaudited)</u> |
|---|---------------------------|---------------------------|--------------------------------|---------------------------------|-----------------------------------|
| Unappropriated Surplus (Deficit), July 1 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Total Revenues (per Appendix II-D-6) | 18,198,551 | 19,649,862 | 19,193,540 | 20,531,419 | 21,990,935 |
| Total Expenditures (per Appendix II-D-7) | 18,610,709 ^(a) | 19,248,650 ^(b) | 19,188,634 ^(c) | 19,436,205 ^(d) | 20,655,131 ^(e) |
| Operating Balance | \$ (412,158) | \$ 401,212 | \$ 4,906 | \$ 1,095,214 | \$ 1,335,804 |
| Reserved for Prior Year Appropriations | | | | | |
| Less Appropriations Carried Forward | (74,078) | (30,235) | 25,444 | (619,340) | (75,816) |
| Other Adjustments | 3,375 | (379) | 8,359 | (10) | 1,390 |
| Reserved from Prior Year | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Subtotal | \$ (482,861) | \$ 370,598 | \$ 38,709 | \$ 475,864 | \$ (74,426) |
| Transferred or Reserved for: | | | | | |
| Budget Reserve Fund | 482,861 | (370,598) | -- | -- | -- |
| SERS Fund | <u>--</u> | <u>--</u> | <u>(38,709)</u> ^(f) | <u>(475,864)</u> ^(f) | <u>(1,261,379)</u> ^(f) |
| Unappropriated Surplus (Deficit), June 30 | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |

- (a) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(74.078) million.
- (b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(30.235) million.
- (c) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$25.444 million.
- (d) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(619.340) million.
- (e) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(75.816) million. Also includes \$3.6 million not reflected in Appendix II-D-7.
- (f) In accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 15%, the Treasurer determined it was in the best interest of the State to transfer the surplus to the State Employees' Retirement Fund.

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

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> (Unaudited) |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------------|
| Taxes: | | | | | |
| Personal Income | \$10,770,150 | \$ 9,640,164 ^(a) | \$ 9,397,779 ^(b) | \$ 10,340,437 ^(c) | \$ 12,131,800 ^(d) |
| Sales and Use | 4,202,246 | 4,338,061 | 4,317,730 | 4,792,675 | 4,818,083 |
| Corporations | 920,746 | 1,060,877 | 934,499 | 1,153,079 | 1,401,153 |
| Insurance Companies | 230,605 | 193,803 | 228,350 | 229,761 | 240,969 |
| Inheritance and Estate | 223,839 | 225,230 | 159,538 | 303,339 | 220,223 |
| Alcoholic Beverages | 63,211 | 64,145 | 73,080 | 79,111 | 78,916 |
| Cigarettes | 376,448 | 357,494 | 346,300 | 351,077 | 326,709 |
| Admissions, Dues, Cabaret | 40,272 | 42,834 | 39,939 | 36,022 | 41,011 |
| Public Service Corporations | 250,632 | 262,141 | 254,076 | 243,671 | 295,681 |
| Real Estate Conveyance | 202,526 | 213,224 | 176,578 | 385,028 | 384,454 |
| Miscellaneous / Health Provider | 1,059,928 | 1,100,087 | 1,023,041 | 1,052,109 | 1,051,776 |
| Pass-Through Entity Tax | -- | 1,172,080 | 1,241,949 | 1,549,716 | 2,307,594 |
| Refunds of Taxes | (1,269,667) | (1,465,368) | (1,491,413) | (1,857,512) | (1,811,202) |
| R&D Credit Exchange | (5,664) | (5,370) | (8,628) | (7,093) | (5,756) |
| Other Revenue: | | | | | |
| Licenses, Permits, Fees | 306,165 | 291,171 | 307,524 | 329,568 | 368,612 |
| Sales of Commodities and Services | 33,238 | 27,105 | 26,136 | 22,872 | 22,816 |
| Transfer – Special Revenue | 339,512 | 364,082 | 340,090 | 410,301 | 395,023 |
| Investment Income | 15,911 | 48,950 | 48,690 | 2,945 | 20,607 |
| Transfers — To Other Funds ^(e) | (57,650) | (101,814) | (129,620) | -- | -- |
| Fines, Escheats and Rents | 189,428 | 165,875 | 154,288 | 183,115 | 220,749 |
| Miscellaneous | 177,307 | 214,700 | 256,341 | 257,766 | 272,825 |
| Refunds of Payments | (61,058) | (59,139) | (69,306) | (37,661) | (74,708) |
| Federal Grants | 1,143,075 | 2,083,774 | 1,796,754 | 1,496,315 | 1,934,869 |
| Indian Gaming Payments | 272,957 | 255,239 | 164,141 | 228,883 | 248,686 |
| Statutory Transfer to Budget Reserve Fund for Volatility Adjustment | (1,471,333) | (949,681) | (530,316) | (1,241,460) | (3,047,454) |
| Statutory Transfers To / From Other Funds | <u>245,726</u> | <u>110,200</u> | <u>136,000</u> | <u>227,356</u> | <u>147,499</u> |
| Total Revenues^(f) | <u>\$ 18,198,550</u> | <u>\$ 19,649,862</u> | <u>\$ 19,193,540</u> | <u>\$ 20,531,419</u> | <u>\$ 21,990,935</u> |

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

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

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

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

(e) Transfer to Pequot/Mohegan Fund.

(f) See Operating Balance on **Appendix II-D-5** for surplus or deficit for each fiscal year.

GENERAL FUND

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

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> (Unaudited) |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------------------|
| Legislative | \$ 64,433 | \$ 64,595 | \$ 69,158 | \$ 69,727 | \$ 75,577 |
| General Government | | | | | |
| Executive | 10,931 | 11,168 | 11,537 | 11,698 | 12,145 |
| Financial Administration | 560,927 | 564,793 | 543,570 | 551,398 | 651,650 |
| Legal | <u>75,650</u> | <u>77,309</u> | <u>79,515</u> | <u>83,260</u> | <u>85,905</u> |
| Total General Government | <u>647,508</u> | <u>653,270</u> | <u>634,622</u> | <u>646,356</u> | <u>749,700</u> |
| Regulation and Protection of Persons and Property | | | | | |
| Public Safety | 178,481 | 184,210 | 195,897 | 204,080 | 212,845 |
| Regulative | <u>81,354</u> | <u>88,211</u> | <u>84,679</u> | <u>80,025</u> | <u>90,838</u> |
| Total Regulation and Protection | <u>259,835</u> | <u>272,421</u> | <u>280,576</u> | <u>284,105</u> | <u>303,683</u> |
| Conservation and Development | | | | | |
| Agriculture | 10,940 | 12,550 | 12,392 | 13,316 | 14,358 |
| Environment | 56,279 | 52,898 | 51,060 | 54,015 | 56,836 |
| Historical Sites, Commerce and Industry..... | <u>113,928</u> | <u>104,722</u> | <u>108,157</u> | <u>122,145</u> | <u>161,905</u> |
| Total Conservation and Development..... | <u>181,147</u> | <u>170,170</u> | <u>171,609</u> | <u>189,476</u> | <u>233,099</u> |
| Health and Hospitals | | | | | |
| Public Health | 64,087 | 65,650 | 67,570 | 68,396 | 76,953 |
| Developmental Services | 505,027 | 520,040 | 514,989 | 543,884 | 559,262 |
| Mental Health | <u>594,337</u> | <u>608,483</u> | <u>620,331</u> | <u>631,292</u> | <u>640,158</u> |
| Total Health and Hospitals | <u>1,163,451</u> | <u>1,194,173</u> | <u>1,202,890</u> | <u>1,243,572</u> | <u>1,276,373</u> |
| Human Services | <u>4,291,893</u> | <u>4,311,722</u> | <u>4,356,788</u> | <u>4,257,971</u> | <u>4,444,984</u> |
| Education, Libraries and Museums | | | | | |
| Department of Education | 3,083,629 | 3,232,087 | 3,238,749 | 3,265,830 | 3,349,271 |
| University of Connecticut | 308,922 | 317,363 | 327,486 | 394,370 | 421,975 |
| Higher Education and the Arts | 36,904 | 35,815 | 37,237 | 35,593 | 38,252 |
| Libraries | 8,399 | 8,435 | 8,272 | 8,798 | 9,011 |
| Teachers' Retirement | 1,292,213 | 1,313,515 | 1,240,227 | 1,281,216 | 1,468,617 |
| Community—Technical Colleges | 146,025 | 143,053 | 143,847 | 151,803 | 201,442 |
| State University | <u>148,450</u> | <u>158,131</u> | <u>158,829</u> | <u>166,236</u> | <u>209,052</u> |
| Total Education, Libraries and Museums | <u>5,024,542</u> | <u>5,208,399</u> | <u>5,154,647</u> | <u>5,303,846</u> | <u>5,697,620</u> |
| Corrections | <u>1,382,304</u> | <u>1,410,967</u> | <u>1,429,124</u> | <u>1,412,659</u> | <u>1,305,228</u> |
| Judicial | <u>528,902</u> | <u>557,067</u> | <u>574,735</u> | <u>580,979</u> | <u>606,544</u> |
| Non-Functional | | | | | |
| Debt Service | 2,284,706 | 2,554,610 | 2,204,512 | 2,219,492 | 2,328,964 |
| Miscellaneous | <u>2,781,988</u> | <u>2,851,256</u> | <u>3,109,973</u> | <u>3,228,021</u> | <u>3,629,730</u> |
| Total Non-Functional | <u>5,066,694</u> | <u>5,405,866</u> | <u>5,314,485</u> | <u>5,447,513</u> | <u>5,958,694</u> |
| Totals | <u>18,610,709</u> | <u>19,248,650</u> | <u>19,188,634</u> | <u>19,436,204</u> | <u>20,651,502</u> |
| Total Expenditures^(a) | \$18,610,709 | \$19,248,650 | \$19,188,634 | \$19,436,204 | \$20,651,502 |

(a) See Operating Balance on **Appendix II-D-5** for surplus or deficit for each fiscal year. NOTE: Totals may not add due to rounding.

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APPENDIX –II-E

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APPENDIX II-E

**GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND AUDITED FINANCIAL RESULTS FOR FISCAL YEAR 2021
ADOPTED BUDGET AND UNAUDITED FINANCIAL RESULTS FOR FISCAL YEAR 2022 AND
ADOPTED BUDGET FOR FISCAL YEAR 2023
(IN MILLIONS)**

| | Revised Adopted Budget Fiscal Year <u>2021^(e)</u> | Audited Financial Results Fiscal Year <u>2021^(f)</u> | Adopted Budget Fiscal Year <u>2022^(g)</u> | Unaudited Financial Results Fiscal Year <u>2022^(h)</u> | Revised Adopted Budget Fiscal Year <u>2023⁽ⁱ⁾</u> |
|---|---|--|---|--|---|
| Revenues | | | | | |
| <u>Taxes</u> | | | | | |
| Personal Income Tax | \$ 10,005.4 | \$ 10,340.4 | \$ 10,361.0 | \$ 12,131.8 | \$ 11,707.1 |
| Sales & Use | 4,588.4 | 4,792.7 | 4,274.6 | 4,818.1 | 4,777.6 |
| Corporation | 1,082.5 | 1,153.1 | 1,115.6 | 1,401.2 | 1,294.2 |
| Pass-Through Entity Tax | 850.0 | 1,549.7 | 1,485.8 | 2,307.6 | 1,957.3 |
| Public Service | 244.7 | 243.7 | 262.4 | 295.7 | 277.0 |
| Inheritance & Estate | 146.3 | 303.3 | 164.4 | 220.2 | 150.2 |
| Insurance Companies | 205.8 | 229.8 | 239.9 | 241.0 | 243.1 |
| Cigarettes | 326.9 | 351.1 | 322.9 | 326.7 | 308.1 |
| Real Estate Conveyance | 230.6 | 385.0 | 267.4 | 384.5 | 290.4 |
| Alcoholic Beverages | 69.7 | 79.1 | 76.6 | 78.9 | 78.0 |
| Admissions and Dues | 41.5 | 36.0 | 27.3 | 41.0 | 27.2 |
| Health Provider Tax | 1,033.6 | 1,037.7 | 974.7 | 955.1 | 973.8 |
| Miscellaneous | <u>48.0</u> | <u>14.4</u> | <u>62.0</u> | <u>96.7</u> | <u>66.5</u> |
| Total Taxes | \$ 18,873.4 | \$ 20,516.0 | \$ 19,634.6 | \$ 23,298.4 | \$ 22,150.5 |
| Less Refunds of Taxes | (1,378.9) | (1,857.5) | (1,571.7) | (1,811.2) | (1,952.4) |
| Less Earned Income Tax | (100.6) | -- | (173.4) | -- | (143.8) |
| Less R&D Credit Exchange | <u>(5.2)</u> | <u>(7.1)</u> | <u>(6.6)</u> | <u>(5.8)</u> | <u>(7.3)</u> |
| Net Taxes | \$ 17,388.7 | \$ 18,651.4 | \$ 17,882.9 | \$ 21,481.4 | \$ 20,047.0 |
| <u>Other Revenues</u> | | | | | |
| Transfers- Special Revenues | \$ 376.6 | \$ 410.3 | \$ 387.4 | \$ 395.0 | \$ 402.2 |
| Indian Gaming Payments | 225.4 | 228.9 | 246.0 | 248.7 | 251.8 |
| Licenses, Permits, Fees | 384.3 | 329.6 | 352.1 | 368.6 | 327.5 |
| Sales of Commodities & Services | 31.0 | 22.9 | 25.9 | 22.8 | 23.9 |
| Rents, Fines & Escheats | 160.9 | 183.1 | 160.0 | 220.7 | 163.3 |
| Investment Income | 52.9 | 2.9 | 6.6 | 20.6 | 4.8 |
| Miscellaneous | 181.7 | 257.8 | 245.4 | 272.8 | 224.9 |
| Less Refunds of Payments | <u>(67.7)</u> | <u>(37.7)</u> | <u>(72.6)</u> | <u>(74.7)</u> | <u>(63.8)</u> |
| Total Other Revenue | \$ 1,345.1 | \$ 1,397.8 | \$ 1,350.8 | \$ 1,474.6 | \$ 1,334.6 |
| <u>Other Sources</u> | | | | | |
| Federal Grants | \$ 1,571.5 | \$ 1,496.3 | \$ 1,851.9 | \$ 1,934.9 | \$ 2,059.0 |
| Transfers from Tobacco Settlement Funds | 114.5 | 114.5 | 126.2 | 126.2 | 122.1 |
| Transfers (to)/from Other Funds ^(a) | 134.2 | 112.9 | 778.8 | 21.3 | 673.0 |
| Transfers to BRF – Volatility Adjustment ^(b) | <u>(301.5)</u> | <u>(1,241.5)</u> | <u>(969.2)</u> | <u>(3,047.5)</u> | <u>(1,847.5)</u> |
| Total Other Sources | \$ 1,518.7 | \$ 482.2 | \$ 1,787.7 | \$ (965.1) | \$ 1,006.6 |
| Total Budgeted Revenue ^(c) | \$ 20,252.5 | \$ 20,531.4 | \$ 21,021.3 | \$ 21,990.9 | \$ 22,388.2 |
| Revenue Cap Deduction | <u>(151.9)</u> | -- | <u>(210.2)</u> | -- | <u>(279.9)</u> |
| Total Available Revenue | \$ 20,100.6 | \$ 20,531.4 | \$ 20,811.1 | \$ 21,990.9 | \$ 22,108.3 |

| | Revised Adopted Budget Fiscal Year <u>2021^(e)</u> | Audited Financial Results Fiscal Year <u>2021^(f)</u> | Adopted Budget Fiscal Year <u>2022^(g)</u> | Unaudited Financial Results Fiscal Year <u>2022^(h)</u> | Revised Adopted Budget Fiscal Year <u>2023⁽ⁱ⁾</u> |
|--------------------------------------|---|---|---|---|---|
| Appropriations/ Expenditures | | | | | |
| Legislative | \$ 83.3 | \$ 70.8 | \$ 88.5 | \$ 75.6 | \$ 90.0 |
| General Government | 686.1 | 645.8 | 811.0 | 749.7 | 1,084.5 |
| Regulation & Protection | 287.1 | 290.9 | 298.2 | 303.7 | 373.7 |
| Conservation & Development | 187.0 | 193.8 | 184.3 | 233.1 | 130.6 |
| Health & Hospitals | 1,289.4 | 1,242.9 | 1,287.4 | 1,276.4 | 1,370.0 |
| Human Services | 4,695.3 | 4,248.1 | 4,618.0 | 4,445.0 | 4,983.5 |
| Education, Libraries & Museums | 5,318.6 | 5,299.9 | 5,556.7 | 5,697.6 | 5,871.1 |
| Corrections | 1,471.9 | 1,404.6 | 1,416.3 | 1,305.2 | 1,430.9 |
| Judicial | 618.4 | 581.6 | 629.6 | 606.5 | 658.3 |
| Non- Functional | | | | | |
| Debt Service | 2,368.8 | 2,275.8 | 2,436.0 | 2,383.6 | 2,572.4 |
| Miscellaneous | <u>3,389.8</u> | <u>3,801.4</u> | <u>3,474.2</u> | <u>3,575.1</u> | <u>3,664.2</u> |
| Subtotal | \$ 20,395.7 | \$ 20,055.6 | \$ 20,800.3 | \$ 20,651.5 | \$ 22,229.4 |
| Other Reductions and Lapses | <u>(309.4)</u> | <u>--</u> | <u>(53.9)</u> | <u>78.1</u> | <u>(140.2)</u> |
| Net Appropriations/ Expenditures | \$ 20,086.3 | \$ 20,055.6 | \$ 20,746.4 | \$ 20,729.6 | \$ 22,089.2 |
| Surplus (or Deficit) from Operations | 14.3 | 475.9 | 64.7 | 1,261.4 | 19.1 |
| Miscellaneous Adjustments | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Balance^(d) | \$ 14.3 | \$ 475.9 | \$ 64.7 | \$ 1,261.4 | \$ 19.1 |

NOTE: Columns may not add due to rounding.

- (a) Includes transfers to the Mashantucket Pequot Fund for grants to towns.
- (b) CGS Section 4-30a requires that any amount in Estimates and Finals and Pass-Through Entity revenue above \$3,404.9 million in Fiscal Year 2021, \$3,510.4 million in Fiscal Year 2022 and \$3,614.4 million in Fiscal Year 2023 shall be transferred to the Budget Reserve Fund.
- (c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received.
- (d) Per CGS Section 4-30a, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus or deficit in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus or deficit shall be transferred by the State Treasurer to/from the Budget Reserve Fund.
- (e) Per Public Act No. 19-117 as amended by Public Act No. 19-1 of the December Special Session.
- (f) Per the Comptroller's audited statutory basis financial results dated December 15, 2021 and adjusted by the Office of Policy and Management to exclude expenditures of appropriation carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year. **See STATE GENERAL FUND – Fiscal Year 2021 Operations.**
- (g) Per Special Act No. 21-15 of the 2021 Session of the General Assembly. See also **STATE GENERAL FUND – Budget for Fiscal Years 2022 and 2023**. Does not include budget adjustments made pursuant to H.B. No. 5506. See **STATE GENERAL FUND – Midterm Budget Revisions for Fiscal Years 2022 and 2023**.
- (h) Per the Comptroller's unaudited statutory basis financial results dated September 30, 2022 and adjusted by the Office of Policy & Management to exclude expenditures of appropriation carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year. See **STATE GENERAL FUND – Fiscal Year 2022 Operations**.
- (i) Per Public Act No. 22-118.

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

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