

Refunding Issue—Book-Entry-Only

Ratings: Moody's: Aa3
S&P: AA-

In the opinion of Co-Bond Counsel, based on existing statutes and court decisions and assuming the accuracy of and continuing compliance with certain representations and covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. In the opinion of Co-Bond Counsel, based on 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 Matters" herein.



\$166,960,000*

CITY OF HARTFORD, CONNECTICUT

DAC Bond

SPECIAL OBLIGATION REFUNDING BONDS (STATE CONTRACT ASSISTANCE),
SERIES 2025

Dated: Date of Delivery

Due: as shown on inside cover page

Interest on the \$166,960,000* City of Hartford, Connecticut, Special Obligation Refunding Bonds (State Contract Assistance), Series 2025 (the "Bonds"), will be payable on July 15, 2025 and semiannually thereafter on January 15 and July 15 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only Transfer System" herein. The Bonds are not subject to redemption prior to maturity.

The Bonds will be special obligations of the City of Hartford, Connecticut (the "City") and will be issued pursuant to a Trust Indenture, dated as of May 1, 2023, as amended and supplemented to date (the "Original Indenture"), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and a Second Supplemental Indenture, dated as of May 1, 2025 (the "Second Supplemental Indenture", and together with the Original Indenture, the "Indenture"), by and between the City and the Trustee, for the purpose of refunding the Refunded Bonds (as defined herein). The Bonds will be secured pursuant to a Contract for Financial Assistance, dated as of March 27, 2018 (the "Original Assistance Agreement"), by and between the City and the State of Connecticut (the "State"), and as amended by Amendment No. 1 to the Contract for Financial Assistance, dated May 10, 2023 ("Amendment No. 1") and Amendment No. 2 to the Contract for Financial Assistance, dated as of May 21, 2025 ("Amendment No. 2" and together with the Original Assistance Agreement and Amendment No. 1, the "Assistance Agreement"), by and between the City and the State.

Pursuant to the Original Assistance Agreement, the State is obligated to make contract assistance payments in the amount of debt service on outstanding general obligation bonds of the City. Pursuant to Amendment No. 2, the State will make contract assistance payments in the amount of debt service on the Bonds and cease making debt service payments on the Refunded Bonds. Pursuant to the Indenture, the City has pledged its rights under the Assistance Agreement to such contract assistance payments with respect to the Bonds and past and future parity bonds to the Trustee as security for the Bonds and past and future parity bonds, and the Bonds and past and future parity bonds will be payable solely from such contract assistance payments. The obligation of the State to make such contract assistance payments is a full faith and credit obligation of the State for which amounts have been appropriated by the State. In the opinion of Co-Bond Counsel, the appropriation and payment by the State of the contract assistance payments under the Assistance Agreement do not require further legislative approval. See "Security for the Bonds" and "Contract for Financial Assistance" herein.

THE BONDS ARE PAYABLE SOLELY FROM CONTRACT ASSISTANCE PAYMENTS TO BE MADE BY THE STATE UNDER THE ASSISTANCE AGREEMENT. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters, subject to the final approving opinions of Robinson & Cole LLP, Co-Bond Counsel, of Hartford, Connecticut and Shipman & Goodwin LLP, Co-Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriters by Updike, Kelly & Spellacy, P.C., of Hartford, Connecticut. Certain matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, of Hartford, Connecticut. The Trustee, Certifying Agent, Paying Agent, Registrar, Transfer Agent and Escrow Agent for the Bonds will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut. It is expected that delivery of the Bonds in definitive form will be made on or about May 21, 2025 through the facilities of DTC.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

RAYMOND JAMES

SIEBERT WILLIAMS SHANK

AMERICAN VETERANS GROUP, PBC

RAMIREZ & CO., INC.

* Preliminary; subject to change



CITY OF HARTFORD, CONNECTICUT

\$166,960,000*

CITY OF HARTFORD, CONNECTICUT SPECIAL OBLIGATION REFUNDING BONDS (STATE CONTRACT ASSISTANCE), SERIES 2025

Dated: Date of Delivery

Due: July 15, as shown below

Due	Amount*	Interest Rate	Yield	CUSIP Number¹
2025	\$ 1,555,000	%	%	
2026	17,890,000			
2027	15,095,000			
2028	15,870,000			
2029	16,680,000			
2030	17,545,000			
2031	18,440,000			
2032	19,385,000			
2033	20,375,000			
2034	15,070,000			
2035	9,055,000			

*Preliminary; subject to change.

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 City, and are included solely for the convenience of the holders of the Bonds. The City 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.

No dealer, broker, salesman or other person has been authorized by the City of Hartford, Connecticut (the “City”), the State of Connecticut (the “State”), the Municipal Advisor (as defined herein) or the Underwriters (as defined herein) to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, the State, the Municipal Advisor or the Underwriters. 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. The information set forth herein has been obtained by the City and the State from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The City and the Underwriters have relied entirely on the State for information pertaining to the financial condition of the State. Neither the City nor the Underwriters make any representations as to the accuracy or completeness of such information.

The Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The information, estimates 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 City or the State since the date of this Official Statement.

Other than matters expressly set forth in Appendix I-B herein, Co-Bond Counsel is not passing on, and does not assume any responsibility for, the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

The City deems this Official Statement to be “final” as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment as permitted by the Rule.

Munistat Services, Inc., the municipal advisor to the City (the “Municipal Advisor”), has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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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DATED FEBRUARY 15, 2025 WITH SUPPLEMENTARY INFORMATION AS OF APRIL 8, 2025

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PART I

INFORMATION CONCERNING THE BONDS

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\$166,960,000*
CITY OF HARTFORD, CONNECTICUT
SPECIAL OBLIGATION REFUNDING BONDS (STATE CONTRACT ASSISTANCE),
SERIES 2025

INTRODUCTION

This Official Statement, including the cover page, inside cover page, Part I, Part II, and the appendices thereto, is provided for the purpose of presenting certain information relevant to the City of Hartford, Connecticut (the “City”) and the State of Connecticut (the “State”) in connection with the issuance and sale of the \$166,960,000* City of Hartford, Connecticut, Special Obligation Refunding Bonds (State Contract Assistance), Series 2025 (the “Bonds”).

The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. All quotations and summaries and explanations of statutes, charters or other laws and acts and proceedings of the City and the State contained herein do not purport to be complete, and are qualified in their entirety by reference to the original and all reference to the Bonds and the proceedings of the City and the State relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings, and reference is made to said laws for full and complete statements of their provisions.

All references herein to the Indenture and the Bonds are qualified in their entirety by reference to the definitive documents. All capitalized terms used herein shall have the meaning given to them in this Official Statement, including Appendix I-A.

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

*Preliminary; subject to change.

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will mature in annual installments on July 15 in each of the years and in the principal amounts set forth on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiples thereof. Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity, at the rate or rates indicated on the inside cover page hereof commencing on July 15, 2025, and will be payable to the registered owners of the Bonds as of the close of business on the last business day of December and June in each year. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. A book-entry-only transfer system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System” herein. The Trustee, Certifying Agent, Paying Agent, Registrar, Transfer Agent and Escrow Agent for the Bonds will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut. The legal opinions on the Bonds will be rendered by Co-Bond Counsel, Robinson & Cole LLP, of Hartford, Connecticut and Shipman & Goodwin LLP of Hartford, Connecticut, in substantially the form set forth in Appendix I-B to this Official Statement. The Bonds are not subject to redemption prior to maturity.

SECURITY FOR THE BONDS

The Bonds will be special obligations of the City of Hartford, Connecticut (the “City”) and will be issued pursuant to a Trust Indenture, dated as of May 1, 2023 (the “Original Indenture”), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as amended and supplemented by a First Supplemental Indenture dated as of May 1, 2023 (the “First Supplemental Indenture”) and a Second Supplemental Indenture, dated as of May 1, 2025 (the “Second Supplemental Indenture”, and collectively with the Original Indenture and the First Supplemental Indenture, the “Indenture”), by and between the City and the Trustee, for the purpose of refunding the Refunded Bonds (as defined herein). The Bonds will be secured pursuant to a Contract for Financial Assistance, dated as of March 27, 2018 (the “Original Assistance Agreement”), by and between the City and the State of Connecticut (the “State”), and as amended by Amendment No. 1 to the Contract for Financial Assistance, dated May 10, 2023 (“Amendment No. 1”) and Amendment No. 2 to the Contract for Financial Assistance, dated as of May 21, 2025 (“Amendment No. 2”) and collectively with the Original Assistance Agreement and Amendment No. 1, the “Assistance Agreement”), by and between the City and the State.

THE BONDS ARE PAYABLE SOLELY FROM CONTRACT ASSISTANCE PAYMENTS TO BE MADE BY THE STATE UNDER THE ASSISTANCE AGREEMENT. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Assistance Agreement

Pursuant to the Original Assistance Agreement, the State is obligated to make contract assistance payments in the amount of debt service on outstanding general obligation bonds of the City. Pursuant to Amendment No. 2, the State will make contract assistance payments in the amount of debt service on the Bonds and cease making debt service payments on the Refunded Bonds. Pursuant to the Indenture, the City has pledged its rights under the Assistance Agreement to such contract assistance payments with respect to the Bonds and past and future parity bonds to the Trustee as security for the Bonds and past and future parity bonds, and the Bonds and past and future parity bonds will be payable solely from such contract assistance payments. The obligation of the State to make such contract assistance payments is a full faith and credit obligation of the State for which amounts have been appropriated by the State. In the opinion of Co-Bond Counsel, the appropriation and payment by the State of the contract assistance payments under the Assistance Agreement do not require further legislative approval.

The Indenture

The Indenture provides for the absolute and irrevocable pledge and assignment to the Trustee of all right, title and interest of the City in and to the following (the “Trust Estate”):

- (1) all of the City's right, title and interest in the Pledged Revenues (as defined herein);
- (2) all of the City's right, title and interest in the Bond Proceeds Fund and the Debt Service Fund, together with any and all receipts, funds or moneys, investments and other property of every kind and nature from time to time hereafter on deposit in or payable to such funds and accounts thereof except, with respect to the foregoing, but excluding the Rebate Fund and moneys and securities in the Rebate Fund; and
- (3) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Original Indenture by the City or the State or by anyone on their behalf to the Trustee, including without limitation, funds of the City held by the Trustee and the City as security for the Bonds.

See Appendix I-A, Trust Indenture, Granting Clauses. "Pledged Revenues" are defined as (i) the Contract Assistance Payments (as defined in the Assistance Agreement) to be made by the State pursuant to the Assistance Agreement with respect to Refunding Bonds (as defined in the Assistance Agreement) listed on Exhibit B to the Assistance Agreement and (ii) any interest earned or gains realized by the investment of moneys held by the Trustee in the Funds and Accounts created under the Indenture, which are treated under the Indenture as Pledged Revenues and which constitute a part of the Trust Estate. Pledged Revenues do not include Contract Assistance Payments with respect to Eligible Bonds (as defined below).

The Indenture further provides for the issuance of refunding bonds in addition to the Bonds secured on a parity basis with the Bonds so long as the issuance of such additional bonds is approved by the State, acting by and through the State Treasurer and the Secretary of the Office of Policy and Management and the Assistance Agreement is amended to provide for contract assistance payments of debt service with respect thereto.

Pursuant to the Indenture, the Bonds shall be special, limited obligations of the City, payable solely from the Trust Estate. The Bonds shall constitute a valid claim of the respective owners thereof against the Trust Estate, which is pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, and which shall be utilized for no other purpose, except as expressly authorized in the Indenture. The Bonds shall not constitute general obligations of the City and under no circumstances shall the Bonds be payable from, nor shall the holders thereof have any rightful claim to, any income, revenues, funds or assets of the City other than those pledged thereunder as security for the payment of the Bonds.

Pursuant to the Indenture, each of the following is an "Event of Default":

- (a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;
- (b) Default in the payment of principal or sinking fund installment of (or redemption premium, if any) on any Bond when it becomes due and payable whether at maturity or upon call for redemption or otherwise;
- (c) The amounts as shall be required to be paid pursuant to the Assistance Agreement shall not be allotted and paid by the State for deposit with the Trustee when due;
- (d)(1) An Event of Bankruptcy of the City; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official for the City or for any substantial portion of its property; or (3) the ordering of the winding up or liquidation of the affairs of the City; or
- (e) Subject to the provisions of Section 7.07 of the Indenture, default in the performance, or breach, of any covenant, warranty or representation of the City contained in the Indenture (other than a default under subsections (a) and (b) above).

See Appendix I-A, Trust Indenture, Section 7.01.

Upon the happening and continuance of any Event of Default, the Trustee, in its own name, shall proceed to protect and enforce the rights of Bondholders by the following remedies, to the extent permitted by law, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right of the City to receive Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the City to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the City to account as if it were the trustee of an express trust for the holders of the Bonds;

(4) by action against the State, to the extent permitted by law, to require payment of Contract Assistance Payments with respect to the Bonds, including by filing a claim with the Claims Commissioner of the State as provided by the Connecticut General Statutes; or

(5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

provided, however, that there shall be no right under any circumstances to accelerate the maturity of the Bonds. See Appendix I-A, Trust Indenture, Section 7.02. For purposes of this paragraph, “Bonds” means the Bonds and any subsequent Refunding Bonds issued under the Indenture.

Pursuant to Amendment No. 2, the State has agreed to make contract assistance payments with respect to the Bonds directly to the Trustee in amounts sufficient to pay the principal of and interest on the Bonds. In the event the Trustee does not receive immediately available funds on each Interest Payment Date and each principal payment date in amounts sufficient to pay the principal of and redemption premium, if any, and interest on the Bonds then due and payable, the Trustee shall notify the City and the State.

The State has never failed to provide funds for the payments required under any contract for financial assistance supporting bonds and has never attempted to prevent or delay such required payments. In addition, 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.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations. Under the Federal bankruptcy code, an involuntary petition cannot be filed against a municipality.

CONTRACT FOR FINANCIAL ASSISTANCE

Public Act No. 17-2 (the “Act”) established the Municipal Accountability Review Board (“MARB”) to supervise distressed municipalities in the State. The State, acting through the Treasurer and the Secretary of the Office of Policy and Management, is authorized under Section 376 of the Act 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 of a municipality 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. In December 2017, the City applied for and was certified as a Tier III municipality. In December 2023, the MARB formally accepted the request for the City to be certified as a Tier II municipality.

On March 27, 2018, acting under the authority of the Act and with the approval of MARB, the State and the City entered into the Original Assistance Agreement which obligated the State to make contract assistance payments equal to the principal of and interest on, when due, all of the City’s then outstanding general obligation bonds (“Eligible Bonds”). Under the Act, the obligation of the State to make such contract assistance payments has been appropriated and constitutes a full faith and credit obligation of the State. The State Treasurer is mandated to make such contract assistance payments when due. Under the Original Assistance Agreement, the State has the right to direct the City to refinance the Eligible Bonds with refunding bonds, at which time the Original Assistance Agreement is to be amended

to reflect that the payment obligation with respect to refunded bonds will cease and the payment obligation will inure to the refunding bonds. As part of the issuance of the Bonds, the Original Assistance Agreement will be amended pursuant to the execution of Amendment No. 2 to achieve the foregoing purpose.

The Assistance Agreement further provides that the obligation of the State to make contract assistance payments is unconditional and without right of setoff. The Assistance Agreement contains certain rights of the State and obligations of the City with respect to each other. Notwithstanding the State's unconditional obligation to make contract assistance payments, the City receives a significant amount of annual discretionary grants from the State, which are subject to appropriation. There is no assurance that the amount of the State's discretionary grants to the City will be maintained at any particular level. However, the State obligation to make contract assistance payments is not affected by the City's compliance with the Assistance Agreement or the level of State grants. The Assistance Agreement shall only terminate at such time that there are no longer any obligations of the State to pay contract assistance payments pursuant to the Assistance Agreement.

AUTHORIZATION AND PURPOSE

Authorization. The Bonds are being issued pursuant to the Act, the Assistance Agreement, Title 7 of the General Statutes of Connecticut, as amended, and a resolution adopted by the Common Council of the City on March 27, 2023 authorizing the issuance of refunding bonds, including the Bonds.

Purpose. The Bonds are being issued to refund all or a portion of the aggregate principal amount outstanding of certain general obligation bonds of the City (the "Refunded Bonds") as shown in the "Plan of Refunding", attached hereto as Appendix I-D.

SOURCES AND USES OF BOND PROCEEDS

Proceeds of the Bonds will be applied as follows:

Sources:	
Proceeds of the Bonds	\$
Net Original Issue Premium (Discount)	
Total Sources	\$
 Uses:	
Deposit to Escrow Fund	\$
Costs of Issuance	
Underwriters' Discount	
Total Uses	\$

VERIFICATION OF MATHEMATICAL COMPUTATIONS

American Municipal Tax-Exempt Compliance Corp., dba 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 City and the Underwriters on or before the date of delivery of the Bonds its verification report indicating that it has verified the mathematical accuracy of certain computations showing (i) the adequacy of the maturing principal amounts of the Escrow Securities (as defined herein), held in the Escrow Deposit Fund, together with the interest income thereon and uninvested cash, if any, to pay when due, the principal of and interest on the Refunded Bonds and (ii) the yields on the composite issue consisting of the Bonds and the Escrow Securities for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended. 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 its attention, subsequent to the date of the verification report.

QUALIFICATION FOR FINANCIAL INSTITUTIONS

The Bonds shall not be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

BOOK-ENTRY-ONLY-TRANSFER SYSTEM

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC participants or beneficial owners of the Bonds, confirmation and transfer of beneficial ownership interest in the Bonds and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds is based solely on information provided on DTC's website and presumed to be reliable. Accordingly, neither the City nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 fully-registered Bond certificate will be issued for each maturity of the Bonds, each 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 the 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 confirmation 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 the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in the 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.

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 City 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, and redemption premium, if any, with respect to 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 City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue the use of the system of the 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 obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters take no responsibility for the accuracy thereof. Neither the City, the Trustee nor any Underwriter has any responsibility or obligation to DTC's Direct Participants or Indirect Participants or Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or its Direct Participants or Indirect Participants, (2) the payments by DTC or its Direct Participants or Indirect Participants with respect to the principal of or premium, if any, or interest on the Bonds, (3) any notice which is permitted or required to be given to Bondowners, (4) any consent given by DTC or other action taken by DTC on behalf of Cede & Co. as Bondowner or (5) the selection by DTC or any of its Direct Participants or any Indirect Participants or any Beneficial Owners to receive payment in the event of a partial redemption of the Bonds.

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

REPLACEMENT BONDS

The determination of the City officials authorizing the issuance of the Bonds provides for the issuance of fully-registered Bond certificates directly to Beneficial Owners of the Bonds and or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the City fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the City determines to discontinue the book-entry-only system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC PRACTICES

Neither the City nor the Underwriters can make assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

TAX MATTERS

Federal Income Taxes

In the opinion of Co-Bond Counsel, based on existing statutes and court decisions and assuming the accuracy of and continuing compliance by the City with its representations and covenants contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order for interest on the Bonds to be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. The Tax Regulatory Agreement of the City, which will be delivered concurrently with the delivery of the Bonds, will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the City will covenant and agree at all times to perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code. Failure to comply with certain requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

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

Original Issue Discount

The initial public offering price of certain maturities of the Bonds are less than their stated principal amounts (the “OID Bonds”). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the inside cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds were ultimately sold to the public. Under existing law, OID on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excluded from gross income for federal income tax purposes if interest on the OID Bonds is excluded from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant semiannual compounding method using the yield-to-maturity on such OID Bond. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of OID Bonds should consult their tax advisors regarding the calculation of accrued OID, the accrual of OID in the case of owners of the OID Bonds purchasing such OID Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds are greater than their stated principal amounts (the “OIP Bonds”). The excess of the initial public offering price at which a substantial amount of each OIP Bond is sold over the principal amount payable at maturity or on an earlier call date constitutes original issue premium. The offering prices relating to the yields set forth on the inside cover page of the Official Statement are expected to be the initial public offering prices at which a substantial amount of each maturity of the OIP Bonds were ultimately sold to the public. 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 purposes of determining gain or loss upon the sale or other disposition of such OIP Bond by such owner. Amortized original issue premium on an OIP Bond is not treated as a deduction from gross income for federal income tax purposes. Prospective purchasers of OIP Bonds, whether at the date of original issue or subsequent thereto, 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, particularly those subject to special rules, 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 Co-Bond 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.

Accrued original issue discount on an OID Bond is also 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.

Owners of OID Bonds or OIP Bonds should consult their tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of OID Bonds or 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 Co-Bond Counsel are rendered as of their date and Co-Bond Counsel assumes 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 Bond. 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.

RATINGS

Moody's Investor Service ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of Aa3 with a positive outlook and AA- with a stable outlook respectively, to the Bonds. Moody's and S&P have simultaneously affirmed their ratings of Aa3 with a positive outlook and AA- with a stable outlook respectively, on

the balance of the City's outstanding general obligation bonds subject to the Original Assistance Agreement, as amended with the State. 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.

Neither the City, nor the State have agreed to take any action with respect to any proposed rating change or to bring such change, if any, to the attention of owners of the Bonds, other than as required by the City's Continuing Disclosure Agreement and the State's Continuing Disclosure Agreement.

UNDERWRITING

Raymond James & Associates, Inc., Siebert Williams Shank & Co., LLC, American Veterans Group, PBC and Ramirez & Co., Inc. (collectively, the "Underwriters") have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase the Bonds from the City at an aggregate purchase price of \$_____ (consisting of the principal amount of \$166,960,000*, plus original issue premium of \$_____ and less an Underwriters' discount of \$_____) pursuant to the terms of a contract of purchase for the Bonds between the City and the Underwriters (the "Contract of Purchase").

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 stated on the inside cover page hereof, and such initial public offering prices may be changed, from time to time, by the Underwriters.

NO LITIGATION; LEGAL MATTERS

There is not now pending or threatened against the City any litigation restraining or enjoining the issuance or delivery of the Bonds, or questioning the validity of such Bonds or the pledge of contract assistance payments as security for the Bonds or the proceedings and authority under which such Bonds are to be issued.

CONTINUING DISCLOSURE

Section 3-20e of the General Statutes of Connecticut gives the State and any municipality of the State such as the City 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 City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached hereto as Appendix I-C-1, to provide or cause to be provided, in accordance with the requirements of the Rule timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds.

To its knowledge, in the last five years the City has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the City.

The State will enter into a Continuing Disclosure Agreement, substantially in the form attached hereto as Appendix I-C-2, to provide or cause to be provided, in accordance with the requirements of the Rule (i) annual financial information and operating data, (ii) timely, but not in excess of ten (10) 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 for the Bonds.

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State, except for a failure to make a timely provision to the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board (the

*Preliminary; subject to change.

“MSRB”) of its audited financial statements comprising its basic financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the fiscal years ending June 30, 2023 and June 30, 2024 by February 29, 2024 and February 28, 2025, respectively, as required under the State’s various continuing disclosure agreements. The State filed a timely notice of each such failure. Thereafter, the State filed with the MSRB such financial statements and operating results after they became available. Prior to the respective deadlines, the State filed the other annual financial information and operating data required under the State’s various continuing disclosure agreements with the MSRB.

In connection with the June 30, 2023 audited financial statements, the division within the Office of the State Comptroller that prepares financial statements experienced employee retirements and turnover in Fiscal Year 2023, some of them in key roles, and did not maintain a formal task schedule with targeted completion dates to allow supervisors to monitor delays and provide timely assistance. The division has addressed its staffing issues through hiring experienced staff to fill key roles, and providing relevant training. In addition, the Office of the State Comptroller was in the process of implementing financial reporting software that did not progress as effectively as expected.

In connection with the June 30, 2024 audited financial statements, the Office of the State Comptroller did not have personnel resources with sufficient training and experience in financial statement presentation dedicated to the financial closing process to detect material errors and make timely corrections. Further, the Office of the State Comptroller, which prepares the financial statements, relies on information and data from various State agencies and component units. Among other factors for the delay, the Office of the State Comptroller experienced delays in receiving complete information from some such agencies and units. Many such agencies and units suffered from retirements and departures among their most senior and expert personnel. This was particularly the case with the financial statements of the Connecticut State Colleges and Universities (“CSCU”), which are separately audited, and which, because of the confluence of the community college consolidation from 12 entities to one entity and a one-time change in the allocation of employee retirement benefit expenses back to the State itself, caused misstatements and delay. CSCU also relies on its controller to address this process, but the position was vacant for an extended period during the annual financial closing process. The audited financial statements of the Connecticut State Universities (a component of CSCU), were, however, completed and filed with the MSRB prior to the deadlines established under their separate filing obligations. Finally, the Office of the State Comptroller was also transitioning back from new software involved in the production of the financial statements and the related annual comprehensive financial report which was determined to not meet the needs of the State.

The Office of the State Comptroller has committed to the following steps to address the causes of the late filing. It is committed to engaging in additional training for various State agencies and component units. It further will enhance relevant training and guidance to staff involved with preparing the State’s financial statements to strengthen their knowledge in government accounting and ensure the preparation of accurate financial statements in a timely manner. It is also developing updated internal quality control checklists for staff and reviewers to use while preparing and reviewing the State’s financial statements. This will serve as an additional control over the preparation of the financial statements and help identify and correct errors that may have occurred during preparation. Additionally, the Office of the State Comptroller will improve guidance to agencies and component units through instruction, informational memos, and documentation, as well as trainings. The Office of the State Comptroller is in the process of developing a survey that will be distributed to accounting and finance staff at the various agencies and units to help identify common questions, areas of confusion, and other difficulties to focus its training efforts on prior to the next reporting cycle. In addition, quality control checklists are being developed that will be incorporated into the next reporting cycle’s requirements for agencies and component units to help ensure that the information being reported is complete and accurate and to help detect errors in data before the data is incorporated into the financial statements. Finally, the Connecticut State Colleges and Universities system has filled the controller position and is planning to add personnel to the controller’s team and has engaged an outside accounting firm to augment its internal resources. The Office of the State Comptroller anticipates that through these and other measures there will not be similar delays with respect to the Fiscal Year 2025 financial statements.

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

comply with its continuing disclosure obligation. The State has modified its disclosure practices to prevent such failure in the future.

Certain prior annual reports of the State and other required reports are available from EMMA or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digit) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The State has entered into a 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.

TRANSCRIPT AND CLOSING DOCUMENTS

Upon delivery of the Bonds, the Underwriters will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the pledge of contract assistance payments as security therefor;
2. The approving opinions of Co-Bond Counsel to the City, Robinson & Cole LLP of Hartford, Connecticut and Shipman & Goodwin LLP of Hartford, Connecticut, in substantially the form attached hereto as Appendix I-B;
3. An executed Continuing Disclosure Agreement for the Bonds by the City, in substantially the form attached hereto as Appendix I-C-1;
4. An executed Continuing Disclosure Agreement for the Bonds by the State, in substantially the form attached hereto as Appendix I-C-2;
5. A receipt for the purchase price of the Bonds; and
6. Any other documents required by the Contract of Purchase.

The City has prepared this Preliminary Official Statement for the Bonds which is dated April 17, 2025. The City deems such Official Statement final as of its date for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. Within seven business days of the execution of the Contract of Purchase, the City will furnish the Underwriters with a reasonable number of copies of the Official Statement, as prepared for this issue at the City's expense.

[Remainder of page intentionally left blank]

CONCLUDING STATEMENT

This Official Statement is not to be construed as a contract or agreement between the City and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized. This Official Statement is submitted only in connection with the sale of the Bonds by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF HARTFORD, CONNECTICUT

By: _____
Arunan Arulampalam, Mayor

By: _____
Carmen Sierra, Treasurer

Dated: May ___, 2025

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TRUST INDENTURE

between

CITY OF HARTFORD, CONNECTICUT

and

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

Dated as of May 1, 2023

**CITY OF HARTFORD, CONNECTICUT
SPECIAL OBLIGATION REFUNDING BONDS
(STATE CONTRACT ASSISTANCE)**

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of May 1, 2023 (this “Indenture”), is made by and between the **CITY OF HARTFORD, CONNECTICUT** (the “City”), a political subdivision of the State of Connecticut (the “State”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, as trustee (the “Trustee”), authorized to accept and execute the duties and obligations of the character herein set out, with its principal corporate trust office located in Hartford, Connecticut:

WITNESSETH:

WHEREAS, pursuant to Chapter 109 of the General Statutes of Connecticut, Revision of 1958, as amended (the “Connecticut General Statutes”), and various bond ordinances adopted by the Common Council of the City (the “Common Council”), the City has issued numerous series of its general obligation bonds (the “Prior Bonds”);

WHEREAS, the General Assembly of the State has adopted Public Act No. 17-2, June Special Session, Sections 349 to 376, as may be amended from time to time (the “Act”), which provides for the certification and designation of financially distressed Connecticut municipalities into various tiers and provides various means of financial assistance to such municipalities;

WHEREAS, pursuant to the Act, the Mayor of the City applied to the Secretary of the Office of Policy and Management of the State (the “Secretary”) for financial assistance and the City has been designated a “Tier III municipality” and has been referred to the Municipal Accountability Review Board established pursuant to the Act;

WHEREAS, pursuant to Section 376 of the Act, the Secretary and the State Treasurer of the State (the “State Treasurer”) may enter the State into a contract with any designated Tier III or Tier IV municipality for the provision of contract assistance to such municipality in accordance with the provisions of Section 376 of the Act, including making debt service payment on behalf of such municipality directly to the municipality, trustee, paying agent or holder of refunding bonds, other bonds or notes that are the subject of such contract, and the costs of issuance of any refunding bonds;

WHEREAS, pursuant to Section 376 of the Act, a contract providing for contract assistance shall constitute a full faith and credit obligation of the State and as part of such contractual obligation of the State to such municipality, trustee, paying agent or holder of any such refunding bonds, other bonds or notes, as applicable, appropriation of all amounts necessary to timely meet the terms of such contractual obligation is made pursuant to the Act and the State Treasurer shall pay such amounts as the same become due to such municipality, trustee, paying agent or holder, as applicable;

WHEREAS, pursuant to Section 376 of the Act, any designated Tier III or Tier IV municipality that enters into such a contract may pledge such contract assistance of the State as security for the payment of refunding bonds issued by such municipality;

WHEREAS, pursuant to the Act, the Secretary and the State Treasurer have entered into a Contract for Financial Assistance, dated March 27, 2018, as may be amended, modified and supplemented from time to time as provided therein (the “Assistance Agreement”), with the City, which provides for the State to provide contract assistance equal to the debt service on certain Prior Bonds listed on Exhibit A thereto (“Eligible Bonds”);

WHEREAS, the Act and the Assistance Agreement further provide for the issuance of refunding bonds pursuant to an indenture of trust to refund the principal of and interest on Eligible Bonds, and for the State to provide contract assistance in respect of such refunding bonds;

WHEREAS, the Secretary, the State Treasurer and the City have determined to authorize the issuance of, from time to time, the City’s special obligation refunding bonds, in one or more series (“Bonds”), and use the proceeds derived from the sale thereof to refund certain Eligible Bonds; and

WHEREAS, all things necessary to make the Bonds, when issued, executed and delivered by the City and authenticated by the Trustee, to the extent required pursuant to this Indenture, the valid, binding and legal special limited obligations of the City, and to constitute this Indenture as a valid assignment and pledge of the revenues herein pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds and a valid

assignment and pledge of certain rights of the City has been done and performed, and the creation, execution and delivery of this Indenture, and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of principal of, redemption premium, if any, and interest on the Bonds according to their true intent and meaning, and all other amounts due from time to time under this Indenture, including those due to the Trustee, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained in the Bonds and in this Indenture, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Bonds by the Bondholders and for other good and valuable consideration, the receipt of which is acknowledged, the City has executed and delivered this Indenture and absolutely and irrevocably pledges and assigns to the Trustee and to its successors in trust, on the basis set forth herein, and its and their assigns, and grants a security interest in and a lien on, all right, title and interest of the City in and to the following (the "Trust Estate"):

- (1) all of the City's right, title and interest in the Pledged Revenues;
- (2) all of the City's right, title and interest in the Bond Proceeds Fund and the Debt Service Fund, together with any and all receipts, funds or moneys, investments and other property of every kind and nature from time to time hereafter on deposit in or payable to such funds and accounts thereof except, with respect to the foregoing, but excluding the Rebate Fund and moneys and securities in the Rebate Fund; and
- (3) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the City or the State or by anyone on their behalf to the Trustee, including without limitation, funds of the City held by the Trustee and the City as security for the Bonds.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee in trust and its successors and assigns forever, subject, however, in all cases to the application thereof for the purposes and on the terms and conditions hereinafter set forth in this Indenture;

IN TRUST, NEVERTHELESS, and subject to the provisions hereof, (a) for the equal and proportionate benefit, security and protection of all future Owners of Bonds, for the enforcement of the payment of the principal of redemption premium, if any, and interest on the Bonds, and all other amounts due from time to time under this Indenture, including those due to the Trustee, when payable, according to the true intent and meaning thereof and of this Indenture, and (b) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Indenture, in each case, without preference, priority or distinction, as to lien or otherwise except as provided herein, of any one Bond over any other by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond and all Bonds shall have the same right, lien and privilege under this Indenture and shall be secured equally and proportionately by this Indenture, it being intended that the lien and security of this Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of the Bonds, as though upon that date all of the Bonds were actually issued, sold and delivered to purchasers for value; provided, however, that, upon satisfaction of and in accordance with the provisions of Article IX, except as otherwise set forth herein, the rights assigned hereby shall cease, determine and be void to the extent described therein; otherwise, such rights shall be and remain in full force and effect;

PROVIDED, FURTHER, that the pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue Additional Bonds secured on a parity basis with the Bonds by the Trust Estate; and

IT IS DECLARED that all Bonds issued under and secured by this Indenture are to be issued, authenticated and delivered, and that all Pledged Revenues assigned or pledged hereby are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this Indenture; and the City has agreed and covenanted, and agrees and covenants with the Trustee and with each and all Bondholders, as follows:

ARTICLE I DEFINITIONS AND INTERPRETATIONS

Section 1.01 **Definitions.** Unless the context otherwise requires, the terms defined in this Article I shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified:

“Act” has the meaning set forth in the recitals to this Indenture.

“Additional Bonds” means additional parity bonds authorized to be issued by the City pursuant to Section 2.13, including bonds issued to refund Bonds.

“Assistance Agreement” has the meaning set forth in the recitals to this Indenture.

“Attesting Officer” means the Town and City Clerk of the City.

“Authorized Denomination” means for the Series of Bonds to be issued, \$5,000 or any integral multiple in excess thereof, or the amounts set forth in a Supplemental Indenture.

“Authorized Officer” means: (i) in the case of the City, the Mayor, the City Treasurer or the Finance Director, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to an ordinance or a resolution of the Common Council; (ii) in the case of the State, the Secretary, the State Treasurer or the Deputy Treasurer of the State; (iii) in the case of the Trustee, any officer in its corporate trust administration department, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the governing body of the Trustee; and (iv) in the case of the Paying Agent, any officer in its corporate trust administration department, and when used with reference to any act or document, including any authentication of the Bonds, also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the governing body of the Paying Agent.

“Authorized Officer’s Certificate” or *“Officer’s Certificate”* means a certificate signed by an Authorized Officer.

“Bankruptcy Law” means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or other similar law.

“Beneficial Owner” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“Bond” or *“Bonds”* means the Series 2023 Bonds and any Additional Bonds issued under this Indenture.

“Bond Counsel” means, with respect to the Bonds, Robinson & Cole LLP and Shipman & Goodwin LLP, both of Hartford, Connecticut, or any other nationally recognized bond counsel firm selected by the City and acceptable to the Trustee.

“Bond Proceeds Fund” means the trust fund so designated and established by Section 4.01, which is described in Section 4.02.

“Bondholder” or *“holder of Bonds”* or *“Owner”* or *“Owners”* means the Person who owns a Bond, provided that, pursuant to Section 2.08, the Person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

“Bond Register” and *“Bond Registrar”* shall have the respective meanings specified in Section 2.08.

“Book Entry Bonds” means that part of a Series of Bonds for which a Securities Depository or its nominee is the Bondholder.

“Business Day” means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in Connecticut, Minnesota or the city in which the Office of the Trustee or the Office of the Paying Agent is located are closed, (c) any day on which the New York Stock Exchange is closed or (d) any day on which the Federal Reserve payment system is not operational.

“City” means the City of Hartford, Connecticut and its successors and assigns.

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

“Conditional Redemption” means a redemption where the City has stated in the redemption notice to the Trustee that (a) the redemption is conditioned upon the deposit of funds, the issuance of Bonds, or for other reasons or (b) the City has retained the right to rescind the redemption, as further described in Section 3.03.

“Common Council” has the meaning set forth in the recitals to this Indenture.

“Connecticut General Statutes” has the meaning set forth in the recitals to this Indenture.

“Continuing Disclosure Agreements” means (a) the Continuing Disclosure Agreement of the State, pertaining to disclosure of certain annual financial information and operating data of the State, including timely notice of a failure by the State to provide the required annual financial information, in accordance with Rule 15c2-12 of the Securities Exchange Commission, and (b) the Continuing Disclosure Agreement of the City, pertaining to disclosure by the City of the occurrence of certain events in a timely manner not in excess of ten (10) business days after the occurrence of such event, in accordance with Rule 15c2-12 of the Securities Exchange Commission.

“Costs of Issuance” means all costs related to the proceedings under which Bonds are issued hereunder, including but not limited to administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the Underwriters if payable other than as a result of a discount on the purchase price of Bonds, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers’ fees or charges incurred by the City to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with Section 6.03 hereof.

“Costs of Issuance Account” means such account established and governed by Section 4.01 hereof.

“Counsel” means an attorney or law firm (who may be counsel for the City), acceptable to the City, the State and the Trustee.

“Debt Service Fund” means the trust fund so designated which is described in Section 4.03.

“Defeasance Obligations” means: (i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America, including State and Local Government Series securities; and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii) as appropriate, and (d) which are rated “AAA” by S&P or “Aaa” by Moody’s.

“Depository Participants” means any Person for which the Securities Depository holds Bonds as securities depository.

“DTC” shall have the meaning given to such term in Section 2.12.

“Eligible Bonds” has the meaning set forth in the recitals to this Indenture

“Eligible Investments” means Governmental Obligations and STIF.

“Event of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by the City, as debtor, under Bankruptcy Law.

“Event of Default” means any of the events specified in Section 7.01 to be an Event of Default. A “default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Funds” means (a) the Bond Proceeds Fund, the Debt Service Fund, and the Rebate Fund, including any account within each such Fund, and (b) any other Fund designated as such with respect to a Series of Bonds pursuant to a Supplemental Indenture.

“Governmental Obligations” means (a) noncallable, nonredeemable direct obligations of the United States of America, including State and Local Government Series securities, and (b) obligations the timely payment of the principal of, and interest on, which is fully and unconditionally guaranteed by the United States of America, and (c) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (a) or (b); provided that such Governmental Obligations are readily available to the Trustee.

“Immediate Notice” means notice transmitted by electronic means, in writing, or by telephone (promptly confirmed in writing) and received by the party addressed.

“Indenture” means this Trust Indenture, as amended or supplemented from time to time.

“Interest Payment Date” shall mean for the Series of Bonds to be issued, the dates designated for the payment of interest set forth in a Supplemental Indenture.

“Issue Date” shall mean for the Series of Bonds to be issued, the date of issuance and delivery of such Bonds to the Underwriters or purchasers thereof set forth in a Supplemental Indenture.

“Letter of Representations” shall mean when all the Bonds of a Series are Book Entry Bonds, the related Letter of Representations, dated March 14, 2023, executed by the City and delivered to the Securities Depository and any amendments thereto or successor agreements between the City or the Trustee and any successor Securities Depository, relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to the Bonds of such Series.

“MARB Act” means Chapter 117, Sections 7-560 through 7-599, of the Connecticut General Statutes.

“Moody’s” means Moody’s Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City, by notice to the Trustee.

“Municipal Accountability Review Board” means the Municipal Accountability Review Board established pursuant to Section 7-576d of the MARB Act.

“Office of the Paying Agent” means the designated office or offices of the Paying Agent, which office or offices at the date hereof are set out in Section 11.04.

“Office of the Trustee” means the designated corporate trust office or offices of the Trustee, which office or offices at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Indenture are set out in Section 11.04.

“Official Statement” means an Official Statement of the City relating to a Series of Bonds, containing information, data and statistics concerning the City, the State, the Bonds and other information, and the appendices thereto.

“Outstanding,” in connection with Bonds means, as of the date in question, all Bonds authenticated and delivered under this Indenture, except:

- (a) Bonds theretofore cancelled or delivered to the Trustee for cancellation under Section 2.11;
- (b) Bonds which are deemed to be no longer Outstanding in accordance with Article IX; and
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the City or the State (unless all of the Outstanding Bonds are then owned by the City or the State) shall be disregarded for the purpose of any such determination.

“Paying Agent” or “Co-Paying Agent” means any national banking association, state bank, bank and trust company or trust company appointed by the City and meeting the qualifications of, and subject to the obligations of, the Trustee in Article VIII. Initially, the Trustee shall be the Paying Agent.

“Person” or “person” means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledged Revenues” means (i) the Contract Assistance Payments (as defined in the Assistance Agreement) to be made by the State pursuant to the Assistance Agreement with respect to Refunding Bonds (as defined in the Assistance Agreement) listed on Exhibit B to the Assistance Agreement and (ii) any interest earned or gains realized by the investment of moneys held by the Trustee in the Funds and Accounts created under this Indenture, which are treated hereunder as Pledged Revenues and which constitute a part of the Trust Estate. Pledged Revenues do not include Contract Assistance Payments with respect to Eligible Bonds (as defined in the Assistance Agreement).

“Rating Service” means Moody’s, S&P, and any nationally recognized securities rating service that shall have assigned a rating that is then in effect with respect to the Bonds upon application of the City.

“Rebate Amount” has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on nonpurpose investments over the future value of all payments on nonpurpose investments all as determined in accordance with Section 1.148-3 of the Regulations.

“Rebate Fund” means the fund so designated which is described in Section 4.06.

“Record Date” shall mean for the Series of Bonds to be issued, the dates set forth in a Supplemental Indenture.

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

“Responsible Officer,” when used with respect to the Trustee, means any officer in the corporate trust department (or any successor thereto) of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions

similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Resolution" means the bond resolution adopted by the Common Council on March 27, 2023, authorizing the issuance of the Bonds.

"Securities Depository" means DTC or any other Person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

"Series" or "Series of Bonds" means the Series 2023 Bonds and any Additional Bonds so designated pursuant to a Supplemental Indenture in compliance with Section 2.07 or Section 2.13 hereof, as applicable.

"Series 2023 Bonds" means the City's \$124,950,000 aggregate principal amount of Special Obligation Refunding Bonds (State Contract Assistance), Series 2023, the first Series of Bonds issued pursuant to this Indenture.

"S&P" means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City, by notice to the Trustee.

"State" means the State of Connecticut.

"STIF" means the Short-Term Investment Fund established under Section 3-27a of the Connecticut General Statutes.

"Supplemental Indenture" means any supplemental indenture entered into by the City and the Trustee pursuant to and in compliance with the provisions of Article X hereof providing for the issuance of Bonds pursuant to this Indenture, and shall also mean any other supplemental indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X hereof amending or supplementing the provisions of this Indenture as originally executed or as theretofore amended or supplemented.

"Tax-Exempt Bonds" means any Series of Bonds issued hereunder the interest on which is intended to be excluded from gross income for federal income tax purposes under the Code.

"Tax Regulatory Agreement" means a Tax Regulatory Agreement, by City, including all appendices, certificates and attachments thereto, executed on the date of issuance and delivery of Tax-Exempt Bonds, as it may be amended from time to time.

"Trust Estate" has the meaning set forth in the recitals to this Indenture.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association, and any successor trustee under this Indenture, acting in its trust capacity.

"Underwriters" means for a Series of Bonds to be issued, the underwriters named in the Supplemental Indenture related to such Series of Bonds, if any.

Section 1.02 Rules of Interpretation. For purposes of this Indenture, except as otherwise expressly provided or the context otherwise requires:

- (a) The words "herein," "hereof" and "hereunder" and other similar words refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.
- (b) The definitions in this Article are applicable whether the terms defined are used in the singular or the plural.

- (c) All accounting terms which are not defined in this Indenture have the meanings assigned to them in accordance with then applicable generally accepted accounting principles.
- (d) Any pronouns used in this Indenture include both the singular and the plural and cover both genders.
- (e) Any terms not defined in this Indenture but which are defined in the Assistance Agreement have the same meaning in this Indenture as are given to them in the Assistance Agreement.
- (f) Any terms defined elsewhere in this Indenture have the meanings attributed to them where defined.
- (g) Words referring to the redemption or calling for redemption of Bonds shall not be deemed to refer to the payment of Bonds at their stated maturity.
- (h) The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or sections hereof.
- (i) Any references to Section numbers are to Sections of this Indenture unless stated otherwise.

ARTICLE II

AUTHORIZATION, EXECUTION, AUTHENTICATION, REGISTRATION AND DELIVERY OF BONDS

Section 2.01 Authorization of Bonds; Limitation. The Bonds shall be authorized by the City pursuant to a Resolution adopted by the Common Council, subject to the approval of the Secretary and the State Treasurer pursuant to the Assistance Agreement. The Bonds shall be issued as special, limited bonds of the City in the aggregate principal amount set forth in a Supplemental Indenture and shall be designated “City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 20 __”, or such other name as shall be determined by the City, the Secretary and the State Treasurer. Bonds shall be issued pursuant to the requirements of Section 2.07 and a Supplemental Indenture described in Article X. Additional Bonds shall be issued pursuant to the requirements of Section 2.13 and a Supplemental Indenture described in Article X. No obligations may be issued by the City (a) which are senior in claim on the Trust Estate to the Bonds, (b) which, other than Additional Bonds, have a claim on the Trust Estate on parity with the Bonds or (c) which are junior or subordinate in claim on the Trust Estate to the Bonds.

Section 2.02 Bonds Special Limited Obligations. The Bonds shall be special, limited obligations of the City, payable solely from the Trust Estate. The Bonds shall constitute a valid claim of the respective owners thereof against the Trust Estate, which is pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, and which shall be utilized for no other purpose, except as expressly authorized in this Indenture and the respective Supplemental Indenture. The Bonds shall not constitute general obligations of the City and under no circumstances shall the Bonds be payable from, nor shall the holders thereof have any rightful claim to, any income, revenues, funds or assets of the City other than those pledged hereunder as security for the payment of the Bonds.

All Bonds shall contain on the face thereof a statement to the effect that:

THE BONDS ARE PAYABLE SOLELY FROM CONTRACT ASSISTANCE PAYMENTS BY THE STATE UNDER THE ASSISTANCE AGREEMENT. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Section 2.03 Details of Bonds. The Bonds shall be issued in Authorized Denominations, shall be dated, shall be numbered, shall bear interest from the Issue Date or another date at the rates per annum calculated on a basis, payable on the Interest Payment Dates, and mature on the dates set forth in a Supplemental Indenture.

The principal of and redemption premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Principal of and redemption premium, if any, the Bonds shall be payable by the Paying Agent upon presentation and surrender of the Bonds as they become due at the principal Office of the Paying Agent. Interest on Bonds shall be payable by the Paying Agent to the Bondholders of Bonds by check or draft mailed to such Bondholders at their addresses as they appear on the Bond Register on the Record Date.

If any principal of, redemption premium, if any, or interest on a Bond is not paid when due (whether at maturity or call for redemption or otherwise), then the overdue installments of principal and, to the extent permitted by law, interest and redemption premium, if any, shall bear interest until paid at the same rate set forth in such Bonds.

Section 2.04 Execution of Bonds. The Bonds shall be signed by the manual or facsimile signature of the Authorized Officers of the City and approved as to form by the Corporation Counsel of the City. The Bonds shall bear the seal of the City or a facsimile thereof will be affixed to or imprinted on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery.

Section 2.05 Authentication of Bonds. The Bonds shall bear a certificate of authentication, substantially in the form set forth in Appendix A, duly executed by the Trustee. The Trustee shall authenticate each Bond with the manual signature of a Responsible Officer of the Trustee, but it shall not be necessary for the same Responsible Officer to authenticate all of the Bonds of a Series. Only such authenticated Bonds shall be entitled to any right or benefit under this Indenture. Such certificate on any Bond issued hereunder shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

Section 2.06 Forms of Bonds. The form of each Series of Bonds shall be substantially in the form set forth in Appendix A, with such appropriate variations, legends, omissions and insertions as permitted or required by this Indenture and the Supplemental Indenture.

Section 2.07 Delivery of the Series 2023 Bonds. The Trustee shall authenticate and deliver the Series 2023 Bonds when there have been filed with it the following:

(a) a copy certified by the Attesting Officer of the City of the Resolution authorizing (1) the execution and delivery of this Indenture and the Supplemental Indenture for the Series 2023 Bonds, providing for, among other things, the date, rate or rates of interest on, Interest Payment Dates, maturity dates and redemption provisions of the Series 2023 Bonds and (2) the sale, issuance, execution and delivery of the Series 2023 Bonds;

(b) an executed counterpart of this Indenture;

(c) an executed counterpart of the Supplemental Indenture for the Series 2023 Bonds;

(d) an amendment or supplement to the Assistance Agreement providing for the payments on the Series 2023 Bonds to be supported, including the amount, time and manner of payments pursuant to the Assistance Agreement;

(e) an opinion or opinions of Bond Counsel, addressed to the City and the Trustee, to the effect that the Indenture or the Supplemental Indenture and the Series 2023 Bonds have each been validly authorized, are binding and enforceable against the City, subject to bankruptcy and equitable principles, that the issuance of the Series 2023 Bonds has been duly authorized, and with respect to the federal and state tax treatment of the interest on the Series 2023 Bonds;

(f) evidence of the approval of the issuance of the Series 2023 Bonds by the Municipal Accountability Review Board, if required under the MARB Act;

(g) evidence of the approval of the issuance of the Series 2023 Bonds by the Secretary and the State Treasurer, which will be conclusively evidenced by the execution and delivery of the amendment or supplement to the Assistance Agreement referred to in subsection (d) above;

- (h) an executed Tax Regulatory Agreement;
- (i) executed Continuing Disclosure Agreements; and
- (j) a request and authorization of the City, signed by an Authorized Officer, to the Trustee to authenticate and deliver the Series 2023 Bonds to such person or persons named therein upon confirmation of payment for the account of the City, or its designee, of a specified sum with directions as to the disposition of such of such sum.

Simultaneously with the delivery of the Series 2023 Bonds, the Trustee shall apply, or arrange for the application of, the proceeds thereof in accordance with the written directions of the City dated the Issue Date.

Section 2.08 Registration of Transfer and Exchange of Bonds; Persons Treated as Bondholders.

The Trustee shall act as initial bond registrar (the “Bond Registrar”) and in such capacity shall maintain a bond register (the “Bond Register”) for the registration and transfer of Bonds. Upon surrender of any Bonds at the Office of the Trustee, together with an assignment duly executed by the current Bondholder of such Bonds or such Bondholder’s duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations and bearing interest at the same rate and in the same form as the Bonds surrendered for exchange, registered in the name or names requested by the assignee of the then Bondholder; provided the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part. The City shall execute and the Trustee shall authenticate any Bonds whose execution and authentication is necessary to provide for exchange of Bonds pursuant to this Section and the City may rely on a representation from the Trustee that such execution is required.

The Trustee may make a charge to any Bondholder requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto but will not impose any other charge.

Prior to due presentment for registration of transfer of any Bond, the Trustee shall treat the Person shown on the Bond Register as owning a Bond as the Bondholder and the Person exclusively entitled to payment of principal thereof, redemption premium, if any, and interest thereon and, except as otherwise expressly provided herein, the exercise of all other rights and powers of the owner thereof, and neither the City, the Trustee nor any agent of the City or the Trustee shall be affected by notice to the contrary.

Section 2.09 Temporary Bonds. Prior to the preparation of definitive Bonds of a Series, the City may issue temporary Bonds in registered form and in such denominations as the City may determine but otherwise in substantially the form provided for definitive Bonds of such Series with appropriate variations, omissions and insertions. The City shall promptly prepare, execute and deliver to the Trustee before the first Interest Payment Date for such Bonds, definitive Bonds and, upon presentation and surrender of Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor definitive Bonds the same maturity for the same aggregate principal amount. Until exchanged for definitive Bonds, Bonds in temporary form shall be entitled to the lien and benefit of this Indenture.

Section 2.10 Mutilated, Lost or Destroyed Bonds. If any Bond has been mutilated, lost or destroyed, the City shall execute, and the Trustee shall authenticate and deliver to the Bondholder, a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond but only if the Bondholder has paid the reasonable expenses and charges of the City and the Trustee (including attorneys’ fees) in connection therewith and, in the case of a lost or destroyed Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Bond was lost or destroyed and (b) furnished to the Trustee and the City indemnity satisfactory to each. If any such Bond has matured or been called for redemption and is payable, instead of issuing a new Bond the Trustee may pay the same without issuing a replacement Bond.

If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the City in connection therewith.

Section 2.11 Cancellation and Disposition of Bonds. The City may deliver Bonds to the Trustee for cancellation at any time and for any reason and the Trustee is hereby authorized to cancel such Bonds. All Bonds that have been paid (whether at maturity, upon redemption or pursuant to Section 3.04) or delivered to the Trustee for cancellation shall not be reissued. Unless otherwise directed by the City, the Trustee shall treat such Bonds in accordance with its document retention policies or as may be directed by state law.

Section 2.12 Securities Depository Provisions. Bonds shall be issued as Book Entry Bonds or physical Bonds registered in the name of the purchaser. Book Entry Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and the City shall execute and deliver a Letter of Representations with DTC. All payments of principal of and redemption premium, if any, and interest on Book Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of this Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent.

The book-entry registration system for Book Entry Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners as directed by the City to the Registrar, under either of the following circumstances:

(a) DTC notifies the City and the Trustee that it is no longer willing or able to act as Securities Depository for the Book Entry Bonds and a successor Securities Depository for the Book Entry Bonds is not appointed by the City prior to the effective date of such discontinuation; or

(b) The City determines that continuation of the book-entry system through DTC (or a successor securities depository) is not in the best interest of the Owners of the Book Entry Bonds.

In the event a successor Securities Depository is appointed by the City, the Book Entry Bonds will be registered in the name of such successor Securities Depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee and the City shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Book Entry Bonds held by such Beneficial Owners.

The Beneficial Owners of Book Entry Bonds will not receive physical delivery of certificates except as provided herein. For so long as there is a Securities Depository for Bonds, all of such Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership interests in such Bonds will be made in accordance with the rules of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any certificate. The City and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Bonds.

The City and the Trustee will recognize the Securities Depository or its nominee as the Bondholder of Book Entry Bonds for all purposes, including receipt of payments, notices and voting; provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Bondholders of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the rules of the Securities Depository or the provisions of the Letter of Representations or other comparable evidence delivered to the Trustee by the Bondholders or as provided in Sections 8.10 and 11.11 of this Indenture.

With respect to Book Entry Bonds, the City and the Trustee shall be entitled to treat the Person in whose name such Bond is registered as the absolute owner of such Bond for all purposes of this Indenture, and neither the City nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book Entry Bond. Without limiting the immediately preceding sentence, neither the City nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book Entry Bonds, (b) the delivery to any Person, other than a Bondholder, of any notice with respect to Book Entry Bonds, including any notice of redemption or refunding, (c) the selection of the particular Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Bonds Outstanding or (d) the payment to any Person, other than a Bondholder, of any amount with respect to the principal of, redemption premium, if any, or interest on Book Entry Bonds.

Section 2.13 Additional Bonds. The City will not issue any other bonds or obligations having a lien on the Trust Estate except for Additional Bonds issued pursuant to this Section. Additional Bonds may be issued, and the Trustee shall authenticate and deliver such Additional Bonds, when there have been filed with it the following:

(a) a copy of the Resolution certified by the Attesting Officer of the City that such Resolution, as amended, modified or supplemented to date, has not been repealed, rescinded or revoked and remains in full force and effect;

(b) an executed counterpart of the Supplemental Indenture;

(c) an executed amendment or supplement to the Assistance Agreement providing for the payments on the Bonds to be supported, including the amount, time and manner of payments pursuant to the Assistance Agreement;

(d) an opinion or opinions of Bond Counsel, addressed to the City and the Trustee, to the effect that issuance of the Additional Bonds is permitted under this Indenture, the Supplemental Indenture and the Additional Bonds have each been validly authorized, are binding and enforceable against the City, subject to bankruptcy and equitable principles, the issuance of the Additional Bonds has been duly authorized, and with respect to the federal and state tax treatment of the interest on the Additional Bonds;

(e) evidence of the approval of the issuance of the Series of Bonds by the Municipal Accountability Review Board, if required under the MARB Act;

(f) evidence of the approval of the issuance of the Additional Bonds by the Secretary and the State Treasurer, which will be conclusively evidenced by the execution and delivery of the amendment or supplement to the Assistance Agreement referred to in subsection (c) above;

(g) a certificate of the City, signed by an Authorized Officer, that an Event of Default under subsections (a), (b), (c) or (d) of Section 7.01 hereof has not occurred and is continuing;

(h) an executed Tax Regulatory Agreement with respect to Additional Bonds which are Tax Exempt Bonds;

(i) executed Continuing Disclosure Agreements; and

(j) a request and authorization of the City, signed by an Authorized Officer, to the Trustee to authenticate and deliver the Additional Bonds to such person or persons named therein upon confirmation of payment for the account of the City of a specified sum with directions as to the disposition of such of such sum.

Simultaneously with the delivery of Additional Bonds, the Trustee shall apply, or arrange for the application of, the proceeds thereof in accordance with directions of the City dated the Issue Date.

ARTICLE III REDEMPTION OF BONDS

Section 3.01 Redemption Dates and Prices. The Bonds shall be subject to redemption as set forth in a Supplemental Indenture and this Article III.

Section 3.02 Selection of Bonds for Redemption. If less than all of a Series of Bonds are called for redemption, they shall be redeemed from maturities in such order as determined in writing by the City and the State Treasurer, and by lot within any maturity (provided, however, that if an Event of Default has occurred and is continuing, any Bonds called for redemption shall be redeemed in proportion by maturity and within maturities by lot), subject to selection by the Trustee as provided below. The portion of any Bond to be redeemed shall be an Authorized Denomination or any multiple thereof and in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If a portion of a Bond shall be called for redemption pursuant to Article IX,

a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Bondholder upon the surrender thereof. If for any reason the principal amount of Bonds called for redemption would result in a redemption of Bonds less than the Authorized Denomination, the Trustee, to the extent possible within the principal amount of Bonds to be redeemed, is hereby authorized to adjust the selection of Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the Securities Depository for Book Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

Section 3.03 Notice of Redemption.

(a) When Bonds (or portions thereof) are to be redeemed, the City shall give or cause to be given notice of the redemption of the Bonds to the Trustee no less than forty-five (45) days prior to the redemption date or such shorter time as may be set forth in the applicable Supplemental Indenture and acceptable to the Trustee. In the case of an optional redemption, the notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in subsection (d) of this Section. The Trustee, at the expense of the City, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date and the method and place of payment and the information required by subsection (b) of this Section, by first class mail to each holder of a Bond called for redemption to the holder’s address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail no less than thirty (30) days, but no more than sixty (60) days prior to the scheduled redemption date. With respect to Book Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. If notice is given as stated in this paragraph (a), failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(b) In addition to the foregoing, the redemption notice shall contain with respect to each Bond being redeemed, (1) the CUSIP number, (2) the date of issue, (3) the interest rate, (4) the maturity date, (5) the principal amount being redeemed, (6) the redemption premium, if any, and (7) any other descriptive information determined by the Trustee to be needed to identify the Bonds. If a redemption is a Conditional Redemption, the notice shall so state. The Trustee shall also send each notice of redemption at least thirty (30) days before the redemption date to (A) the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board (“MSRB”) or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission, and (B) as directed in writing by the City in such manner as may be required or suggested by regulations or market practice at the applicable time.

(c) On or before the date fixed for redemption, subject to the provisions of subsections (a) and (d) of this Section, moneys shall be deposited with the Trustee, not later than 11:00 a.m. (New York City time), to pay the principal of and redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. Upon the deposit of such moneys, unless the City has given notice of rescission as described in subsections (a) and (d) of this Section, the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of this Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

(d) Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the City delivers written directions not later than 5:00 p.m. (New York City time) on the second Business Day prior to the scheduled redemption date, to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders in the same manner in which the notice of redemption was given. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default.

Section 3.04 Purchase at Any Time. The Trustee, upon the written request of the City at the direction of the State Treasurer, shall purchase Bonds as specified by the City at the direction of the State Treasurer in the open market at a price not exceeding a price set by City and the State Treasurer. Such purchase of Bonds shall be made

with funds provided separately by the State. Upon purchase by the Trustee, such Bonds shall be treated as delivered for cancellation pursuant to Section 2.11. Nothing in this Indenture shall prevent the City or the State from purchasing Bonds on the open market without the involvement of the Trustee and delivering such Bonds to the Trustee for cancellation pursuant to Section 2.11 and in accordance with the procedures of the Securities Depository. The principal amount of Bonds to be redeemed by optional redemption under this Indenture may be reduced by the principal amount of Bonds purchased by the City or the State and delivered to the Trustee for cancellation at least forty-five (45) days prior to the redemption date.

ARTICLE IV FUNDS AND ACCOUNTS

Section 4.01 Creation of Funds and Accounts. The following funds are hereby authorized to be created and the proceeds of the Bonds and all Pledged Revenues received by the Trustee are, subject to the provisions of Section 7.08, to be deposited by it in the Funds described herein and held in trust for the purposes set forth herein:

- (a) Bond Proceeds Fund;
 - (1) Costs of Issuance Account;
- (b) Debt Service Fund; and
- (c) Rebate Fund.

Section 4.02 Bond Proceeds Fund. The Bond Proceeds Fund shall be used for the receipt of the proceeds of Bonds and the payment of Costs of Issuance to be paid from the proceeds of Bonds. The Bond Proceeds Fund shall consist of the amounts required or permitted to be deposited therein pursuant to any provision hereof, and the proceeds of the Bonds shall be deposited therein in the amount set out in written direction of the City. Separate accounts within the Bond Proceeds Fund shall be maintained by the Trustee if the City determines that separate accounts are desirable with respect to each Series of Bonds. There shall be deposited into the applicable Series Account of the Bond Proceeds Fund, only the amount of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Supplemental Indenture authorizing such Series of Bonds, in accordance with and subject to the provisions of Article X hereof. Payments from the Bond Proceeds Fund, including any account so established, shall be made by the Trustee as follows:

(a) Payments from the Bond Proceeds Fund shall be made as set forth in a Supplemental Indenture allocating such amounts or upon receipt by the Trustee of a written direction or requisition executed by an Authorized Officer of the City in the form acceptable to the Trustee.

(b) Notwithstanding anything to the contrary herein, to the extent an Event of Default described in Subsection (a) or (b) of Section 7.01 shall have occurred and be continuing and no other moneys are available under this Indenture to cure such Event of Default, moneys on deposit in the Bond Proceeds Fund shall be applied by the Trustee in accordance with Article VII.

Section 4.03 Debt Service Fund.

(a) The Trustee shall deposit into the Debt Service Fund, or transfer to the Paying Agent if then due to be paid, (1) all payments hereafter received from the State for deposit in such Fund pursuant to the Assistance Agreement and (2) all other amounts required or permitted hereunder to be deposited in the Debt Service Fund.

(b) Moneys on deposit in the Debt Service Fund, or transferred to the Paying Agent, shall be applied as follows:

- (1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds; and

(2) to the payment, when due, of the principal or sinking fund installment of or redemption premium on the Bonds then payable at maturity or upon redemption.

Section 4.04 Reserved.

Section 4.05 Pledged Revenues to Be Held for All Bondholders. With certain exceptions, until applied as herein provided and except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting the application of such moneys to particular Bonds, the moneys and investments held in all Funds (other than amounts required to be on deposit in the Rebate Fund) established hereunder and the proceeds of any remedies exercised under Article VII hereof shall be held in trust pursuant to the terms of this Indenture for the equal and proportionate benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest or redemption premium on or principal of any particular Bond or Bonds is due and payable from the Debt Service Fund or, with respect to which a call for redemption has been given and funds for such redemption have been deposited with the Trustee and, if a Conditional Redemption, the rescission date has passed, the unexpended balance of the amount deposited or reserved in the Debt Service Fund for the making of such payments shall, to the extent necessary therefor, be held solely for the benefit of the Bondholder or Bondholders entitled thereto; and (b) any special redemption or escrow fund established pursuant to a Supplemental Indenture or otherwise in connection with the defeasance of any Bonds in accordance with Article IX shall be held for the benefit of the holders of Bonds being defeased.

Section 4.06 Rebate Fund. With respect to a Series of Bonds sold under this Indenture or any Supplemental Indenture hereto issued as Tax-Exempt Bonds, when so directed in writing by an Authorized Officer of the City or the State, the Trustee shall deposit to the Rebate Fund any moneys (i) held by it under any funds or accounts pursuant to this Indenture, (ii) delivered to it by any qualified person for deposit in the Rebate Fund, or (iii) transferred or paid to it by the City in accordance with the provisions of this Section 4.06 for deposit therein. An Authorized Officer of the City shall make such deposit to the Rebate Fund and at such times and in such amounts as shall be set forth in a written determination by an Authorized Officer of the City as necessary to comply with the Code with respect to such Series of Bonds. The City, by written direction to the Trustee, shall cause to be transferred at such times legally available funds of the City as an Authorized Officer of the City shall determine to be necessary to comply with the Code with the respect to such Series of Bonds.

Moneys on deposit in the Rebate Fund shall be applied by the Trustee as directed in writing by an Authorized Officer of the City to pay Rebate Amounts to the Department of the Treasury of the United States of America at such times as the City shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. At any time and from time to time, moneys which the Authorized Officer of the City determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account held pursuant to this Indenture, including the Bond Proceeds Fund, in accordance with a written direction of such Authorized Officer.

Section 4.07 Disposition of Unclaimed Funds. Notwithstanding any provisions of this Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent for the payment of principal of, redemption premium of or interest on the Bonds remaining unclaimed for three (3) years after the payment thereof, to the extent permitted by applicable law, shall be returned to the State, whereupon all liability of the City and the Trustee with respect to such money shall cease, and the holders of the Bonds shall thereafter look solely to the State for payment of any amounts then due.

Section 4.08 Additional Funds and Accounts. In addition to the funds and accounts specifically authorized under this Article, the Trustee shall have the authority to create and maintain such other funds and accounts as it may deem necessary for proper administration hereunder.

ARTICLE V INVESTMENT OR DEPOSIT OF FUNDS

Section 5.01 Deposits and Security Therefor. All moneys received by the Trustee under this Indenture for deposit in any Fund established hereunder shall be considered trust funds. All moneys on deposit with the Trustee shall, to the extent not insured, be secured in the manner required or permitted by State or other applicable law. Subject to the foregoing requirements as to security, if at any time the commercial department of the Trustee advises that the

City is unwilling to accept such deposits or unable to secure them as provided above, the Trustee will, at the written direction of an Authorized Officer of the City, deposit such moneys with any other depository which is authorized to receive and secure them as aforesaid and the deposits of which are insured by the Federal Deposit Insurance Corporation. All security for deposits shall be perfected in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected lien on or security interest in such security.

Section 5.02 Investment or Deposit of Funds. Moneys on deposit in the Funds established pursuant to Article IV shall be invested and reinvested by the Trustee pursuant to a written direction of an Authorized Officer of the City, as follows:

(a) All moneys on deposit in Funds shall be invested in Eligible Investments which shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

(b) All purchases or sales of Eligible Investments shall be made at the written direction of the City, or in the absence of such direction, by the Trustee in STIF.

(c) (1) Any securities or investments held by the Trustee may be transferred by the Trustee, if required in writing by the City, from any of the Funds or accounts mentioned in Article IV to any other Fund or account mentioned in Article IV at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such transfer or transfers, the investments in each such Fund or account shall be in accordance with the provisions as stated in this Indenture; and (2) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption premiums, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) The Trustee shall not be accountable for any depreciation in the value of Eligible Investments or for any losses incurred upon any authorized disposition thereof.

(e) Subject to the foregoing, the Trustee is expressly authorized to invest moneys in two or more Funds in a single investment, provided that a portion of the investment allocable to each such Fund, and all payments received with respect to such allocable portion, shall be applied in accordance with the applicable provisions governing such Fund hereunder.

(f) The Trustee will furnish each of the City and the State (as set forth in Section 11.04 hereto) monthly cash transaction statements that include, among other information, detail for all investment transactions made by the Trustee hereunder. The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive individual confirmations of security transactions at no additional cost and as they occur, the City specifically waives receipt of such confirmation to the extent permitted by law.

Section 5.03 Valuation of Funds. The Trustee shall determine the market value of the assets in each of the Funds established hereunder upon the written request of an Authorized Officer of the City prior to the date of issuance for a Series of Additional Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the City and the State a report of the status of each Fund as of such date. At the written request of the City or the State, the Trustee shall also advise the State of any amount then available in the Debt Service Fund as a credit against the State's obligation to make any deposits to the Debt Service Fund prior to the next Interest Payment Date on Bonds Outstanding. In computing the value of assets in any Fund, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds. All Eligible Investments that mature within six (6) months of any valuation date or are payable on demand shall be valued at par plus any accrued and unpaid interest.

ARTICLE VI COVENANTS AND AGREEMENTS OF THE CITY

Section 6.01 Covenants and Agreements of the City. In addition to any other covenants and agreements of the City contained in this Indenture, the City further covenants and agrees with the Bondholders and the Trustee as follows:

(a) Payment of Principal, Interest and Redemption Premium. The City will pay all principal of, redemption premium, if any, and interest on the Bonds or cause them to be paid, solely from the sources provided herein, on the dates, at the places and in the manner provided in this Indenture and as set forth in a Supplemental Indenture.

(b) Pledged Revenues and Assignment of Pledged Revenues. The City will not assign the Pledged Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under this Indenture.

(c) Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under this Indenture to the benefit of this Indenture or to any payment out of any assets of the City or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

(d) Offices for Payment and Registration of the Bonds. If Bonds are issued as physical bonds, the City shall at all times maintain an office or agency in the State where such Bonds may be presented for payment. The City may, pursuant to any Supplemental Indenture or pursuant to a resolution adopted in accordance with Article X hereof, designate an additional Paying Agent or Paying Agents where such Bonds of the Series authorized thereby or referred to therein may be presented for payment. The City shall at all times maintain an office or agency in the State where Bonds issued as physical bonds may be presented for registration, transfer or exchange and the Trustee is hereby appointed as its agent to maintain such office of agency for the registration, transfer or exchange of such Bonds.

(e) Rights and Enforcement of the Assistance Agreement. The Trustee may enforce, in its name or in the name of the City, all rights of the City for and on behalf of the Bondholders, and may enforce all covenants, agreements and obligations of the State under and pursuant to the Assistance Agreement, regardless of whether the City is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The City, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Assistance Agreement, and will take all actions within its authority to keep the Assistance Agreement in effect in accordance with the terms thereof.

Section 6.02 Observance and Performance of Covenants, Agreements, Authority and Actions. The City hereby agrees to observe and perform at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Assistance Agreement, the Resolution, this Indenture, Supplemental Indentures and the Bonds, which are executed, authenticated and delivered under this Indenture, and under all proceedings of the Common Council pertaining thereto.

The City represents and warrants that:

(a) It is duly authorized by the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds, to execute and deliver the Assistance Agreement, this Indenture, Supplemental Indentures and to provide the security for payment of the principal of, redemption premium, if any, and interest on the Bonds in the manner and to the extent set forth in this Indenture.

(b) All actions required on its part to be performed for the issuance, sale and delivery of the Bonds and for the execution and delivery of the Assistance Agreement and this Indenture have been or will be taken duly and effectively; provided no representation is made as to compliance with any state securities or “Blue Sky” laws.

(c) The Bonds will be valid and enforceable special limited obligations of the City according to their terms, subject to bankruptcy and equitable principles.

Section 6.03 Tax Covenants.

(a) The City covenants that it will neither make nor direct the Trustee to make any investment or other use of the proceeds of any Series of Tax-Exempt Bonds issued hereunder that would cause such Series of Tax-Exempt Bonds to be “arbitrage bonds” as that term is defined in Section 148(a) of the Code and that it will comply with the requirements of the Code throughout the term of such Series of Tax-Exempt Bonds.

(b) Notwithstanding the foregoing, and subject to any limitations set forth in the Assistance Agreement, the City hereby reserves the right to issue Bonds the interest on which is not excluded from gross income for purposes for federal income tax purposes, and the covenants contained in this Section shall not apply to such Series of Bonds.

(c) The City covenants that it (1) will take, or use its best efforts to require to be taken, all actions that may be required of the City for the interest on Tax-Exempt Bonds to be and remain excluded from gross income for federal income tax purposes and (2) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

**ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01 Events of Default Defined. Each of the following is an “Event of Default” hereunder:

(a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;

(b) Default in the payment of principal or sinking fund installment of (or redemption premium, if any) on any Bond when it becomes due and payable whether at maturity or upon call for redemption or otherwise;

(c) The amounts as shall be required to be paid pursuant to the Assistance Agreement shall not be allotted and paid by the State for deposit with the Trustee when due;

(d) (1) An Event of Bankruptcy of the City; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official for the City or for any substantial portion of its property; or (3) the ordering of the winding up or liquidation of the affairs of the City; or

(e) Subject to the provisions of Section 7.07, default in the performance, or breach, of any covenant, warranty or representation of the City contained in this Indenture (other than a default under subsections (a) and (b) of this Section).

Section 7.02 Remedies Upon Default.

(a) Upon the happening and continuance of any Event of Default specified in Subsections (a), (b), (c) and (d) of Section 7.01 hereof, the Trustee shall proceed or, upon the happening and continuance of any Event of Default specified in Subsection (e) of Section 7.01 hereof, the Trustee may proceed and, upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if the Event of Default arising from the failure of the City to duly and punctually perform the covenants contained in Section 6.03 hereof which results in the interest on Tax-Exempt Bonds of the Series to which such covenant applies being no longer excluded from gross income under Section 103(a) of the Code, not less than a majority in aggregate principal amount of Bonds then Outstanding of such Series affected thereby, shall proceed, in its own name, subject to the provisions of Section 8.02(d) hereof, to protect and enforce the rights of the Bondholders by such of the following remedies, to

the extent permitted by law, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right of the City to receive Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the City to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;
- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity, to require the City to account as if it were the trustee of an express trust for the holders of the Bonds;
- (4) by action against the State, to the extent permitted by law, to require payment of Contract Assistance Payments with respect to the Bonds, including by filing a claim with the Claims Commissioner of the State as provided by the Connecticut General Statutes; or
- (5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

provided, however, that there shall be no right under any circumstances to accelerate the maturity of the Bonds.

(b) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, due from the City for principal, redemption premium, if any, interest or otherwise, under any provision of this Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) At any time after the declaration of an Event of Default specified in Subsections (a) or (b) of Section 7.01 hereof and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, may by written notice to the City, the State, and the Trustee, and subject to the requirements of Section 8.02(d), direct the Trustee to, rescind and annul such declaration and its consequences if:

(1) there has been paid to or deposited with the Trustee by or for the account of the City, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the principal of, and redemption premium, if any, on any Bonds which have become due and interest thereon; (C) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (D) all sums paid or advanced by the Trustee hereunder, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel prior to the date of notice of rescission; and

(2) all other Events of Default, other than the nonpayment of principal of, redemption premium, if any, and interest on the Bonds, have been cured or waived.

(d) No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Section 7.03 Additional Remedies.

(a) The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, and subject to the requirements of Section 8.02(e), shall: (a) exercise any or all rights of the City under the Assistance Agreement; and

(b) proceed to protect and enforce its rights and the rights of the holders of the Bonds under this Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, and the Trustee in reliance upon the advice of Counsel may deem most effective to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or this Indenture.

(b) Without limiting the generality of the foregoing, the Trustee shall at all times, to the extent permitted by law, have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture, and (2) to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee.

Section 7.04 Marshaling of Assets.

Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Rebate Fund) shall be available to be utilized by the Trustee in accordance with this Article. The rights of the Trustee under Section 8.05 shall be applicable. During the continuance of any such Event of Default, all provisions of this Indenture relating to the utilization of Funds, including but not limited to those set out in Article IV, shall be superseded by this Article. Subsequent to the curing or waiver of any such Event of Default, the provisions of this Indenture relating to utilization of Funds, including the provisions of Article IV, shall be reinstated.

Section 7.05 Trustee May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the Bankruptcy Code relating to the City, any other obligor upon the Bonds or any property of the City, the Trustee (whether or not the principal of the Bonds shall then be due and payable, and whether or not the Trustee shall have made any demand upon the City and the State for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of this Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel) and of the holders allowed in such proceeding; and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each holder to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the expenses (including attorneys' fees), disbursements, advances and reasonable compensation of the Trustee, its agents and Counsel, and any other amounts due the Trustee under Section 8.05.

(b) No provision of this Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any holders of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described in subsection (a) of this Section.

Section 7.06 Possession of Bonds Not Required. All rights under this Indenture and the Bonds may be enforced by the Trustee without possession of any Bonds or the production of them at trial or other proceedings. Any proceedings instituted by the Trustee may be brought in its name for itself or as representative of the Bondholders

without the necessity of joining Bondholders as parties, and any recovery resulting from such proceedings shall, subject to Section 7.08, be for the ratable benefit of the Bondholders.

Section 7.07 Notice and Opportunity to Cure Certain Defaults. No default under Section 7.01(e) shall constitute an Event of Default until written notice of such default shall have been given to the City by the Trustee, with a copy to the State, or by the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, and the City shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. The Trustee shall send a copy of each such notice to the City, but receipt of such notice by the City and the State shall not be a condition precedent to further action by the Trustee.

Section 7.08 Priority of Payment Following Event of Default.

(a) If at any time after the occurrence of an Event of Default the moneys held by the Trustee under this Indenture (other than amounts in the Rebate Fund) shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of remedies in this Article or otherwise, shall, subject to subsections (b) and (c) of this Section, be applied by the Trustee as follows:

(1) first, to the payment of all amounts due the Trustee under Section 8:05;

(2) second, to the payment of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, without discrimination or preference;

(3) third, to the payment of the unpaid principal amount of any of the Bonds which shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest upon the principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of principal due on such date, without any discrimination or preference; and

(4) fourth, to the payment of principal of, interest on and redemption premium, if any, on Bonds called for redemption under Section 3.02, if any;

provided, that funds derived from an Assistance Agreement shall be applied only to Bonds secured by such Assistance Agreement, if any, and such applications shall be made in the above order prior to the application of any other funds to the payment of such Bonds.

(b) If the principal of all Bonds shall have become due and payable, and subject to subsection (a)(1) of this Section regarding payment to the Trustee, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

(c) Whenever moneys are to be applied pursuant to the provisions of this Section, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate

of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 7.09 Bondholders May Direct Proceedings. The owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall, subject to the requirements of Section 8.02(e), have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or this Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Bondholders not parties to such direction or would subject the Trustee to personal liability or expense. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under this Section.

Section 7.10 Limitations on Rights of Bondholders.

(a) No Bondholder shall have any right to pursue any other remedy under this Indenture or the Bonds unless: (1) an Event of Default shall have occurred and is continuing; (2) the owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; (3) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within sixty (60) days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding.

(b) The provisions of subsection (a) of this Section are conditions precedent to the exercise by any Bondholder of any remedy hereunder. The exercise of such rights is further subject to the provisions of Sections 7.09, 7.11 and 7.14. No one or more Bondholders shall have any right in any manner whatever to enforce any right under this Indenture, except in the manner herein provided. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner herein provided for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

Section 7.11 Unconditional Right of Bondholder to Receive Payment. Notwithstanding any other provision of this Indenture, any Bondholder shall have the absolute and unconditional right to receive payment of principal of, redemption premium, if any, and interest on the Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

Section 7.12 Restoration of Rights and Remedies. If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under this Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Bondholder, then the Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

Section 7.13 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given hereunder or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.14 Delay or Omission Not Waiver. No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Bondholders, as the case may be.

Section 7.15 Waiver of Defaults.

(a) The holders of not less than a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to the requirements of Section 8.02(e), waive any existing default or Event of Default and its consequences, except an Event of Default under Section 7.01(a) or (b). Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

(b) Notwithstanding any provision of this Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under this Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Tax Exempt Bonds becoming includable in gross income for federal income tax purposes.

Section 7.16 Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 8.02(h), the Trustee shall give Immediate Notice thereof to the City and the State. Within ninety (90) days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each holder of Bonds then Outstanding, provided, however, that except in the instance of an Event of Default under Section 7.01(a) or (b), the Trustee may withhold such notice to Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Bondholders, and provided, further, that notice to Bondholders of any Event of Default under Section 7.01(e) shall be subject to the provisions of Section 7.07 and shall not be given until the grace period has expired.

Section 7.17 Right to Cure. If the City shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform and as a result, a default or Event of Default occurs or may occur, the State shall have the right to perform such act or pay such amount on behalf of the City and thereby cure or prevent such default or Event of Default.

**ARTICLE VIII
THE TRUSTEE**

Section 8.01 Duties and Responsibilities of the Trustee.

(a) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee that conform to the requirements of this Indenture; but the Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of this Indenture.

(b) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing and has not been cured within any applicable grace period, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was grossly negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Bondholders under any provision of this Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) The Trustee shall maintain records of all investments and disbursements of proceeds in the funds and accounts established pursuant to this Indenture through the date ending six (6) years following the date on which all the Bonds and Additional Bonds have been retired.

(e) Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section.

Section 8.02 Certain Rights of the Trustee. Except as otherwise provided in Section 8.01:

(a) the Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever in the administration of this Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of gross negligence or willful misconduct on its part, rely upon an Officer's Certificate;

(c) the Trustee may consult with Counsel and the written advice of such Counsel or an opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it and in accordance with such advice or opinion;

(d) the Trustee is under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of not less than a majority in aggregate principal amount of the Bonds;

(e) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, in person or by agent or attorney;

(f) the Trustee may execute any of its trusts or powers or perform any duties under this Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 8.05, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(g) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except Events of Default under Section 7.01(a) and (b), unless a Responsible Officer of the Trustee has

actual knowledge thereof or has received notice in writing of such default or Event of Default from the City, the holders of at least 25% in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(h) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture;

(i) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(j) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Indenture and final payment of the Bonds;

(k) the permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so; and

(l) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Section 8.03 Trustee Not Responsible for Recitals. The recitals contained in this Indenture and in the Bonds (other than the certificate of authentication on the Bonds) are statements of the City and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the City therein, the security provided thereby or by this Indenture, or the tax-exempt status of the Bonds. The Trustee is not accountable for the use or application by the City of any of the Bonds or the proceeds of the Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Indenture or the Assistance Agreement.

Section 8.04 Trustee May Own Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the City and may act as depository, trustee or agent for any committee of Bondholders secured hereby or other obligations of the City as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

Section 8.05 Compensation and Expenses of the Trustee. The City covenants and agrees:

(a) to pay to the Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Bonds to which the Trustee is a party in accordance with terms agreed to from time to time, and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee (for its services as Trustee, Bond Registrar, Paying Agent, certifying agent, authenticating agent, transfer agent or as otherwise set forth herein) in accordance with any provision of this Indenture, any other agreement relating to the Bonds to which it is a party or in complying with any request by the City or any Rating Service with respect to the Bonds, including the reasonable compensation, expenses and disbursements of its agents and Counsel, except any such expense, disbursement or advance attributable to the Trustee's gross negligence or willful misconduct; and

(c) to indemnify, defend and hold the Trustee harmless from and against any loss, liability or expense incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under this Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or thereunder.

In the event the Trustee incurs expenses or renders services in any proceedings under Bankruptcy Law relating to the City, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under Bankruptcy Law.

As security for the performance of the obligations of the City under this Section, the Trustee shall have a lien prior to the lien securing the Bonds, which it may exercise through a right of setoff, upon all property or funds held or collected by the Trustee pursuant to this Indenture (other than moneys in the Rebate Fund). The obligations of the City to make the payments described in this Section shall survive discharge of this Indenture, the resignation or removal of the Trustee and payment in full of the Bonds.

Section 8.06 Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$50,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

Section 8.07 Resignation or Removal of Trustee; Appointment of Successor Trustee.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.08.

(b) The Trustee may resign at any time by giving written notice to the City and the State. Upon receiving such notice of resignation, the City, with the written approval of the State, shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee or any holder of a Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the City, with the written approval of the State, or the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by an Authorized Officer of the City or such holders, as the case may be, and delivered to the Trustee, the City and holders of the Outstanding Bonds.

(d) If at any time: (1) the Trustee shall cease to be eligible and qualified under Section 8.06 and shall fail or refuse to resign after written request to do so by the City or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the City may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (c) of this Section; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) The City shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to the State and each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

Section 8.08 Acceptance of Appointment by Successor Trustee.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the City, the State and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the City or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under this Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all the Trust Estate and moneys and other property then held under this Indenture, subject, however, to the lien provided for in Section 8.05. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

(b) No successor Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 8.06.

Section 8.09 Merger, Succession or Consolidation of Trustee. Any corporation or association: (a) into which the Trustee is merged, converted or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action on the part of any parties hereto. Any such successor must nevertheless be eligible and qualified under the provisions of Section 8.06.

Section 8.10 Notices to Bondholders; Waiver. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by each event, at his or her address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, the Trustee, on behalf of the City, at the expense of the City, shall maintain a register (the "Beneficial Owner Register") in which the Trustee shall record the name and address of any person that is identified to the Trustee as a beneficial owner of an interest in the Bonds and for which the Trustee has: (i) information sufficient to permit delivery of first class mail and (ii) either: (x) a certificate executed, as depository or securities intermediary, by any trust company, bank, banker or member of a national securities exchange (wherever situated), if such certificate is in form satisfactory to the Trustee, or (y) a certificate or affidavit of the Person executing such instrument or writing as a beneficial owner if such certificate or affidavit is in form satisfactory to the Trustee or (z) such other instrument or writing as the Trustee deems sufficient for the purposes of this Section. The Trustee and the City shall not be responsible for the accuracy of the Beneficial Owner Register, and no Person listed in the Beneficial Owner Register shall be entitled to any rights under this Indenture other than the right to receive notices in the manner provided in the following paragraph.

For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, where this Indenture provides for notice to the Bondholders of the existence of, or during the continuance of, any Event of Default or at any time upon the written request of the City or the State, the Trustee, at the expense of the City, shall: (i) establish a record date (the "Record Date") for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Bonds affected by such notice as of the Record Date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each Depository Participant identified in the securities position

listing as holding a position in the Bonds as of the Record Date for the notice, to each Person listed in the Beneficial Owner Register, to each nationally recognized municipal securities information repository and state information depository (within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934), and to any Person identified to the Trustee as a non-objecting beneficial owner pursuant to the immediately following clause; (iv) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including non-objecting beneficial owners, or retransmit the notice to objecting beneficial owners and provide a listing of nonobjecting beneficial owners for whom the Depository Participant served as nominee on the Record Date to the Trustee, (v) provide on behalf of the State and not as its agent, an undertaking of the City to pay to any Depository Participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the Depository Participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to the Bondholders given in accordance with the first paragraph of this Section, nor the validity of any action taken under this Indenture in reliance on such notice to Bondholders.

Where this Indenture provides for notice to the Bondholders of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Bonds; (ii) the complete name of the City; (iii) the entire nine-digit CUSIP number of each affected maturity of the Bonds; (iv) the Record Date; and (v) a summary that is no more than the maximum number of characters permitted by the Securities Depository.

Any notice required or permitted by this Indenture to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Bondholders and shall be sent to: The Depository Trust Company, Proxy Department, 55 Water Street, 50th Floor, New York, New York 10041-0099, (telecopy: (212) 855-5181), or such other address as may be specified by the Securities Depository in writing to the Trustee.

ARTICLE IX DISCHARGE AND DEFEASANCE

Section 9.01 Discharge.

If (a) the principal of any Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for under Section 9.02, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with this Article, and (b) all of the covenants, agreements, obligations, terms and conditions of the City under this Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the City, shall release this Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the City and shall turn over to the State, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds hereunder except for amounts required to pay such Bonds or held pursuant to Section 4.07.

Section 9.02 Defeasance; Deposit of Funds for Payment of Bonds.

If the City or the State deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of and redemption premium on any particular Bond or Bonds, or portions thereof, becoming due, either at maturity, by means of mandatory sinking fund redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs and expenses of the City and the Trustee due or to become due with respect to such Bonds, all liability of the City with respect to such Bond or Bonds (or portions thereof) shall cease, such Bond or Bonds (or portions thereof) shall be deemed not to be Outstanding hereunder and the holder or holders of such Bond or Bonds (or portions thereof) shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds (or portions thereof), and the Trustee shall hold such moneys, Defeasance Obligations and earnings in trust exclusively for such holder or holders and such moneys, Defeasance Obligations and earnings shall not be a part

of the Trust Estate securing any other Bonds under this Indenture. In determining the sufficiency of the moneys and Defeasance Obligations deposited pursuant to this Section, the Trustee shall receive, at the expense of the City or the State, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the City, the State, and the Trustee; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Article have been satisfied and (2) that defeasance of the Bonds will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance all rights of the City including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Defeasance Obligations are deposited with the Trustee.

When a Bond is deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such money or Defeasance Obligations and except for the provisions of this Section, Section 2.03, 2.04, 2.05, 2.07, 2.08, 2.10, 2.11, 2.12, 4.03 and 11.08 and Article X and the City shall continue to be subject to the provisions of Section 8.05.

Section 9.03 Notice of Defeasance.

(a) If moneys or Defeasance Obligations have been deposited with the Trustee pursuant to Section 9.02 for payment of less than all Bonds of a Series and maturity, the Bonds of such Series and maturity to be so paid from such deposit shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in Authorized Denominations) of the principal of Bonds of such Series and maturity of a denomination larger than the smallest Authorized Denomination. Such selection shall be made within seven (7) days after the moneys or Defeasance Obligations have been deposited with the Trustee. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds in Article III. After such selection is made, Bonds that are to be paid from such deposit (including Bonds issued in exchange for such Bonds pursuant to the transfer or exchange provisions of this Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Bondholders whose Bonds (or portions thereof) have been selected for payment from the moneys or Defeasance Obligations on deposit and shall direct such Bondholders to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such deposit pursuant to this subsection shall be conclusive and binding on the City.

The City shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of the deposit of moneys or Defeasance Obligations, the selection of Bonds to be redeemed including CUSIP numbers and the anticipated date of redemption. The Trustee shall promptly give such notice to the Bondholders including the information required under Section 3.04.

(b) In case any of the Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to Section 9.02, are to be redeemed on any date prior to their maturity, the City, in addition to any notice required under subsection (a) of this Section, shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds as provided in Section 3.04.

(c) In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding ninety (90) days, the Trustee shall give further notice to the Bondholders that the deposit required by Section 9.02 has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date or dates upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on said Bonds; such further notice shall be given promptly following the making of the deposit required by Section 9.02; and such further notice also shall be given in the manner set forth in Section 3.04(b); but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

(d) If the City has retained any rights pursuant to the last sentence of Section 9.02, notice thereof shall be sent to Bondholders of such Bonds as soon as practicable and not later than any notice required by subsections (a) or (b) of this Section.

ARTICLE X SUPPLEMENTAL INDENTURES AND AMENDMENTS

Section 10.01 Supplemental Indentures Without Bondholders' Consent. The City and the Trustee may from time to time and at any time enter into Supplemental Indentures, without the consent of or notice to any Bondholder, to effect any one or more of the following:

- (a) cure any ambiguity or defect or omission or correct or supplement any provision herein or in any Supplemental Indenture;
- (b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with this Indenture as then in effect or to subject to the pledge and lien of this Indenture additional revenues, properties or collateral including Defeasance Obligations;
- (c) add to the covenants and agreements of the City in this Indenture other covenants and agreements thereafter to be observed by the City or to surrender any right or power herein reserved to or conferred upon the City which are not contrary to or inconsistent with this Indenture as then in effect or of the State in any Assistance Agreement;
- (d) permit the appointment of a co-trustee under this Indenture;
- (e) modify, alter, supplement or amend this Indenture in such manner as shall permit the qualification of this Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;
- (f) (make any other change herein that is determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change described in Section 10.02 requiring consents of specific Bondholders;
- (g) implement the issuance of Additional Bonds as provided by Section 2.13; or
- (h) if a Series of Bonds are all Book Entry Bonds, amend, modify, alter or replace the Letter of Representations as provided in Section 2.12 or other provisions relating to Book Entry Bonds.

The Trustee shall not be obligated to enter into any such Supplemental Indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture.

Section 10.02 Supplemental Indentures Requiring Bondholders' Consent. The City and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to this Indenture, but only with the written consent, given as provided in Section 10.03, of the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of not less than a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate, or the money or assets pledged under this Indenture or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of Section 7.15. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however,

that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any Supplemental Indenture executed pursuant to this Section or Section 10.01 shall be given to the Bondholders promptly following the execution thereof by the City and the Trustee.

Section 10.03 Consents of Bondholders and Opinions. Each Supplemental Indenture executed and delivered pursuant to the provisions of Section 10.02 shall take effect only when and as provided in this Section 10.03. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders, at the expense of the City, by registered or certified class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the Supplemental Indenture when consented to as provided hereinafter. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified in Section 10.02 given as provided in Section 11.11, and (b) the opinion of Counsel described in Section 10.06. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (a) and (b) of this Section.

Notwithstanding anything else herein, if a Supplemental Indenture is to become effective under Section 10.02 on the same date as the date of issuance of Additional Bonds, the consents of the Underwriters or purchasers of such Additional Bonds shall be counted for purposes of Section 10.02 and this Section.

Section 10.04 Exclusion of Certain Bonds. Bonds which are to be disregarded under the last sentence of the definition of "Outstanding" shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article. At the time of any consent or other action taken under this Article or elsewhere in this Indenture, the City shall furnish the Trustee an Officer's Certificate of the City upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 10.05 Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in this Article may, and, if the City so determines, shall bear a notation by endorsement or otherwise in form approved by the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of such Bond for the purpose at the Office of the Trustee, or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Trustee as to any such action. If the City shall so determine, new Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder for Bonds then Outstanding, upon surrender of such Bonds for Bonds of an equal aggregate principal amount and of the same Series, maturity and interest rate, in any Authorized Denomination.

Section 10.06 Delivery of Counsel's Opinion with Respect to Supplemental Indentures. Subject to the provisions of Section 8.01, the Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by this Indenture may rely, and shall be fully protected in relying, on an opinion of Counsel acceptable to it stating that (a) the execution of such Supplemental Indenture is authorized or permitted by this Indenture and (b) all conditions precedent to the execution and delivery of such Supplemental Indenture have been complied with, and an opinion of Bond Counsel that the execution and performance of such Supplemental Indenture shall not, in and of itself, adversely affect the federal income tax status of Tax Exempt Bonds, if applicable. The Trustee may accept and rely upon such opinion of Counsel as conclusive evidence that any Supplemental Indenture executed pursuant to the provisions of this Article complies with the requirements of this Article.

Section 10.07 Effect of Supplemental Indentures. Upon the execution and delivery of any Supplemental Indenture under this Article, this Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of this Indenture for all purposes; and every holder of any Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Security Agreement; Financing Statements. In addition to the assignment by the City of its rights in the Trust Estate to the Trustee, the City hereby acknowledges that, in order to more fully protect, perfect and preserve the rights of the Trustee and the Bondholders in the Trust Estate, the City grants to the Trustee a security interest in and lien on the Trust Estate and the proceeds thereof. The City agrees to file, or cause to be filed, financing statements and continuations thereof in such manner and in such places as may be required by law in order to perfect such security interest and lien. At the time of the issuance of the Bonds and at the required intervals under applicable State law, the Trustee, at the expense of the City, may obtain an opinion of Counsel setting forth what, if any, actions by the City or Trustee should be taken in order to protect, perfect and preserve such security interest and lien. The Trustee shall cooperate with the City, including the filing of any necessary financing statements and continuations thereof.

Section 11.02 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Bondholders any legal or equitable right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the Bondholders as herein provided.

Section 11.03 Severability. If any term or provision of this Indenture or the Bonds shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, and such term and provision shall be valid and enforced to the fullest extent permitted by law.

Section 11.04 Notices. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery or other electronic means addressed as follows:

City:

City of Hartford
Office of the City Treasurer
250 Constitution Plaza, 2nd Floor
Hartford, CT 06103

With a copy to:

Robinson & Cole LLP
280 Trumbull Street
Hartford, CT 06103
Attn: Keisha S. Palmer, Esq.

Trustee and Paying Agent:

U.S. Bank Trust Company, National Association
CityPlace I
185 Asylum Street, 27th Floor
Hartford, CT 06103
Attention: Laurel Casasanta and Juliet Taylor, Corporate Trust
Email: laurel.casasanta@usbank.com and juliet.taylor@usbank.com

State:

The State of Connecticut
Office of the State Treasurer
165 Capitol Avenue
Hartford, CT 06106
Attn: Deputy Treasurer

In case by reason of the suspension of regular mail service, it shall be impracticable to give notice by first class mail of any event to any Bondholder, the City when such notice is required to be given pursuant to any provisions of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice. The City, the Trustee and the State may, by written notice pursuant to this Section, designate any different addresses to which subsequent notices, certificates or other communications shall be sent. A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the City, the State or the Trustee to any one of the others shall also be given to the others. For purposes of this Section and the definition of Immediate Notice, "electronic means" shall mean email or other similar electronic means of communication which produces evidence of transmission; provided, that notices given by email shall be by pdf attachment to such email and are considered received only upon confirmation of receipt by the receiving party (automatic system-generated receipts not constituting confirmation of receipt). All communications hereunder must be in writing (provided that any communication sent to Trustee hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign (or such other digital signature provider as specified in writing to Trustee by the authorized representative)), in English. The City agrees to assume all risks arising out of the use of using digital signatures and electronic methods to submit communications to Trustee, including without limitation, the risk of Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Section 11.05 Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture and no interest shall accrue on the payment so deferred during the intervening period.

Section 11.06 Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but all of which, when taken together, shall

constitute but one and the same instrument, and shall become effective when copies hereof shall be delivered to each of the parties hereto, which copies, when taken together, bear the signatures of each of the parties hereto.

Section 11.07 Applicable Law. This Indenture shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and of the State.

Section 11.08 Limitation of Liability of Officials of the City. Notwithstanding anything to the contrary contained herein, for payment of the obligations of the City under this Indenture and the Bonds, the Trustee, the Bondholders and any other party entitled to seek payment from the City under or to enforce this Indenture and the Bonds will be entitled to look solely to amounts on deposit with and held by the Trustee for the benefit of the Bondholders, subject to the terms of this Indenture and such collateral, if any, as may now or hereafter be given to secure the payment of the obligations of the City under this Indenture and the Bonds, and no other property or assets of the City or any officer or director of the City shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies hereunder, or for any payment required to be made under this Indenture and the Bonds, or for the performance of any of the covenants or warranties contained herein.

Section 11.09 Successors and Assigns. All of the covenants, promises and agreements in this Indenture contained by or on behalf of the City, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 11.10 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents.

Any Officer's Certificate of the City may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, Counsel, unless such official or officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an official or officials of the City stating that the information with respect to such factual matters is in the possession of the City. unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 11.11 Consent of Holders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution.

(b) The Trustee may establish a Record Date for the purpose of identifying Bondholders entitled to issue any such consent, request, direction, approval or instrument.

Section 11.12 PATRIOT Act Notice. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding

of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

(The next page is the signature page.)

IN WITNESS WHEREOF, the City has caused this Indenture to be signed in its name by its Authorized Officers and approved as to form by its Corporation Counsel, and the Trustee, in acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunder duly authorized all as of the day and year first above written.

(Seal)

CITY OF HARTFORD, CONNECTICUT

By: _____
Name: Luke Bronin
Title: Mayor

By: _____
Name: Carmen Sierra
Title: City Treasurer

Approved as to form:

By: _____
Name: Howard Rifkin
Title: Corporation Counsel

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

By: _____
Name:
Title:

APPENDIX A

FORM OF BOND

UNITED STATES OF AMERICA

STATE OF CONNECTICUT

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC AS OWNER OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE TRUSTEE FOR PAYMENT OF PRINCIPAL, AND ANY BOND ISSUED IN REPLACEMENT THEREOF OR SUBSTITUTION THEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, DTC OR ITS NOMINEE, CEDE & CO., HAS AN INTEREST HEREIN.

R-__

CITY OF HARTFORD, CONNECTICUT
SPECIAL OBLIGATION REFUNDING BONDS
(STATE CONTRACT ASSISTANCE), SERIES 20__

<u>MATURITY DATE</u>	<u>DATED</u>	<u>CUSIP NO.</u>
____, 20__	____, 20__	416464__
<u>INTEREST RATE:</u>	____%	
<u>PRINCIPAL AMOUNT:</u>	_____ DOLLARS (\$____,000)	
<u>BONDHOLDER:</u>	_____	

The City of Hartford, Connecticut, a political subdivision of the State of Connecticut (the "City"), for value received, hereby promises to pay (but only out of the Pledged Revenues, as defined in the Indenture hereinafter mentioned, and other assets pledged therefor as hereinafter mentioned) to the registered owner identified above, or registered assigns, on the maturity date identified above (subject to any right of prior redemption hereinafter mentioned), the principal amount identified above in lawful money of the United States of America; and to pay interest on the principal amount hereof in like lawful money from the date of initial authentication and delivery hereof until payment of such principal amount shall be discharged as provided in the Indenture, at the rates per annum as set forth, payable, on ____ and ____ (or, if such day is not a Business Day, on the next succeeding Business Day) in each year, commencing ____, 20__ (each, an "Interest Payment Date"), computed on the basis of a [360-day year

consisting of twelve 30-day months]. The principal hereof is payable upon presentation hereof upon maturity or redemption, at the principal corporate trust office of U.S. Bank Trust Company, National Association, Hartford, Connecticut (together with any successor as paying agent under the Indenture, the "Paying Agent"). Interest hereon is payable to the person whose name appears on the bond registration books of the Trustee, as Bond Registrar, as the owner hereof as of the close of business on the [fifteenth calendar day of the calendar month preceding an Interest Payment Date (or the preceding Business Day if the fifteenth day is not a Business Day)], at such person's address as it appears on such registration books.

THE BONDS ARE PAYABLE SOLELY FROM CONTRACT ASSISTANCE PAYMENTS BY THE STATE UNDER THE ASSISTANCE AGREEMENT. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Reference is hereby made to the reverse side of this Bond for additional provisions of this Bond.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Trust Indenture, dated as of May 1, 2023 (the "Original Indenture"), between the City and U.S. Bank Trust Company, National Association, as trustee, paying agent and registrar (herein "Trustee," "Paying Agent" and "Bond Registrar," respectively), as amended and supplemented by Supplemental Indentures executed and delivered from time to time pursuant to the terms of the Original Indenture, including the _____ Supplemental Indenture, dated as of _____, 20____ (the "_____ Supplemental Indenture", and together with the Original Indenture, the "Indenture"), between the City and the Trustee, and by the Constitution and laws of the State, and that the amount of this Bond is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Authorized Officers and approved as to form by the manual or facsimile signature of its Corporation Counsel and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon all as of the date of original issuance hereof.

(SEAL)

CITY OF HARTFORD, CONNECTICUT

By: _____
Name: Luke Bronin
Title: Mayor

By: _____
Name: Carmen Sierra
Title: City Treasurer

Approved as to form:

By: _____
Name: Howard Rifkin
Title: Corporation Counsel

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture and is one of the City's Special Obligation Refunding Bonds (State Contract Assistance), Series 20__.

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

Date of Authentication: _____

By: _____
Authorized Signatory

(FORM OF REVERSE SIDE OF THE BONDS)

This Bond is one of a duly authorized issue of bonds of the City designated as “City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 20__” (the “Series 20__ Bonds”), issued in the aggregate principal amount of \$_____, pursuant to the provisions of a resolution of the City adopted on March 27, 2023 (the “Resolution”), and pursuant to the Indenture. The Bonds are issued for the purpose of refunding certain general obligation bonds of the City.

Reference is hereby made to the Indenture (copies of which are on file at the principal corporate trust office of the Trustee in Hartford, Connecticut and all Supplemental Indentures thereto) and to the Resolution for a description of the rights thereunder of the Bondholders of the Series 20__ Bonds, of the nature and extent of the security for the Series 20__ Bonds, of the rights, duties and immunities of the Trustee, and of the rights and obligations of the City thereunder, to all the provisions of which the Bondholder of this Series 20__ Bond, by acceptance hereof, assents and agrees.

The Series 20__ Bonds and the interest thereon are payable from Pledged Revenues that are available to the Trustee pursuant to the Contract for Financial Assistance, dated as of March 27, 2018, between the City and the State of Connecticut, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, as amended, modified and supplemented (the “Assistance Agreement”), providing for payments in respect of the Bonds pursuant to the Act, to the extent provided for in the Indenture. The Series 20__ Bonds and the interest thereon are secured by a pledge and assignment of said Pledged Revenues and of amounts held in certain funds and accounts established pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

The Bonds are special, limited obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforementioned pledge and assignment. Under certain circumstances set forth in the Indenture and the Assistance Agreement, the City may issue Additional Bonds (as defined in the Indenture) pursuant to the Indenture ranking on a parity with the Series 20__ Bonds (the Series 20__ Bonds and any Additional Bonds are referred to herein collectively as the “Bonds”). Reference is hereby made to the Indenture, the Assistance Agreement for a description of the rights, duties and obligations of the City, the Trustee, the State, and the owners of the Bonds and the terms upon which the Bonds are issued and secured.

The Series 20__ Bonds maturing on or after ____, 20__ are subject to redemption by the City, at the direction of the State Treasurer, prior to maturity any time on or after ____, 20__, in whole or in part (and if in part from maturities in such order as determined by the City, at the direction of the State Treasurer, and by lot within any maturity, subject to selection by the Securities Depository or the Trustee), at the following redemption prices (expressed as a percentage of the principal amount thereof) plus accrued interest to and including the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
____, 20__ and thereafter	100%

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

Notice of any redemption of Bonds shall be given by mail to the Registered Owners of Bonds to be redeemed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption.

(FORM OF ASSIGNMENT)

For value received (the undersigned does) hereby sell, assign and transfer unto _____
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
attorney, to transfer the same on the books of the Bond Registrar with full power of substitution in the premises.

Bondholder

NOTE: The signature on this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Medallion Signature Program.

[INTENTIONALLY LEFT BLANK]

SECOND SUPPLEMENTAL INDENTURE

Dated as of May 1, 2025

by and between the

CITY OF HARTFORD, CONNECTICUT

and

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

Amending and Supplementing the
Trust Indenture dated as of
May 1, 2023

\$[_____] ,000
City of Hartford, Connecticut
Special Obligation Refunding Bonds (State Contract Assistance)
Series 2025

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SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of May 1, 2025 (this “Second Supplemental Indenture”), by and between the City of Hartford, Connecticut (the “City”) and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”), which amends and supplements the Trust Indenture, dated as of May 1, 2023 (the “Original Indenture”), as previously supplemented by the First Supplemental Indenture, dated as of May 1, 2023 (the “First Supplemental Indenture” and the Original Indenture, as further amended and supplemented to date is referred to herein as the “Indenture”), by and between the City and the Trustee.

WITNESSETH:

WHEREAS, pursuant to Public Act No. 17-2, June Special Session, Sections 349 to 376, as may be amended from time to time (the “Act”), the Secretary and the State Treasurer have entered into a Contract for Financial Assistance, dated March 27, 2018, as has been and may be further amended, modified and supplemented from time to time as provided therein (the “Original Assistance Agreement”), with the City, which provides for the State to provide contract assistance equal to the debt service on certain Prior Bonds listed on Exhibit A thereto (“Eligible Bonds”);

WHEREAS, the Act and the Original Assistance Agreement further provide for the issuance of refunding bonds pursuant to a trust indenture to refund the principal of and interest on Eligible Bonds, and for the State to provide contract assistance in respect of such refunding bonds;

WHEREAS, pursuant to the Resolution, the City has authorized the issuance of not exceeding \$400,000,000 aggregate principal amount of special obligation revenue bonds (“Bonds”) to be repaid from revenues derived from the Original Assistance Agreement pursuant to the Indenture;

WHEREAS, pursuant to the First Supplemental Indenture, the City issued a Series of Bonds designated “City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 2023”, in an aggregate principal amount of \$124,950,000 to refinance a portion of the Prior Bonds set forth in the First Supplemental Indenture, leaving a total of \$275,050,000 of Bonds authorized but unissued remaining;

WHEREAS, pursuant to Article II of the Indenture, the City may issue Bonds, including Additional Bonds, having a lien on the Trust Estate, in one or more Series for any lawful purpose permitted by and relating to the Original Assistance Agreement;

WHEREAS, the Secretary, the State Treasurer and the City have determined to authorize the issuance of not exceeding \$[____],000 aggregate principal amount of Bonds (the “Series 2025 Bonds”), and use the proceeds derived from the sale thereof to refund a portion of the outstanding Eligible Bonds pursuant to a Supplemental Indenture meeting the terms and conditions set forth in the Indenture, including specifically the requirements for the issuance of the Series 2025 Bonds under Section 2.07 of the Indenture; and

WHEREAS, the Secretary, the State Treasurer and the City entered into Amendment No. 1 to Contract for Financial Assistance, dated as of May 10, 2023 (“Amendment No. 1”), and will enter into Amendment No. 2 to Contract for Financial Assistance, dated as of [May 21], 2025 (“Amendment No. 2”), further amending the Original Assistance Agreement (as amended, the “Assistance Agreement”), for the purpose of providing contract assistance payments with respect to the Series 2025 Bonds;

NOW, THEREFORE, in consideration of the premises contained herein and in compliance with and subject to the terms of the Indenture, the City and the Trustee hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions in this Supplemental Indenture. For purposes of this Second Supplemental Indenture, the following terms shall have the following meanings:

“Amendment No. 1” has the meaning set forth in the recitals to this Second Supplemental Indenture.

“Amendment No. 2” has the meaning set forth in the recitals to this Second Supplemental Indenture.

“Assistance Agreement” has the meaning set forth in the recitals to this Second Supplemental Indenture.

“Authorized Denomination” shall mean for the Series 2025 Bonds, denominations of \$5,000 or any integral multiple in excess thereof.

“Costs of Issuance” shall mean the costs related to the issuance of the Series 2025 Bonds, including but not limited to, the administrative, printing, legal and financing costs related thereto.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 4.01 of the Original Indenture.

“Escrow Agreement” shall mean the Escrow Agreement, dated [May 21], 2025, by between the City and U.S. Bank Trust Company, National Association, as escrow agent.

“Escrow Deposit Fund” means the Escrow Deposit Fund established under the Escrow Agreement.

“Interest Payment Date” means, with respect to the Series 2025 Bonds, [July 15] and [January 15] of each year, commencing [July 15], 2025.

“Original Assistance Agreement” has the meaning set forth in the recitals to this Second Supplemental Indenture.

“Prior Bonds” shall mean the \$[175,240,000] aggregate principal amount of the Eligible Bonds set forth on Schedule A hereto.

“Record Date” shall mean, for the Series 2025 Bonds, [the close of business on the last Business Day of June and December] in each year.

“Series 2025 Bonds” shall mean the Bonds to be issued pursuant to Article II of this Second Supplemental Indenture to refinance the Prior Bonds.

“Series 2025 Costs of Issuance Account” shall mean the Series 2025 Costs of Issuance Account of the Bond Proceeds Fund established pursuant to Section 2.04 hereof.

“Series 2025 Rebate Account” shall mean the Series 2025 Rebate Account of the Rebate Fund established pursuant to Section 2.04 hereof.

Section 1.02 Other Defined Terms. All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Indenture.

ARTICLE II

AUTHORIZATION AND DETAILS OF SERIES 2025 BONDS

Section 2.01 Authorization. (a) Pursuant to the Act and the Resolution, the City has authorized the issuance of not exceeding \$400,000,000 of the City’s Bonds to refinance Eligible Bonds. Pursuant to this Second

Supplemental Indenture, the City shall issue a Series of Bonds to be designated “City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 2025”, in an aggregate principal amount of \$[_____] ,000 (the “Series 2025 Bonds”) to refinance the Prior Bonds.

(b) The Series 2025 Bonds issued hereunder shall be special, limited obligations of the City and shall be payable solely out of Pledged Revenues and other receipts, funds and moneys pledged therefor pursuant to the Indenture and are secured by the liens created thereby, including the Trust Estate. The Series 2025 Bonds shall not constitute indebtedness of the City, the State or any political subdivision thereof, except as provided in the Indenture. The Series 2025 Bonds shall not constitute indebtedness of the City or the State within the meaning of any statutory or constitutional provision. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of principal of or interest on the Series 2025 Bonds.

Section 2.02 Terms of the Series 2025 Bonds. The terms of the Series 2025 Bonds are as follows:

(a) Dated Date, Maturities and Interest Rates. The Series 2025 Bonds shall be dated [May 21], 2025, shall mature on July 15 in each of the years and in the amounts and shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) on the unpaid balance from their date, payable semiannually on each Interest Payment Date as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
[2025	\$[_____] ,000	[5.000%
2026	[_____] ,000	5.000
2027	[_____] ,000	5.000
2028	[_____] ,000	5.000
2029	[_____] ,000	5.000
2030	[_____] ,000	5.000
2031	[_____] ,000	5.000
2032	[_____] ,000	5.000
2033	[_____] ,000	5.000
2034	[_____] ,000	5.000]
2035]	[_____] ,000	5.000]

Interest on the Bonds will be payable semiannually on [July 15] and [January 15] in each year until maturity, commencing on [July 15, 2025], and will be payable to the registered owners of the Bonds on the Record Date.

(b) Denominations and Identification. The Series 2025 Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations. Unless the City shall otherwise direct, the Series 2025 Bonds shall be numbered R-1 upward consecutively in the order of issuance.

(c) Depository Institution Registration. (i) The Series 2025 Bonds will be issued in book-entry only form. The Depository Trust Company (“DTC”) will serve as the Depository Institution for the Series 2025 Bonds. The Trustee is hereby authorized to enter into a custody or letter agreement with DTC to establish a book-entry only system for the registration of ownership of the Series 2025 Bonds and any other Bonds issued in book-entry form as designated by a Supplemental Indenture as described below.

Each maturity of Series 2025 Bonds shall be registered in the name of Cede & Co. (“Cede”), as nominee of DTC. So long as DTC is the registered owner of the Series 2025 Bonds, payments of principal of, redemption premium, if any, and interest on such Series 2025 Bonds shall be made in immediately available funds to the account of Cede on each principal payment date and Interest Payment Date at the account indicated for Cede on the books of the City to be kept by the Trustee. In accordance with the DTC Letter of Representations, DTC will maintain a book-entry only system of recording the ownership interests in Series 2025 Bonds for its participants (“Direct Participants”). As long as DTC shall continue to serve as securities depository for Series 2025 Bonds as provided in this Supplemental Indenture, all transfers of beneficial ownership interests will be made by book-entry only, and no Holder or other Person purchasing, selling or otherwise transferring beneficial ownership of Series 2025 Bonds will receive a physical certificate unless and until DTC fails or refuses to act, or is terminated from acting as, securities depository for such Series 2025 Bonds.

(ii) With respect to Series 2025 Bonds so registered in the name of Cede, the City, the Trustee and the Paying Agent shall have no responsibility or obligation to any Direct Participant or to any beneficial owner of such Bond. Without limiting the immediately preceding sentence, the City, the Trustee and the Paying Agent shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede or any Direct Participant with respect to any beneficial ownership interest in Series 2025 Bonds, (B) the delivery to any Direct Participant, beneficial owner or other Person, other than DTC, of any notice with respect to Series 2025 Bonds, including any notice of redemption, or (C) the payment to any Direct Participant, beneficial owner or other person, other than DTC, of any amount with respect to the principal of or redemption premium, if any, and interest on, any Series 2025 Bonds. The City, the Trustee and the Paying Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (A) payment of the principal of or redemption premium, if any, and interest on, Series 2025 Bonds, (B) giving notices of redemption and other matters with respect to Series 2025 Bonds, and (C) registering transfers with respect to Series 2025 Bonds. The Paying Agent shall pay the principal of or redemption premium, if any, and interest on Series 2025 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to such principal of or redemption premium, if any, and interest on Series 2025 Bonds, to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Supplemental Indenture shall refer to such new nominee of DTC.

(iii) (1) DTC may determine to discontinue providing its services with respect to Series 2025 Bonds at any time by giving written notice to the City, the Trustee and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

(2) The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to any Series 2025 Bonds if the City determines that the continuation of the system of book-entry-only transfers through DTC is not in the best interests of the beneficial owners of such Series 2025 Bonds or is burdensome to the City.

(3) Upon the termination of the services of DTC with respect to Series 2025 Bonds pursuant to this subsection, after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, Series 2025 Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC. In such event, the City shall issue, and the Trustee shall transfer and exchange certificates as requested by DTC of like principal amount, series, maturity and interest rate, in authorized denominations, without references to DTC or other book-entry provisions, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial interests in the Series 2025 Bonds.

(4) Anything in this Supplemental Indenture to the contrary notwithstanding, payment of the redemption price of a Bond, or portion thereof, called for redemption prior to maturity may be paid to DTC by check mailed to DTC or by wire transfer. Anything in this Supplemental Indenture to the contrary notwithstanding, such redemption price may be paid without presentation and surrender to the Trustee of the Bond, or portion thereof, called for redemption; provided, however, that payment of (a) the principal at maturity of a Bond and (b) the redemption price of a Bond as to which the entire principal thereof has been called for redemption shall be payable only upon presentation and surrender of such Bond to the Trustee.

Anything in this Supplemental Indenture to the contrary notwithstanding, upon any such payment to DTC without presentation and surrender, for all purposes of (i) the Bond as to which such payment has been made and (ii) this Supplemental Indenture, the unpaid principal of such Bond Outstanding shall automatically be reduced by the principal so paid. In such event, the Paying Agent shall note the particular Bond as to which such payment has been made, and the principal of such Bond so paid, on the registration books of the Trustee maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Series 2025 Bonds Outstanding as provided in this subsection.

(5) For all purposes of this Supplemental Indenture authorizing or permitting the purchase of Series 2025 Bonds by, or for the account of, the City for cancellation, and anything in this Supplemental Indenture to the contrary notwithstanding, a portion of a Bond may be deemed to have been purchased and canceled without surrender thereof upon delivery to the Trustee of a certificate executed by the City and a Direct Participant therefor, agreed to and accepted by DTC in writing, to the effect that a beneficial ownership interest in such Bond, in the

principal amount stated therein, has been purchased by, or for the account of, the City through the Direct Participant executing such certificate; provided, however, that any purchase for cancellation of the entire principal amount of a Bond shall be effective for purposes of this Supplemental Indenture only upon surrender of such Bond to the Trustee. Anything in this Supplemental Indenture to the contrary notwithstanding, upon delivery of any such certificate to the Trustee, for all purposes of (i) the Series 2025 Bonds to which such certificate relates and (ii) this Supplemental Indenture, the unpaid principal amount of such Series 2025 Bonds Outstanding shall automatically be reduced by the principal amount so purchased. In such event, the Trustee shall note such reduction on the registration books of the Trustee maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Bond Outstanding as provided in this subsection.

(6) Anything in this Supplemental Indenture to the contrary notwithstanding, DTC may make a notation on a Bond (i) redeemed in part or (ii) purchased by, or for the account of, the City in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or canceled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Bond Outstanding as provided in subsection (iii)(4) or (iii)(5) of this Section, as the case may be.

(d) Form of Bond. Subject to the provisions of the Indenture, the form of the Series 2025 Bonds and the Trustee's certificate of authentication shall be of substantially the form set forth in Attachment A with such changes as are required hereby.

(e) Payments. Pursuant to the Amendment No. 2, the State will agree to make contract assistance payments with respect to the Series 2025 Bonds directly to the Trustee in amounts sufficient to pay when due the principal of and interest on the Series 2025 Bonds. No later than 11:00 a.m. (New York City time) on each Interest Payment Date and each principal payment date for the Series 2025 Bonds, immediately available funds shall be delivered to the Trustee in amounts sufficient to pay the principal of and redemption premium, if any, and interest on the Series 2025 Bonds then due and payable. The Trustee shall notify the City and the State in writing no later than 2:00 p.m. (New York City time) on each Interest Payment Date and each principal payment date in the event such amounts are not received from the State.

Section 2.03 Redemption Provisions. The Series 2025 Bonds are not subject to redemption prior to maturity.

Section 2.04 Establishment of Accounts. In accordance with Section 4.01 of the Indenture, the following additional Funds and Accounts are established in connection with the issuance of the Series 2025 Bonds:

- (a) in the Bond Proceeds Fund, the Series 2025 Costs of Issuance Account; and
- (b) in the Rebate Fund, the Series 2025 Rebate Account.

Section 2.05 Purpose and Application of Funds. (a) The proceeds from the sale of the Series 2025 Bonds shall be applied as follows:

(i) \$[] shall be deposited to the Escrow Deposit Fund established under the Escrow Agreement to pay the principal of, redemption premium, if any, and interest on the Prior Bonds as set forth in Schedule A; and

(ii) \$[] shall be deposited to the Series 2025 Costs of Issuance Account of the Bond Proceeds Fund to pay Costs of Issuance.

(b) Amounts on deposit in the Series 2025 Costs of Issuance Account shall be disbursed by the Trustee upon receipt of a requisition in the form of Exhibit B hereto, approved by Authorized Officers of the City and the State, which may include reimbursement to the City or the State of Costs of Issuance paid by the City or the State in connection with the Series 2025 Bonds. In addition, up to \$100.00 may be transferred, at the written direction of the City, by the Trustee to the Escrow Deposit Fund to pay interest due on the Prior Bonds.

(c) On [September 15], 2025, all amounts remaining in the Series 2025 Costs of Issuance Account shall be transferred by the Trustee, without further direction, to the Debt Service Fund and used to pay interest on the Series 2025 Bonds on the next interest payment date following such transfer.

ARTICLE III

AMENDMENTS

Section 3.01 Amendment to Original Indenture. Section 11.04 of the Original Indenture is hereby amended by deleting said section and substituting the following in lieu thereof, thereby making said Section 11.04 as follows:

Notices. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery or other electronic means addressed as follows:

City:

City of Hartford
Office of the City Treasurer
250 Constitution Plaza, 2nd Floor
Hartford, CT 06103
Attention: City Treasurer
Telephone: (860) 757-9100
Email: info@hartfordcitytreasurer.org

With a copy to: (which shall not constitute notice)

Robinson & Cole LLP
One State Street
Hartford, CT 06103
Attn: Keisha S. Palmer, Esq.
Telephone: (860) 275-8392

Trustee and Paying Agent:

U.S. Bank Trust Company, National Association
CityPlace I
185 Asylum Street, 27th Floor
Hartford, CT 06103
Attention: Laurel Casasanta, Corporate Trust
Telephone: (860) 241-6822
Email: laurel.casasanta@usbank.com

State:

State of Connecticut
Office of the State Treasurer
165 Capitol Avenue
Hartford, CT 06106
Attn: Deputy Treasurer
Telephone: (860) 702-3070

If it is impracticable to give notice of any event pursuant to any provision of this Indenture to Bondholders by first class mail due to the suspension of regular mail service, then the City may deliver such notice in a manner deemed satisfactory and sufficient to the Trustee. For the avoidance of doubt, when the Bondholder is Cede & Co., notices shall be delivered in accordance with DTC procedures. The City, the Trustee and the State may, by written notice pursuant to this Section, designate any different addresses to which subsequent notices, certificates or other communications shall be sent. A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the City, the State or the Trustee to any one of the others shall also be given to the others. For purposes of this Section and the definition of Immediate Notice, “electronic means” shall mean email or other similar electronic means of communication which produces evidence of transmission; provided, that notices given by email shall be by pdf attachment to such email and are considered received only upon confirmation of

receipt by the receiving party (automatic system-generated receipts not constituting confirmation of receipt). All communications hereunder must be in writing (provided that any communication sent to Trustee hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign (or such other digital signature provider as specified in writing to Trustee by the authorized representative)), in English. The City agrees to assume all risks arising out of the use of using digital signatures and electronic methods to submit communications to Trustee, including without limitation, the risk of Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

ARTICLE IV

MISCELLANEOUS

Section 4.01 Parties Interested Herein. Nothing in this Second Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the City, the Trustee, and the holders of the Series 2025 Bonds, any right, remedy or claim under or by reason of this Second Supplemental Indenture or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in this Second Supplemental Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, and the holders of the Series 2025 Bonds. Any right, remedy or claim by the holders of the Series 2025 Bonds under or by the reason of this Second Supplemental Indenture shall be subject to the provisions of the Original Indenture and more particularly Article VII thereof.

Section 4.02 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Second Supplemental Indenture on the part of the City or any Fiduciary to be performed should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Second Supplemental Indenture.

Section 4.03 Effective Date. This Second Supplemental Indenture shall take effect upon its execution by the Authorized Representatives of the City and by the Trustee.

Section 4.04 Governing Law. This Second Supplemental Indenture shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut, without regard to the conflicts of law provisions of the laws of the State of Connecticut.

Section 4.05 Counterparts. This Second Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 4.06 Ratification. Except as hereby expressly provided, the Original Indenture and First Supplemental Indenture are in all respects ratified and confirmed and all their terms, provisions and conditions shall be and remain in full force and effect except as modified herein.

(The next page is the signature page)

IN WITNESS WHEREOF, the City of Hartford, Connecticut and U.S. Bank Trust Company, National Association have caused their respective seals to be affixed hereto and this Second Supplemental Indenture to be signed in their name by their respective authorized representatives, all as of the date first written above.

(Seal)

CITY OF HARTFORD, CONNECTICUT

By: _____
Name: Arunan Arulampalam
Title: Mayor

By: _____
Name: Carmen Sierra
Title: City Treasurer

Approved as to form:

By: _____
Name: Jonathan Harding
Title: Corporation Counsel

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

By: _____
Name: Laurel Casasanta
Title: Vice President

SCHEDULE A

PRIOR BONDS

Bond	Maturity Date	Coupon	Refunded Bonds	Redemption Date
General Obligation Bonds, Series 2014B	10/1/2026	5.000%	\$4,435,000	8/19/2025
	10/1/2027	5.000%	\$4,665,000	8/19/2025
	10/1/2028	5.000%	\$4,900,000	8/19/2025
	10/1/2029	3.000%	\$5,095,000	8/19/2025
	10/1/2030	3.000%	\$5,255,000	8/19/2025
	10/1/2031	5.000%	\$5,470,000	8/19/2025
	10/1/2032	5.000%	\$5,750,000	8/19/2025
	10/1/2033	5.000%	\$6,045,000	8/19/2025
			\$41,615,000	
General Obligation Refunding Bonds, Series 2014C	8/15/2026	3.125%	\$3,565,000	8/19/2025
General Obligation Bonds, Series 2015A	7/1/2026	5.000%	\$4,420,000	8/19/2025
	7/1/2027	5.000%	\$4,645,000	8/19/2025
	7/1/2028	5.000%	\$4,885,000	8/19/2025
	7/1/2029	5.000%	\$5,135,000	8/19/2025
	7/1/2031	5.000%	\$5,665,000	8/19/2025
	7/1/2032	5.000%	\$5,955,000	8/19/2025
	7/1/2033	4.000%	\$6,230,000	8/19/2025
	7/1/2034	4.000%	\$6,485,000	8/19/2025
			\$43,420,000	
General Obligation Refunding Bonds (Taxable), Series 2015B	7/1/2030	4.830%	\$5,395,000	8/19/2025
General Obligation Bonds, Series 2015C	7/15/2026	5.000%	\$6,805,000	8/19/2025
	7/15/2027	3.000%	\$7,080,000	8/19/2025
	7/15/2028	3.125%	\$7,300,000	8/19/2025
	7/15/2029	3.250%	\$7,540,000	8/19/2025
	7/15/2030	3.375%	\$7,795,000	8/19/2025
	7/15/2031	5.000%	\$8,130,000	8/19/2025
	7/15/2032	5.000%	\$8,545,000	8/19/2025
	7/15/2033	4.000%	\$8,935,000	8/19/2025
	7/15/2034	5.000%	\$9,350,000	8/19/2025
	7/15/2035	3.750%	\$9,765,000	8/19/2025
			\$81,245,000	
			\$175,240,000	

EXHIBIT A

FORM OF SERIES 2025 BONDS

UNITED STATES OF AMERICA

STATE OF CONNECTICUT

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC AS OWNER OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE TRUSTEE FOR PAYMENT OF PRINCIPAL, AND ANY BOND ISSUED IN REPLACEMENT THEREOF OR SUBSTITUTION THEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, DTC OR ITS NOMINEE, CEDE & CO., HAS AN INTEREST HEREIN.

R-__

CITY OF HARTFORD, CONNECTICUT
SPECIAL OBLIGATION REFUNDING BONDS
(STATE CONTRACT ASSISTANCE), SERIES 2025

<u>MATURITY DATE</u>	<u>DATED</u>	<u>CUSIP NO.</u>
[July 15], 20__	[May 21], 2025	416464 __
INTEREST RATE: _____%		
PRINCIPAL AMOUNT: _____ DOLLARS (\$____,000)		
BONDHOLDER: Cede & Co.		

The City of Hartford, Connecticut, a political subdivision of the State of Connecticut (the "City"), for value received, hereby promises to pay (but only out of the Pledged Revenues, as defined in the Indenture hereinafter mentioned, and other assets pledged therefor as hereinafter mentioned) to the registered owner identified above, or registered assigns, on the maturity date identified above (subject to any right of prior redemption hereinafter mentioned), the principal amount identified above in lawful money of the United States of America; and to pay interest on the principal amount hereof in like lawful money from the date of initial authentication and delivery hereof until payment of such principal amount shall be discharged as provided in the Indenture, at the rates per annum as set forth, payable, on [July 15] and [January 15] in each year until maturity, commencing [July 15], 2025 (each, an "Interest Payment Date"), computed on the basis of a 360-day year consisting of twelve 30-day months). The principal hereof is payable upon presentation hereof upon maturity or redemption, at the principal corporate trust office of U.S. Bank Trust Company, National Association, Hartford, Connecticut (together with any successor

as paying agent under the Indenture, the “Paying Agent”). Interest hereon is payable to the person whose name appears on the bond registration books of the Trustee, as Bond Registrar, as the owner hereof on the Record Date (as defined in the Second Supplemental Indenture) at such person’s address as it appears on such registration books.

THE BONDS ARE PAYABLE SOLELY FROM CONTRACT ASSISTANCE PAYMENTS BY THE STATE UNDER THE ASSISTANCE AGREEMENT. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Reference is hereby made to the reverse side of this Bond for additional provisions of this Bond.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Trust Indenture, dated as of May 1, 2023, (the “Original Indenture”), between the City and U.S. Bank Trust Company, National Association, as trustee, paying agent and registrar (herein “Trustee,” “Paying Agent” and “Bond Registrar,” respectively), as amended and supplemented by Supplemental Indentures executed and delivered from time to time pursuant to the terms of the Original Indenture, including the First Supplemental Indenture, dated as of May 1, 2023 (the “First Supplemental Indenture”), and the Second Supplemental Indenture, dated as of May 1, 2025 (the “Second Supplemental Indenture” and together with the First Supplemental Indenture and the Original Indenture, the “Indenture”), between the City and the Trustee, and by the Constitution and laws of the State, and that the amount of this Bond is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Authorized Officers and approved as to form by the manual or facsimile signature of its Corporation Counsel and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon all as of the date of original issuance hereof.

(SEAL)

CITY OF HARTFORD, CONNECTICUT

By: _____
Name: Arunan Arulampalam
Title: Mayor

By: _____
Name: Carmen Sierra
Title: City Treasurer

Approved as to form:

By: _____
Name: Jonathan Harding
Title: Corporation Counsel

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture and is one of the City's Special Obligation Refunding Bonds (State Contract Assistance), Series 2025.

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

Date of Authentication: _____

By: _____
Authorized Signatory

(FORM OF REVERSE SIDE OF THE BONDS)

This Bond is one of a duly authorized issue of bonds of the City designated as “City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 2025” (the “Series 2025 Bonds”), issued in the aggregate principal amount of \$[_____]000, pursuant to the provisions of a resolution of the City adopted on March 27, 2023 (the “Resolution”), and pursuant to the Indenture. The Series 2025 Bonds are issued for the purpose of refunding certain general obligation bonds of the City.

Reference is hereby made to the Indenture (copies of which are on file at the principal corporate trust office of the Trustee in Hartford, Connecticut and all Supplemental Indentures thereto) and to the Resolution for a description of the rights thereunder of the Bondholders of the Series 2025 Bonds, of the nature and extent of the security for the Series 2025 Bonds, of the rights, duties and immunities of the Trustee, and of the rights and obligations of the City thereunder, to all the provisions of which the Bondholder of this Series 2025 Bond, by acceptance hereof, assents and agrees.

The Series 2025 Bonds and the interest thereon are payable from Pledged Revenues that are available to the Trustee pursuant to the Contract for Financial Assistance, dated as of March 27, 2018, between the City and the State of Connecticut, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, as amended, modified and supplemented (the “Assistance Agreement”), providing for payments in respect of the Bonds pursuant to the Act, to the extent provided for in the Indenture. The Series 2025 Bonds and the interest thereon are secured by a pledge and assignment of said Pledged Revenues and of amounts held in certain funds and accounts established pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

The Series 2025 Bonds are special, limited obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforementioned pledge and assignment. Under certain circumstances set forth in the Indenture and the Assistance Agreement, the City may issue Additional Bonds (as defined in the Indenture) pursuant to the Indenture ranking on a parity with the Series 2025 Bonds (the Series 2025 Bonds and any Additional Bonds are referred to herein collectively as the “Bonds”). Reference is hereby made to the Indenture, the Assistance Agreement for a description of the rights, duties and obligations of the City, the Trustee, the State, and the owners of the Bonds and the terms upon which the Bonds are issued and secured.

The Series 2025 Bonds are not subject to redemption prior to maturity.

(FORM OF ASSIGNMENT)

For value received (the undersigned does) hereby sell, assign and transfer unto _____
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
attorney, to transfer the same on the books of the Bond Registrar with full power of substitution in the premises.

Bondholder

NOTE: The signature on this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Trustee, which requirements include membership or participation in the Medallion Signature Program.

EXHIBIT B

FORM OF REQUISITION FROM SERIES 2025 COSTS OF ISSUANCE ACCOUNT

[May 21], 2025

U.S. Bank Trust Company, National Association, as Trustee
185 Asylum Street, 27th Floor
Hartford, Connecticut 06103
Attention: Global Corporate Trust
Laurel Casasanta, laurel.casasanta@usbank.com

Re: City of Hartford, Connecticut
Special Obligation Refunding Bonds
(State Contract Assistance), Series 2025

REQUISITION NO. 01

Gentlemen:

This request for disbursement is submitted to you pursuant to Section 2.05(b) of the Second Supplemental Indenture, dated as of May 1, 2025, amending and supplementing the Trust Indenture, dated as of May 1, 2023 (as amended and supplemented, the “Indenture”), each between the City of Hartford, Connecticut and U.S. Bank Trust Company, National Association, as Trustee, relating to the captioned Bonds. You are hereby requested to make the following disbursements from the Series 2025 Costs of Issuance Account for the payment of the Costs of Issuance referred to below, as defined and provided in the Indenture.

Amounts to be disbursed:

(See Closing Memorandum dated [May 21], 2025)

Approved for payment:

CITY OF HARTFORD, CONNECTICUT

By: _____
Authorized Officer

STATE OF CONNECTICUT

By: _____
Authorized Officer

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APPENDIX I-B – FORM OF LEGAL OPINION OF CO-BOND COUNSEL TO THE CITY

May __, 2025

City of Hartford,
Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated May __, 2025 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$ _____ City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 2025, dated May __, 2025 (the “Bonds”), maturing on July 15 in each of the years, in the principal amounts and bearing interest payable on July 15, 2025 and semiannually thereafter on July 15 and January 15 in each year until maturity, at the rates per annum as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest Rate</u> <u>Per Annum</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest Rate</u> <u>Per Annum</u>
2025			2031		
2026			2032		
2027			2033		
2028			2034		
2029			2035		
2030					

with principal payable at the principal office of U.S. Bank Trust Company, National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of June and December in each year until maturity, by check mailed to such registered owner at the address as shown on the registration books of the City kept for such purpose. The Bonds are not subject to redemption prior to maturity.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry-only system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

The Bonds are authorized to be issued pursuant to Chapter 109 of the General Statutes of Connecticut, Revision of 1958, as amended (the “Connecticut General Statutes”), Public Act No. 17-2, June Special Session, Sections 349 to 376, as may be amended from time to time (the “Act”), a resolution of the Common Council of the City, dated March 27, 2023 (the “Resolution”), the Trust Indenture, dated as of May 1, 2023 (the “Original Indenture”), as supplemented by the First Supplemental Indenture, dated as of May 1, 2023 (the “First Supplemental Indenture,”), as amended and supplemented by the Second Supplemental Indenture, dated as of May 1, 2025 (the “Second Supplemental Indenture,”), and together with the First Supplemental Indenture and Original Indenture, the “Indenture”), each by and between the City and U.S. Bank Trust Company, National Association, as trustee thereunder (the “Trustee”). Pursuant to the Act, the Secretary of the Office of Policy and Management of the State of Connecticut (the “Secretary”) and the State Treasurer of the State of Connecticut (the “State Treasurer”) have entered into a Contract for Financial Assistance, dated March 27, 2018 (the “Original Assistance Agreement”), as amended by Amendment No. 1 to Contract for Financial Assistance, dated May 10, 2023 (“Amendment No. 1”), as amended by Amendment No. 2 to Contract for Financial Assistance, dated May __, 2025 (“Amendment No. 2”, and together with Amendment No. 1 and the Original Assistance Agreement, as may be amended, modified and supplemented from time to time as provided therein, the “Assistance Agreement”), with the City, which provide for the State of Connecticut (the “State”) to provide contract assistance payments equal to the debt service on certain outstanding bonds of the City (“Eligible Bonds”). The Act and the Assistance Agreement further provide for the issuance of refunding bonds pursuant to an indenture of trust to refund the principal of and interest on Eligible Bonds, and for the State to provide contract assistance payments in respect of such refunding bonds. The Bonds are being issued pursuant to the Indenture to refund the Eligible Bonds set forth in the Second Supplemental Indenture. All terms used but not defined herein shall have the meaning ascribed thereto in the Indenture.

Pursuant to the Act, the Assistance Agreement, the Resolution and the Indenture, the City, with the approval of, or at the direction of, the Secretary and the State Treasurer, may issue Special Obligation Refunding Bonds in addition to the Bonds (“Additional Bonds”), upon the terms and conditions set forth in the Indenture, and such Additional Bonds, when issued, shall be entitled, with the Bonds and with all other such Special Obligation Refunding Bonds theretofore and thereafter issued thereunder, to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture and any corresponding Supplemental Indenture.

Neither the State nor any political subdivision thereof, other than the City, shall be obligated to pay the principal of or the interest on the Bonds. The Bonds are payable solely from Contract Assistance Payments under the Assistance Agreement. Neither the full faith and credit nor the taxing power of the State or of any political subdivision thereof, including the City, is pledged to the payment of the principal of or interest on the Bonds.

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 and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

We have not been engaged or 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.

We are of the opinion that:

1. Under the Constitution and laws of the State, the Act, the Resolution and the Assistance Agreement, the City has the authority to enter into the Second Supplemental Indenture and Amendment No. 2, to sell and issue the Bonds, and to perform its obligations under the terms and conditions of the Indenture, the Second Supplemental Indenture and Amendment No. 2, including the authority to pledge the Contract Assistance Payments to provide for the payment of the Bonds under the Indenture.

2. The Second Supplemental Indenture and Amendment No. 2 have been duly executed by the City and are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms.

3. The Bonds are valid and legally binding special limited obligations of the City payable solely from the Contract Assistance Payments and the Trust Estate, and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture and the Second Supplemental Indenture. The Indenture, together with the Second Supplemental Indenture, creates the valid pledge of and the valid lien upon the Trust Estate, including the Contract Assistance Payments received from the State thereunder, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture. The Bonds are special limited obligations of the City and do not constitute a general obligation of the State or of any political subdivision thereof, including the City.

4. The State is obligated to make Contract Assistance Payments to the Trustee pursuant to the Assistance Agreement in amounts sufficient to pay principal of and interest on Bonds issued by the City pursuant to the Act, the Assistance Agreement and the Indenture to refinance Eligible Bonds. Pursuant to the Act, the obligation of the State to make such Contract Assistance Payments constitutes a full faith and credit obligation of the State and appropriation of all amounts necessary to timely meet the terms of such contractual obligation has been made.

5. Under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds. In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

6. 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 any other State or local tax consequences caused by the ownership or disposition of the Bonds.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Bonds and the enforceability of the Bonds, the Indenture and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Respectfully,

[INTENTIONALLY LEFT BLANK]

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of May __, 2025, is executed and delivered by the City of Hartford, Connecticut (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC"), for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Bonds" means the obligations as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 7 hereof.

"Disclosure Representative" means the Director of Finance of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut- down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Notice Event notices.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 2(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

"Trustee" means the institution identified as such or identified as Paying Agent/Registrar in the document under which the Bonds were issued.

SECTION 2. Filing of Notice Events.

(a) The Disclosure Dissemination Agent shall:

- (i) upon receipt, promptly file the text of each Notice Event received under Sections 3(a) and 3(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 3(a) or 3(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 3(c) of this Disclosure Agreement:
 1. "Principal and interest payment delinquencies;"
 2. "Non-payment related defaults, if material;"
 3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
 4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
 5. "Substitution of credit or liquidity providers, or their failure to perform;"
 6. "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;"
 7. "Modifications to rights of Bondholders, if material;"
 8. "Bond calls, if material, and tender offers;"
 9. "Defeasances;"
 10. "Release, substitution, or sale of property securing repayment of the Bonds, if material;"
 11. "Rating changes;"
 12. "Bankruptcy, insolvency, receivership or similar event of the Obligated Person;"
 13. "The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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;" and
 14. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;" and

- (ii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(b) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and all other information required by the terms of this Disclosure Agreement to be filed will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 3: For the purposes of the event described in subsection (a)(12) of this Section 3, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event in a timely manner to allow the Disclosure Dissemination Agent to file the Notice Event notice with the MSRB not in excess of ten business days after its occurrence. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 3. Such notice shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 3 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(a)(i) hereof.

SECTION 4. CUSIP Numbers. The Issuer will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an Obligated Person, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 7. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 8. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 9. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the

Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws), except that the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of Connecticut.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name _____
Title: _____

CITY OF HARTFORD, CONNECTICUT,
as Issuer

By: _____
Name: Leigh Ann Ralls
Title: Director of Finance

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	City of Hartford, Connecticut
Obligated Person(s):	State of Connecticut
Name of Bond Issue:	City of Hartford, Connecticut Special Obligation Refunding Bonds (State Contract Assistance), Series 2025
Date of Issuance:	May __, 2025
Date of Official Statement:	April __, 2025

CUSIP Number(s):

APPENDIX I-C-2 – FORM OF CONTINUING DISCLOSURE AGREEMENT - THE STATE

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

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the “Agreement”) is made as of May __, 2025 by the State of Connecticut acting by its undersigned officer, duly authorized, in connection with the issuance by the City of Hartford, Connecticut (the “Issuer”) of \$_____ Special Obligation Refunding Bonds (State Contract Assistance), Series 2025 (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 Part II dated February 15, 2025, containing supplementary information as of April __, 2025, of the official statement of the Issuer dated April __, 2025 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, 2025) 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).
 - b. General Fund - Summary of Operating Results - Statutory Basis vs. GAAP Basis (for most recent fiscal year).
 - c. General Fund - Unreserved Fund Balance - Statutory Basis (as of the end of the most recent fiscal year).
 - d. General Fund - Unreserved Fund Balance - Statutory Basis vs. GAAP Basis (as of the end of the most recent fiscal year).
2. Statutory Debt Limit (as of end of most recent fiscal year or a later date).
 3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date).
 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).
 5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year).
 6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date).
 7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action).
 8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date).
 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. Material 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:

- (a) incurrence of a financial obligation of the State, 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

- (b) 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 (a) and (b) above, the term “financial obligation” is defined as a (i) a debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to the Rule.

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, 2nd Floor, 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.

(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: _____
Erick Russell
Treasurer

APPENDIX I-D – PLAN OF REFUNDING*

The Bonds are being issued to refund at or prior to maturity all or a portion of the principal amount of certain maturities of the City's outstanding series of general obligation bonds as set forth below (the "Refunded Bonds"). The list of Refunded Bonds may be changed by the City and State in their sole discretion due to market factors or other factors considered relevant by the City and State at the time of pricing the Bonds and no assurance can be given that any particular bonds listed or that any particular maturity thereof will be refunded. The refunding is contingent upon the delivery of the Bonds.

GENERAL OBLIGATION BONDS, SERIES 2014B

Maturity Date	Original CUSIP	Original Principal	Coupon	Refunded Bonds	Redemption Date
10/01/2026	416415FT9	\$4,435,000	5.000%	\$4,435,000	08/19/2025
10/01/2027	416415FU6	\$4,665,000	5.000%	\$4,665,000	08/19/2025
10/01/2028	416415FV4	\$4,900,000	5.000%	\$4,900,000	08/19/2025
10/01/2029	416415FW2	\$5,095,000	3.000%	\$5,095,000	08/19/2025
10/01/2030	416415FX0	\$5,255,000	3.000%	\$5,255,000	08/19/2025
10/01/2031	416415FY8	\$5,470,000	5.000%	\$5,470,000	08/19/2025
10/01/2032	416415FZ5	\$5,750,000	5.000%	\$5,750,000	08/19/2025
10/01/2033	416415GA9	\$6,045,000	5.000%	\$6,045,000	08/19/2025

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014C

Maturity Date	Original CUSIP	Original Principal	Coupon	Refunded Bonds	Redemption Date
08/15/2026	416415GN1	\$3,565,000	3.125%	\$3,565,000	08/19/2025

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

Maturity Date	Original CUSIP	Original Principal	Coupon	Refunded Bonds	Redemption Date
07/01/2026	416415GU5	\$4,420,000	5.000%	\$4,420,000	08/19/2025
07/01/2027	416415GV3	\$4,645,000	5.000%	\$4,645,000	08/19/2025
07/01/2028	416415GW1	\$4,885,000	5.000%	\$4,885,000	08/19/2025
07/01/2029	416415GX9	\$5,135,000	5.000%	\$5,135,000	08/19/2025
07/01/2031	416415GY7	\$5,665,000	5.000%	\$5,665,000	08/19/2025
07/01/2032	416415GZ4	\$5,955,000	5.000%	\$5,955,000	08/19/2025
07/01/2033	416415HA8	\$6,230,000	4.000%	\$6,230,000	08/19/2025
07/01/2034	416415HB6	\$6,485,000	4.000%	\$6,485,000	08/19/2025

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B

Maturity Date	Original CUSIP	Original Principal	Coupon	Refunded Bonds	Redemption Date
07/1/2030	416415HK6	\$5,395,000	4.830%	\$5,395,000	08/19/2025

GENERAL OBLIGATION BONDS, SERIES 2015C

Maturity Date	Original CUSIP	Original Principal	Coupon	Refunded Bonds	Redemption Date
07/15/2026	416415HW0	\$6,805,000	5.000%	\$6,805,000	08/19/2025
07/15/2027	416415HX8	\$7,080,000	3.000%	\$7,080,000	08/19/2025
07/15/2028	416415HY6	\$7,300,000	3.125%	\$7,300,000	08/19/2025
07/15/2029	416415HZ3	\$7,540,000	3.250%	\$7,540,000	08/19/2025
07/15/2030	416415JA6	\$7,795,000	3.375%	\$7,795,000	08/19/2025
07/15/2031	416415JB4	\$8,130,000	5.000%	\$8,130,000	08/19/2025
07/15/2032	416415JF5	\$8,545,000	5.000%	\$8,545,000	08/19/2025
07/15/2033	416415JC2	\$8,935,000	4.000%	\$8,935,000	08/19/2025
07/15/2034	416415JG3	\$9,350,000	5.000%	\$9,350,000	08/19/2025
07/15/2035	416415JD0	\$9,765,000	3.750%	\$9,765,000	08/19/2025

*Preliminary; subject to change.

Upon delivery of the Bonds, a portion of proceeds of the Bonds will be placed in an irrevocable escrow fund (the “Escrow Deposit Fund”) established with U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) dated as of the date of delivery of the Bonds, between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations guaranteed by the government of the United States of America, including United States Treasury State and Local Government Series (“SLGS”) securities, Federal National Mortgage Association (“FNMA”) securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer of the securities (the “Escrow Securities”), the principal of and interest on which, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the Refunded Bonds to the redemption dates or maturity (the “Escrow Requirements”). All investment income on, and maturing principal of, the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the Refunded Bonds will be applied by the Escrow Agent for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and Underwriters’ discount. The redemption of any of the Refunded Bonds is conditioned upon the issuance and delivery of the Bonds and the availability of the proceeds of a portion of the Bonds to pay the principal and premium, if any, of and accrued interest on the Refunded Bonds on August 19, 2025 (the “Redemption Date”).

Upon redemption of the Refunded Bonds on the Redemption Date, the Refunded Bonds shall have been paid and the State will no longer be obligated to pay any further amounts of contract assistance with respect to the Refunded Bonds.

PART II

INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

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**INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT**

FEBRUARY 15, 2025

Refiled April 8, 2025

This Information Statement of the State of Connecticut (the “State”) contains information through February 15, 2025 and is amended to include the State’s audited financial statements of the State for the fiscal year ended June 30, 2024 dated March 27, 2025 prepared using the guidance of Generally Accepted Accounting Principles in the United States (“GAAP”) and as prescribed by the Government Accounting Standards Board (“GASB”) and conforming changes. Certain other information has been updated as of April 8, 2025 from the original filing of this Information Statement on February 26, 2025 with the Municipal Securities Rulemaking Board. 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, 2025. 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.

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

This Information Statement, as amended hereby, is updated as of April 17, 2025 to replace certain stale information with new information that has been provided and to add supplementary information in connection with the State’s general obligation bond offerings. These updates will be indicated by shading such information as exemplified by this paragraph. Information not highlighted continues to speak as of February 15, 2025.

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

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

Constitutional Elected Officers

Governor

Edward (“Ned”) Miner Lamont, Jr.

Lieutenant Governor

Susan Bysiewicz

Secretary of the State

Stephanie Thomas

Treasurer

Erick Russell

Comptroller

Sean Scanlon

Attorney General

William Tong

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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) action or inaction by the U.S. Congress on issues associated with the federal debt limit, federal appropriations and continuity of federal operations; (iii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iv) macroeconomic, economic and business developments, both for the country as a whole and particularly affecting the State; (v) future energy costs; (vi) health care related matters including Medicaid reimbursements; (vii) federal defense spending; (viii) financial services industry developments; (ix) litigation or arbitration; (x) climate and weather related developments, natural disasters and other acts of God; (xi) changes in retirement rates, inflation rates, interest rates, increases in health care costs, longevity rates and other factors used in estimating future obligations of the State, among others; (xii) the effects of epidemics and pandemics, including economic effects; (xiii) foreign hostilities or wars; (xiv) foreign or domestic terrorism or domestic violent extremism; (xv) disruptions to the State’s technology network including computer systems and software and (xvi) other factors contained in this Information Statement and its appendices. Investors should carefully review all of the factors.

INTRODUCTION

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

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

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

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

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

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

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

Climate Change and Environmental Matters describes the impact of climate change on the State and the actions the State is taking to improve sustainability and resiliency to deal with climate impacts and PFAS.

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

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

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

The State’s fiscal year begins on July 1 and ends on June 30. References to “Fiscal Year” throughout this Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2025 refers to the fiscal year beginning July 1, 2024 and ending June 30, 2025.

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 is 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>	By statute, the State 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>	By statute, 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>	By statute, 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>	By statute, the State has transitioned from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board.
Budget Discipline	<i>Bond Covenant</i>	By statute, the State is required to covenant 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. This limit may be overridden if the Governor declares an emergency or the existence of extraordinary circumstances and at least three fifths of the members of each house of the General Assembly vote to exceed such 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 for Fiscal Years 2018 through 2026, payments for a portion of the teachers' pension contributions. In addition, a base year adjustment is made in any fiscal year in which an expenditure item is moved on or off budget.

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

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

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

Budget Document. The Governor's budget document is published and transmitted to the General Assembly in February of each odd-numbered year. In even-numbered years, on the day the General Assembly first convenes, the Governor submits a report summarizing recommended adjustments or revisions to the budget document. 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 addressed or any surplus used.

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

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

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

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

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

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

Financial Controls

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

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

If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than 1% 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 to be implemented by the Governor to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

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

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

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

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

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any unappropriated surplus shall be used to fund a Budget Reserve Fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. CGS 4-30a is the statutory provision that implements this constitutional provision. In 2017 and again in 2023, the General Assembly, by a three-fifths vote of each house, restructured the funding and use of the Budget Reserve Fund. 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. After Fiscal Year 2017, the \$3.15 billion amount has been subject to annual adjustment by the compound annual growth rate of personal income in the State over the preceding five calendar years. Such amount is 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. For Fiscal Year 2025 the adjusted amount stood at \$3.929 billion. The Treasurer is also required to transfer any unappropriated surplus in the General Fund to the Budget Reserve Fund, unless otherwise directed by law.

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

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

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

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

In addition, the General Assembly may transfer funds from the Budget Reserve Fund to the General Fund if any consensus revenue estimate maintained or revised for the current biennium projects a decline in General Fund revenues for the current biennium of 1% or more from the total amount of General Fund estimated revenue on which the budget act or adjusted revenue plan enacted by the General Assembly was based. Any such transfer may be made at any time during the remainder of the current biennium. The General Assembly may also transfer funds from the Budget Reserve Fund to the General Fund if the consensus revenue estimate maintained or revised not later than April 30 annually projects a decline in General Fund revenues, in either year or both years of the biennium immediately following such consensus revenue estimate, of 1% 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, 2024 was \$4,105.1 million, representing the maximum 18%. The balance in the Budget Reserve Fund for the last three fiscal years and application:

Budget Reserve Fund			
(In Millions)			
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Budget Reserve Fund Beginning Balance	\$ 3,112.0	\$ 3,313.4	\$ 3,315.8
Plus Surplus	1,261.3	555.3	401.0
Plus Volatility Cap	<u>3,047.5</u>	<u>1,321.8</u>	<u>1,321.4</u>
Total	\$ 7,420.8	\$ 5,190.5	\$ 5,038.1
Budget Reserve Fund Statutory Cap	\$ 3,313.4	\$ 3,315.8	\$ 4,105.1
Excess to Pension Funds (State Employees' Retirement Fund/Teachers' Retirement Fund)	(4,107.4)	(1,874.7)	(933.1)
BRF Net Increase / (Decrease)	\$ 201.4	\$ 2.4	\$ 789.2
BRF Balance as a % of Ensuing Fiscal Year Appropriations	15.0%	15.0%	18.0%
Application of Excess Budget Reserve Fund:			
State Employees' Retirement Fund	\$ 3,203.8	\$ 1,046.7	\$ 514.0
Teachers' Retirement System	<u>903.6</u>	<u>828.0</u>	<u>419.2</u>
Total	\$ 4,107.4	\$ 1,874.7	\$ 933.1

NOTE: Totals may not add due to rounding

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

Accounting Procedures

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

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

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

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

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

The State’s continuing disclosure agreements obligate it to file audited financial statements for each fiscal year using the guidance of GAAP by the end of February of the following year. Fiscal Year 2023 and 2024 financial statements were not available in time to meet this deadline. The State Auditors, in their report on internal control over financial reporting, based on their audit work for the Fiscal Year 2024 financial statements, identified three material weaknesses and a significant deficiency.

- First, the auditors identified material errors that required multiple corrective journal entries, subsequently corrected because of the audit. The auditors determined these errors were the result of inexperienced accounting staff, insufficient written procedures, and ineffective supervisory review.
- Second, there were errors in the GAAP closing forms submitted by State agencies due to new fiscal staff unfamiliar with the reporting requirements, ineffective supervisory review, and failure to follow instructions given by the Comptroller.
- Third, the State College and University system was late in providing acceptable draft financial statements to the Comptroller because of the confluence of the consolidation of the system and the one time transfer of retirement expenses back to the State, and an extended vacancy in the position of controller.
- Finally, the significant deficiency was for not having the audited 2024 audited financial statements available by the end of February.

The above first and fourth conditions were reported in connection with the Fiscal Year 2023 report; the second condition has been repeated for several years. The Comptroller has committed to a number of measures to correct these matters. These matters did not affect the audited statutory basis financial statements.

The audited financial statements for Fiscal Year 2024, prepared using the guidance of GAAP and as prescribed in pronouncements of GASB appear in **Appendix II-C** and the audited statutory basis financial statements for Fiscal Years 2020 through 2024 appear in **Appendix II-D**.

GAAP Based Budgeting. Legislation passed in 2011 required the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not recognize a concept of GAAP budgeting or prescribe standards for GAAP budgeting, the State interprets the policy objectives of the GAAP budgeting requirement as a requirement to authorize expenditures in line with the accrual of the expenditures and to estimate revenues in line with the accrual of revenues.

The Comptroller initiated a transitional 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 in 2013 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, identified in the annual comprehensive financial report of the State as a negative unassigned fund balance in the General Fund. The negative balance in practical terms represents a reduction in the State's cash resources. Proceeds of the issuance of bonds (since retired) and appropriated funds have had the effect of augmenting the State's cash resources and reducing the unassigned general fund balance from what otherwise would have been the case. It is not expected that further appropriations will be made for this purpose, as the State's cash resources are currently ample.

Cash Management and Investment

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

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and

miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short-term investments. It is the State's practice to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy is intended to provide flexibility for expenditures to occur when they are needed without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The week-ending balances of available cash for Fiscal Year 2024 averaged \$10.5 billion.

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

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

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

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

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the

State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the temporary transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

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

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

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

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

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

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

⁴ Private Equity refers to the Private Investment Fund.

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

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

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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 GAAP 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 2024 are included as **Appendix II-C**. See **FINANCIAL PROCEDURES – Accounting Procedures – Financial Reporting** herein for information with respect to the delay. Statutory basis audited financial statements for the General Fund for Fiscal Years 2020 through 2024 are included in **Appendix II-D**. The adopted budget and audited financial statutory basis results for Fiscal Year 2024 and the adopted budget and estimated results (as of December 31, 2024) for Fiscal Year 2025 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 2025 and later is unaudited and subject to change.

General Fund Revenues

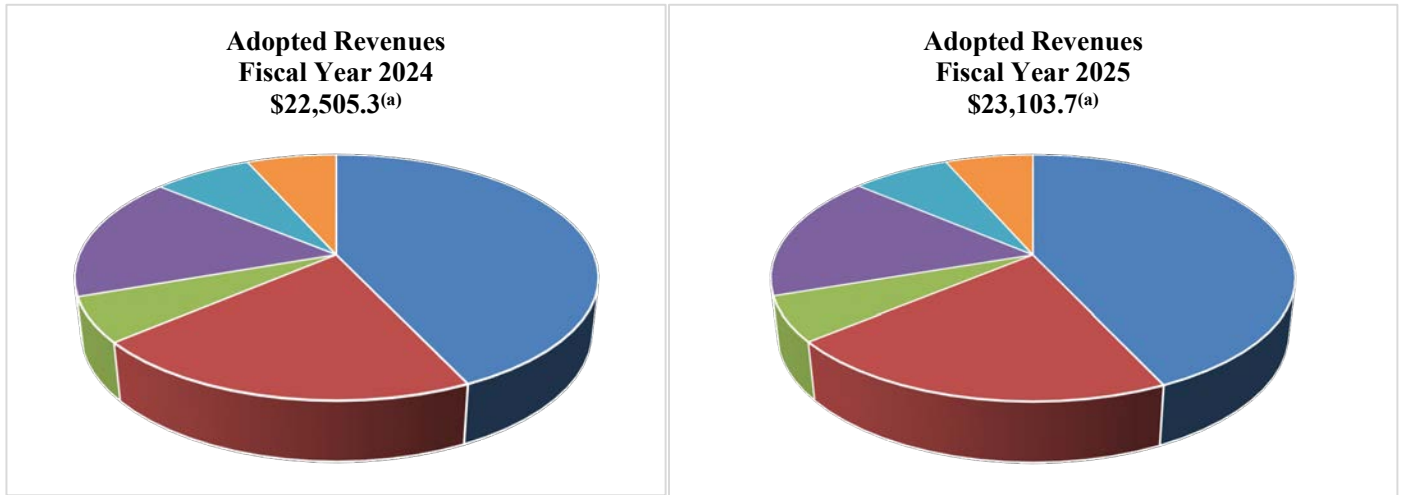
Procedure For Forecasting Revenues. Revenues are forecast by the legislature in adopting a budget and by the executive branch in proposing a budget and tracking performance through the year and for other planning purposes. Revenue forecasting incorporates a blend of econometric modeling and economic 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 S&P Global, a nationally recognized financial and econometric forecasting firm.

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

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

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

Adopted General Fund Revenues (In Millions)



Fiscal Year 2024

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

Fiscal Year 2025

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

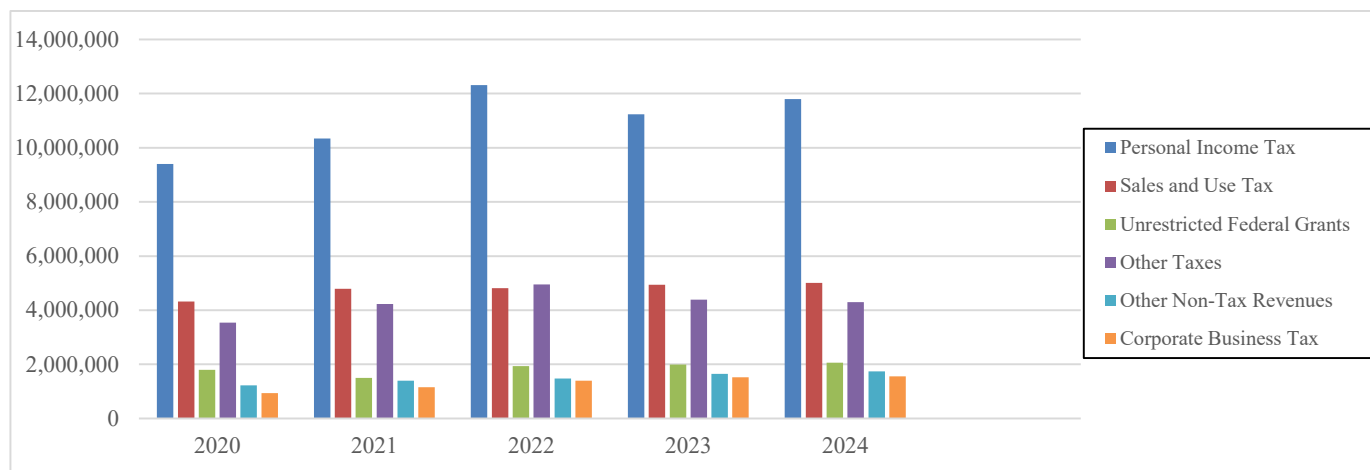
- (a) The pie charts reflect the total of the listed tax and revenue amounts of \$25,625.5 million for Fiscal Year 2024 and \$26,076.7 million for Fiscal Year 2025, while the amounts in the title of the pie charts reflect reductions resulting from tax refunds, earned income tax, R&D Credit Exchange,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

SOURCE: Public Act No. 23-204

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2020 through 2024 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)



	2020	2021	2022	2023	2024
Taxes:					
Personal Income Tax	\$ 9,397,778 ^(b)	\$ 10,340,437 ^(b)	\$ 12,131,800 ^(b)	\$ 11,223,390 ^(b)	\$ 11,803,047 ^(b)
Sales Tax	4,317,730	4,792,675	4,818,083	4,944,772	5,003,036
Corporate Business Tax	934,499	1,153,079	1,401,153	1,516,588	1,555,553
Other Taxes ^(c)	<u>3,542,851</u>	<u>4,229,834</u>	<u>4,947,333</u>	<u>4,391,202</u>	<u>4,300,735</u>
Subtotal	\$ 18,192,858	\$ 20,516,024	\$ 23,298,369	\$ 22,075,952	\$ 22,662,371
R & D Credit Exchange	(8,628)	(7,093)	(5,756)	(6,061)	(9,028)
Refunds of Taxes	<u>(1,491,413)</u>	<u>(1,857,512)</u>	<u>(1,811,202)</u>	<u>(1,990,104)</u>	<u>(2,156,713)</u>
Total Net Taxes	\$ 16,692,816	\$ 18,651,419	\$ 21,481,411	\$ 20,079,787	\$ 20,496,631
Other Revenue:					
Federal Grants (Unrestricted)	\$ 1,796,754	\$ 1,496,315	\$ 1,934,869	\$ 1,997,837	\$ 2,060,692
Other Non-Tax Revenues ^(d)	1,227,906	1,397,789	1,474,531	1,645,647	1,738,878
Transfers to Other Funds ^(e)	(659,936)	(1,128,604)	(3,026,155)	(1,012,878)	(1,679,260)
Transfers from Other Funds	<u>136,000</u>	<u>114,500</u>	<u>126,200</u>	<u>112,500</u>	<u>99,190</u>
Total Other Revenues	\$ 2,500,724	\$ 1,880,000	\$ 509,445	\$ 2,743,106	\$ 2,219,499
Total Revenues	\$ 19,193,540	\$ 20,531,419	\$ 21,990,857	\$ 22,822,894	\$ 22,716,130

(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 2020 through 2024 are comprised of \$6,815.2 million, \$7,243.8 million, \$7,886.2 million, \$8,317.2 million and \$8,666.4 million, respectively, in the withholding portion of Personal Income Tax and \$2,582.6 million, \$3,096.6 million, \$4,245.6 million, \$2,906.2 million and \$3,136.6 million, respectively, in the estimated and finals portion of Personal Income Tax.

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

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

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

NOTE: Totals may not add due to rounding.

SOURCE: 2020, 2021, 2022, 2023 and 2024 Annual Reports of the State Comptroller.

Components of Revenue

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

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

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

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

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

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

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

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

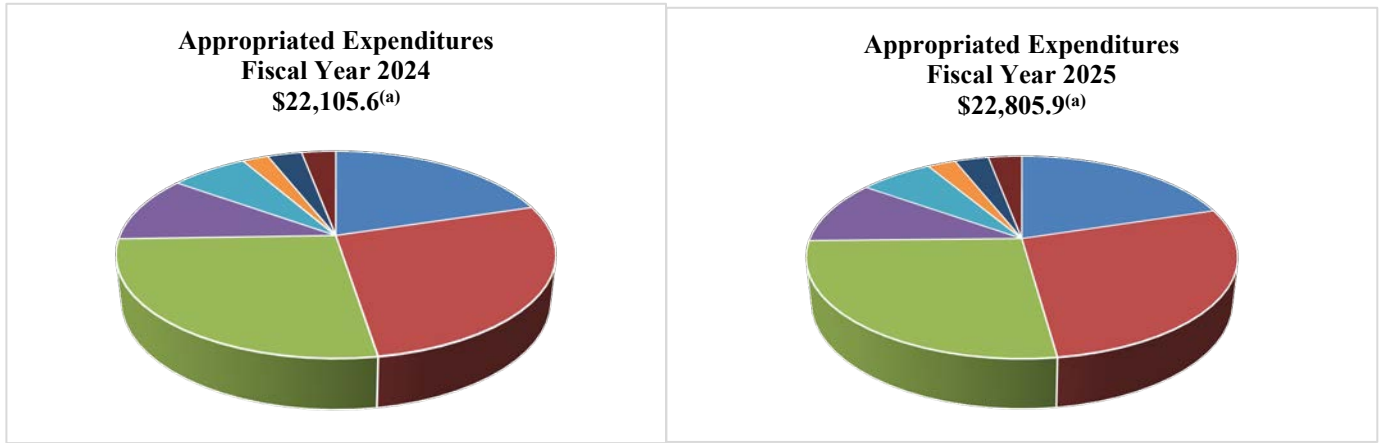
Other Non-Tax Revenues. Other non-tax revenues are derived from special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenue sources; and designated Tobacco Settlement Revenues.

General Fund Expenditures

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

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

Appropriated General Fund Expenditures (In Millions)



Fiscal Year 2024

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

Fiscal Year 2025

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

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

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

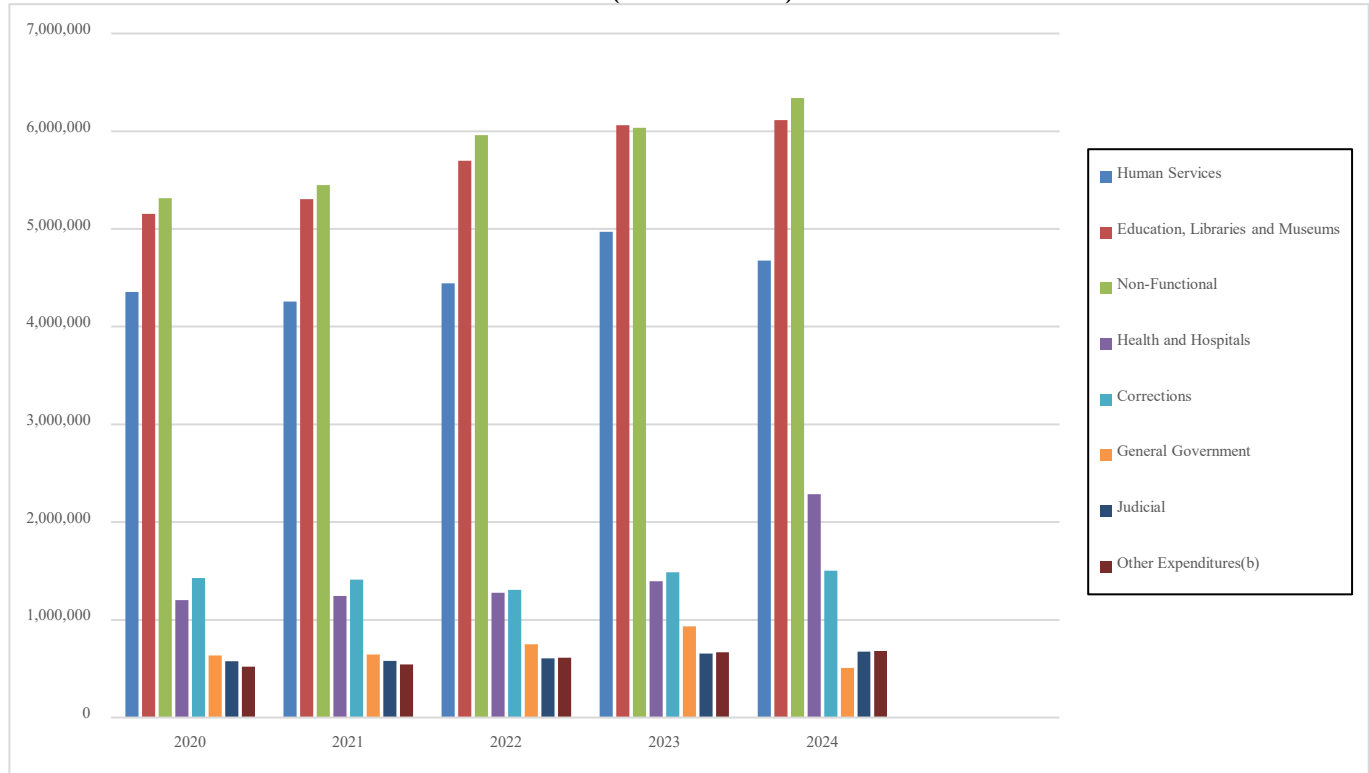
NOTE: Totals may not add due to rounding.

SOURCE: Public Act No. 23-204.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2020 through 2024 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)



	2020	2021	2022	2023	2024
Human Services	\$ 4,356,788	\$ 4,257,971	\$ 4,444,984	\$ 4,969,383	\$ 4,675,936
Education, Libraries and Museums	5,154,647	5,303,846	5,697,620	6,060,110	6,114,126
Non-Functional	5,314,485	5,447,513	5,958,694	6,034,660	6,339,354
Health and Hospitals	1,202,890	1,243,572	1,276,373	1,395,142	2,285,272
Corrections	1,429,124	1,412,659	1,305,228	1,485,572	1,502,814
General Government	634,622	646,356	749,700	934,447	506,828
Judicial	574,735	580,979	606,544	653,109	675,221
Other Expenditures ^(b)	521,343	543,308	612,359	666,478	679,889
Totals	\$ 19,188,634	\$ 19,436,204	\$ 20,651,502	\$ 22,198,901	\$ 22,779,439

(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: 2020, 2021, 2022, 2023 and 2024 Annual Reports of the State Comptroller, as adjusted by OPM to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

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 share 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 2022, Fiscal Year 2023 and Fiscal Year 2024, fixed costs amount to approximately 51.1%, 51.6% and 53.9%,

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 2022	Fiscal Year 2023	Fiscal Year 2024
Total Non-Fixed Costs	\$ 10,097.0	\$ 10,748.0	\$ 10,511.1
Fixed Costs:			
Debt Service	2,383.6	2,560.5	2,760.0
Teachers' Pensions	1,443.7	1,578.0	1,554.5
State Employees' Retirement System	1,460.6	1,567.8	1,640.7
Other State Pensions	53.3	59.1	134.3
State and Teachers' OPEB	758.4	759.2	714.7
Medicaid	2,548.6	2,926.4	3,380.7
All Other Entitlement Accounts ^(b)	<u>1,906.4</u>	<u>2,000.0</u>	<u>2,083.4</u>
Total Fixed Costs	\$ 10,554.6	\$ 11,451.0	\$ 12,268.4
 Fixed Cost Percent of Total Expenditures	 51.1%	 51.6%	 53.9%

(a) Table 1 includes actual audited expenditures for Fiscal Years 2021-2024.

(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 Operations

Consensus Revenue Estimates. Pursuant to CGS Section 2-36c, on January 15, 2025, OPM and OFA issued their consensus revision to their November 12, 2024 consensus revenue estimate for the current biennium and the next three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate (in Millions)

Fiscal Year:	2025	2026	2027	2028
Revenue Estimate November 12, 2024	\$23,379.9	\$23,879.7	\$24,571.4	\$25,323.6
Revenue Estimate January 15, 2025	\$23,678.3	\$23,939.1	\$24,604.1	\$25,335.4
Increase in Revenue Estimate	\$ 298.4	\$ 59.4	\$ 32.7	\$ 11.8

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 Reports. Fiscal accountability reports were released by OPM and OFA on November 20, 2024. 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 2025 resulting in a projected surplus of \$190.3 million (\$107.5 million less than the originally budgeted figure) by OPM and \$122.7 million (\$175.2 million less than the originally budgeted figure) by OFA.

OFA projected a General Fund surplus of \$373.4 million, \$791.8 million and \$1,294.7 million in each of Fiscal Years 2026 to 2028, respectively. OFA advised that the estimates incorporate the November 2024 consensus revenue estimates as well as the fixed cost methodology required by CGS Section 2-36b. For the projections, only spending on “fixed cost drivers” may increase in the out years; all other spending must remain at the Fiscal Year 2025 level.

The OPM report projected year-over-year revenue growth vs. fixed cost growth beyond Fiscal Year 2026 as follows:

Year-Over-Year Growth vs. Fixed Cost Growth (In Millions)			
	<u>Fiscal Year 2026 vs. Fiscal Year 2025</u>	<u>Fiscal Year 2027 vs. Fiscal Year 2026</u>	<u>Fiscal Year 2028 vs. Fiscal Year 2027</u>
Revenue Growth	\$ 499.8	\$ 691.7	\$ 752.2
Less: Total Fixed Cost Growth	<u>503.1</u>	<u>529.5</u>	<u>304.9</u>
Difference	\$ (3.3)	\$ 162.2	\$ 447.3

According to OPM, while revenue growth is anticipated to exceed growth in fixed costs over the Fiscal Year 2026 through Fiscal Year 2028 periods, OPM notes that expenditure growth in areas of the budget that are not considered “fixed” will continue to drive the need to prioritize resources in the short-term.

The OFA report estimated that General Fund fixed costs are projected to grow in the out-years by approximately \$249.1 million in Fiscal Year 2026, \$273.3 million in Fiscal Year 2027 and \$249.3 million in Fiscal Year 2028, projecting an average annual growth rate of 2.0% in Fiscal Year 2026 through Fiscal Year 2028 across all General Fund fixed cost expenditure categories. OFA further noted that revenue growth is expected to outpace fixed cost growth in each year from Fiscal Year 2026 through Fiscal Year 2028.

The OPM report projected the State’s spending cap would allow growth in capped expenditures of approximately 5.12% in Fiscal Year 2026 over Fiscal Year 2025, 5.38% in Fiscal Year 2027 over Fiscal Year 2026 and 4.78% in Fiscal Year 2028 over Fiscal Year 2027.

The OPM report further discussed the long-term liabilities facing the State that total approximately \$78.9 billion, down \$2.7 billion from the level reported in the November 2023 Fiscal Accountability Report, \$9.4 billion from the level reported in the November 2022 Fiscal Accountability Report and \$16.5 billion from the level reported in the November 2021 Fiscal Accountability Report. The table below details the components of these long-term liabilities:

Long-Term Obligations (In Billions)	
Bonded Indebtedness – As of 6/30/2024	\$ 26.0
State Employee Pensions – Unfunded as of 6/30/2024	19.2
Teachers’ Pension – Unfunded as of 6/30/2024	15.9
State Employee Post-retirement Health and Life – Net Liability as of 6/30/2023	15.6
Teachers’ Post-Retirement Health and Life – Net Liability as of 6/30/2023	1.6
Cumulative GAAP Deficit – As of 6/30/2023	<u>0.6</u>
Total	\$ 78.9

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 \$1.6 billion in each year and UConn 2000/Next Generation bond issuances between \$0.00 to \$0.20 billion in each year with the expenditure on debt service estimated between \$2.5 billion and \$2.8 billion in each year. In addition, OPM projected the State's aggregate debt subject to the debt limit to range from 77.15% to 79.46% of the debt limit for Fiscal Years 2025 to 2028.

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

Adopted Budget for Fiscal Years 2024 and 2025

The General Assembly passed a biennial budget bill which the Governor signed into law on June 12, 2023 (the "2023 Budget Act"). Per OFA's fiscal note, the 2023 Budget Act projected revenue of \$22,505.3 million in Fiscal Year 2024 and \$23,103.7 million in Fiscal Year 2025. The budget made net General Fund appropriations of \$22,105.6 million in Fiscal Year 2024, which represented 0.1% growth over Fiscal Year 2023 appropriations and \$22,805.9 million in Fiscal Year 2025, which represented 3.2% growth over Fiscal Year 2024 appropriations. The projected surplus was \$118.4 million in Fiscal Year 2024 and \$9.0 million in Fiscal Year 2025. This projected surplus did not take into account the revenue cap deduction, which limits Fiscal Year 2024 and Fiscal Year 2025 appropriations to 98.75% of projected revenues. Taking into account the revenue cap deduction results in an additional \$281.3 million in surplus funds in Fiscal Year 2024 and an additional \$288.8 million of surplus funds in Fiscal Year 2025. CGS Section 2-33a sets out the State's expenditure cap. The adopted budget was \$10.4 million below the expenditure cap for Fiscal Year 2024 and \$11.6 million below the expenditure cap for Fiscal Year 2025.

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

Midterm Budget Revisions for Fiscal Years 2024 and 2025

On May 8, 2024, the Connecticut General Assembly adjourned its 2024 regular legislative session. As an existing appropriations act for Fiscal Year 2025 was already in place (See **Adopted Budget for Fiscal Years 2024 and 2025** herein), no new appropriations were made for Fiscal Year 2025. However, two budget related acts were passed and signed into law by the Governor.

Public Act No. 24-81 primarily made adjustments to existing allocations of Federal American Rescue Plan Act (ARPA) funds totaling approximately \$373.3 million in order to ensure such funds are fully obligated within federally imposed deadlines. The act also contained deficiency appropriations for Fiscal Year 2024 totaling \$333.4 million to sixteen agencies within the General Fund while simultaneously de-appropriating \$244.3 million in the General Fund in appropriations that were expected to lapse. With these appropriation changes,

along with other smaller changes to other funds, the Fiscal Year 2024 budget remained \$0.5 million under the State's spending cap.

Public Act No. 24-151 increased existing general obligation bond authorizations by a net \$308.7 million in Fiscal Year 2025. This act also increased an existing \$95 million revenue transfer from Fiscal Year 2024 to FY 2025 by an additional \$110 million to a new total of \$205 million. Numerous other smaller revenue, bonding, and municipal policies were adjusted in the act.

Fiscal Year 2024 Operations

Pursuant to the Comptroller's audited statutory based financial report provided on December 31, 2024, as of June 30, 2024, General Fund revenues were \$22,716.1 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were \$22,315.1 million and the General Fund surplus for Fiscal Year 2024 was \$401.0 million. See **FINANCIAL PROCEDURES – Financial Controls – Unappropriated Surplus – Budget Reserve Fund**.

Governor's Recommended Budget for Fiscal Years 2026 and 2027

On February 5, 2025, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2026 and 2027.

Governor's Recommended Budget General Fund (in Millions)

<u>Fiscal Year</u>	<u>2026</u>	<u>2027</u>
Revenues (before revenue cap)	\$24,142.6	\$25,291.7
Available Revenues (after revenue cap)	23,840.8	24,975.6
Appropriations	<u>23,838.6</u>	<u>24,973.9</u>
Surplus / (Deficit) ^(a)	\$ 304.0	\$ 317.8
Growth Rate	4.5%	4.8%

^(a) Surplus / (Deficit) is inclusive of the revenue cap deduction.

Revenues

The Governor's budget proposal includes \$203.5 million in revenue increases in Fiscal Year 2026 and \$687.6 million for Fiscal Year 2027. As a result of the revenue cap, only \$201.0 million in Fiscal Year 2026 and \$679.0 million in Fiscal Year 2027 is available for the budget appropriations. The significant revenue changes include:

- Reductions in personal income taxes through changes in the property tax credit resulting in a loss of revenue of approximately \$85 million in each year of the biennium.
- Increases in the Corporation Business Tax projected to generate approximately \$189.4 million in Fiscal Year 2026 and \$171.5 million in Fiscal Year 2027.
- Changes to the Film Production Tax Credit projected to result in a revenue gain of approximately \$9.2 million in Fiscal Year 2026 and \$17.1 million in Fiscal Year 2027.
- Rebasings the Hospital User Fee from federal Fiscal Year 2016 hospital revenues to federal Fiscal Year 2024 beginning in State Fiscal Year 2027. This change is expected to generate \$140 million of health provider revenue in State Fiscal Year 2027. Pairing this with an expenditure item that would reinvest this additional \$140 million of revenue into the hospital system via supplemental payments plus another contingent \$110 million of additional supplemental payments to hospitals is projected to generate \$167.5 million of federal reimbursement revenue in State Fiscal Year 2027.

- Eliminating certain occupational license application and renewal fees beginning October 1, 2025. This is projected to result in a loss of revenue of approximately \$18.8 million in Fiscal Year 2026 and \$25 million in Fiscal Year 2027.
- Accelerating the elimination of the capital base tax method under the Corporation Business Tax by two years. This change would result in a revenue loss of approximately \$15.3 million in Fiscal Year 2026 and \$20.4 million in Fiscal Year 2027.
- Transferring \$85 million of General Fund revenue to the Municipal Revenue Sharing Fund in Fiscal Year 2026 and another \$73 million in Fiscal Year 2027.

Expenditures

The Governor's proposed budget assumes \$1,032.8 million in increased expenditures from the Fiscal Year 2025 baseline in Fiscal Year 2026 and an additional \$1,135.3 million in expenditures in Fiscal Year 2027. Notable expenditures in the Governor's proposed budget include:

- Increased appropriations to meet Medicaid requirements totaling \$418.2 million in Fiscal Year 2026 and \$196.4 million in Fiscal Year 2027.
- Increased appropriations for annualization of existing wage agreements and estimated funding for future wage agreements totaling \$178.6 million in Fiscal Year 2026 and 104.4 million in Fiscal Year 2027.
- Additional funding for the Teachers' Retirement System as outlined by the actuarial valuation totaling \$96.2 million in Fiscal Year 2026 and \$49.9 million in Fiscal Year 2027.
- Statutory increases to the education cost sharing formula totaling an additional \$86.5 million in Fiscal Year 2026 and \$77.9 million in Fiscal Year 2027.
- Revisions to hospital payments, charges, and provider taxes in which total appropriations net to a total of \$180.4 million in Fiscal Year 2027.
- Increased appropriations for excess cost and high-quality special education grants totaling \$50.0 million in Fiscal Year 2027.
- Increased funding for retired state employees' healthcare costs totaling \$52.6 million in Fiscal Year 2026 and \$212.0 million in Fiscal Year 2027.

The Governor's proposed budget would be \$1.8 million below the expenditure cap for Fiscal Year 2026 and \$261.1 million below the expenditure cap for Fiscal Year 2027.

Proposed Budgetary Adjustments With Respect to Fiscal Guardrails The Governor's budget proposal includes an increase to the existing volatility cap threshold beginning in Fiscal Year 2026, which is permissible under current law in certain circumstances and would require an affirmative vote of three-fifths of the members of each chamber of the General Assembly. All other things being equal, this means more revenue from the Estimates and Finals component of the Personal Income Tax and the Pass-through Entity Tax would flow to the General Fund than is the case with the existing threshold.

As part of the Governor's February 5, 2025 proposal, the Governor is proposing that \$300 million of the Fiscal Year 2025 unappropriated surplus be transferred to the Universal Preschool Endowment. For Fiscal Year 2026 and each year thereafter, any unappropriated surplus would first be used to fill the Budget Reserve Fund to the statutory maximum of 18% of the current net General Fund appropriations with all remaining unappropriated surplus being dedicated to the Universal Preschool Endowment. This endowment would be managed by the Treasurer and invested similar to the State's pension funds. A maximum 10% of the balance of such endowment would be permitted to be expended per year on expanded preschool access. The proposal would require an affirmative vote of three-fifths of the members of each chamber of the General Assembly. The Fiscal Guardrails themselves cannot be amended (see **STATE DEBT-Statutory Provisions-Bond Covenant**) but contain certain exceptions. Whether the Governor's proposal is adopted by the legislature, or the final form any such proposal takes, cannot be predicted, but it is expected that any changes will in final form be consistent with the Bond Covenant.

Bond Authorization

The Governor's proposed budget includes several bond authorizations including:

- **General Obligation** – a net increase in general obligation bond authorizations totaling \$2.017 billion in Fiscal Year 2026 and \$2.214 billion in Fiscal Year 2027 which includes:
 - **Department of Administrative Services** -- \$550.0 million in general obligation bond authorizations for the school construction program in Fiscal Year 2026 and \$550.0 million in Fiscal Year 2027.
 - **Department of Economic and Community Development** -- \$120.0 million in general obligation bond authorizations for redevelopment and manufacturing programs in Fiscal Year 2026 and \$165.0 million in Fiscal Year 2027;
 - **Connecticut State Colleges and Universities** -- \$65.0 million in general obligation bond authorizations for the Connecticut State Colleges and Universities in Fiscal Year 2026 and \$5.0 million in Fiscal Year 2027;
 - **Connecticut Technical Education and Career System** -- \$151.7 million in general obligation authorizations for the Connecticut Technical Education and Career System in Fiscal Year 2026 and \$73.0 million in Fiscal Year 2027;
 - **Department of Housing** -- \$400.0 million in general obligation bond authorizations for various housing programs in Fiscal Year 2026 and \$400.0 million in Fiscal Year 2027;
 - **Department of Energy and Environmental Protection** -- \$203.4 million in general obligation bonds in Fiscal Year 2026 and \$297.4 million in Fiscal Year 2027;
- **Clean Water Fund** – \$50.0 million in additional clean water revenue bond authorizations in Fiscal Year 2026 and \$500.0 million in Fiscal Year 2027; and
- **Special Tax Obligation** -- \$1.553 billion in new special tax obligation bond authorizations for transportation purposes in Fiscal Year 2026 and \$1.559 billion in Fiscal Year 2027.

In addition to the proposed budget, the Governor also presented a three-year budget report for Fiscal Years 2028, 2029 and 2030. The report indicated out-year projected revenue, expenditures and balances in the General Fund as follows:

Three Year Budget Report			
General Fund			
(in Millions)			
<u>Fiscal Year</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Revenues	\$26,174.4	\$26,740.0	\$27,549.4
Expenditures	<u>25,318.1</u>	<u>25,715.4</u>	<u>26,156.3</u>
Surplus / (Deficit)	\$ 856.3	\$ 1,024.6	\$ 1,393.1

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of June 4, 2025.

Fiscal Year 2025 Operations

Pursuant to CGS Section 4-66, by the twentieth day of each month, OPM provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report to the Governor. By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. The following summarizes OPM's and the Comptroller's estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued

and estimated lapses); and surplus/(deficit) balance in the General Fund for Fiscal Year 2025 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 2025
(in Millions)**

Period Ending^(a)	OPM Report			Comptroller Report		
	Revenues	Expenditures^(b)	Surplus/ (deficit)	Revenues	Expenditures^(b)	Surplus/ (Deficit)
December 31, 2024	\$23,678.3	\$23,235.3	\$443.0	\$23,678.3	\$23,235.3	\$443.0
January 31, 2025	\$23,678.3	\$23,288.3	\$390.0	\$23,678.3	\$23,288.3	\$390.0
February 28, 2025	\$23,635.3	\$23,238.9	\$396.4	\$23,635.3	\$23,238.9	\$396.4

(a) Estimates reflect projections as of the period ending date for full Fiscal Year 2025.

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

In OPM's March 20, 2025 letter, as of February 28, 2025, prior to taking into account the limit on transfers into the Budget Reserve Fund, the OPM Secretary forecasted the balance in the Budget Reserve Fund as of the end of Fiscal Year 2025 would be approximately \$5.91 billion, or 25.9% of the current net General Fund appropriations, after taking into account the projected operating surplus of \$396.4 million and projected volatility cap transfer of \$1,403.5 million. The Secretary noted that this balance is expected to exceed the statutory 18% cap for the Budget Reserve Fund next fiscal year and additional transfers to the State Employees' Retirement Fund and/or the Teachers' Retirement Fund are expected during the close-out period for Fiscal Year 2025.

The next report of OPM is expected on or about April 20, 2025 and the next monthly report of the Comptroller is expected on or about May 1, 2025. 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 2025 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 2025 operations of the General Fund.

Recently, presidential executive orders and memoranda and policies implementing such orders have been issued by federal agencies, departments and organizations potentially impacting the State. Beginning January 27, 2025, when the federal Office of Management and Budget issued an internal memorandum directing federal agencies, to the extent permissible under applicable law, to temporarily pause all activities related to federal financial assistance, uncertainty has existed regarding the State's ongoing receipt of federal funding. The State receives significant federal funding and received more than \$11.0 billion in federal grants and aid in Fiscal Year 2024. Many of the policies that drive federal aid may be subject to change as federal agencies and states continue to receive rapidly evolving guidance from the federal Office of Management and Budget. Connecticut continues to monitor and collect specific programmatic information as it is released. At this time, it is not possible to assess the potential fiscal impact of future policies that may be proposed and adopted. If federal funding to the State were reduced, this could have a materially adverse impact on important entitlement programs such as Medicaid, early childhood care, elementary and secondary education, public health, among others. Finally, it cannot be predicted whether any laws, rules, regulations, interpretations and policies could be enacted that impact tax policies that may have a material adverse impact on the finances or operations of the State.

In addition to the uncertainty around federal funding of State operations, general economic policy, including tariff policies that may or may not be in effect from time to time now and in the future, may have significant adverse impacts on economic conditions in general, including the State economy, which in turn could have a material adverse effect on the financial condition and operations of the State.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a statutory basis. Summaries of actual revenues and expenditures on the statutory basis for Fiscal Years 2020 through 2024 are set forth in **Appendix II-D**.

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

<u>Fiscal Year</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total General Fund Revenues ^(a)	\$ 19,193.5	\$ 20,531.4	\$ 21,990.9	\$ 22,822.9	\$ 22,716.1
Net Appropriations/Expenditures ^(b)	<u>19,154.8</u>	<u>20,055.6</u>	<u>20,729.6</u>	<u>22,267.6</u>	<u>22,315.1</u>
Operating Surplus/(Deficit)	\$ 38.7^(c)	\$ 475.9^(c)	\$ 1,261.3^(c)	\$ 555.3^(c)	\$ 401.0^(d)

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

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

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

(d) In accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 18%, the Treasurer determined it was in the best interest of the State to transfer the remaining \$324.9 million of the surplus as follows: \$179.0 million as an additional contribution to the State Employees' Retirement Fund and \$145.9 million as an additional contribution to the Teachers' Retirement System.

NOTE: Totals may not add due to rounding.

SOURCE: Comptroller's Office

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The table below shows the reconciliation of the actual operations surplus (deficit) under the statutory basis to the GAAP basis of accounting for Fiscal Years 2020 through 2024 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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Statutory Basis Operating Surplus/ (Deficit)	\$ 38.7	\$ 475.9	\$ 1,261.3	\$ 555.3	\$ 400.9
Volatility Deposit Budget Reserve Fund	530.3	1,241.5	3,047.5	1,321.8	1,320.0
Change in Statutory Surplus Reserve	(15.6)	(144.4)	208.2	2.4	205.0
Amortization Payment on GAAP Bonds	75.7	--	--	--	--
<u>Adjustments:</u>					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(80.5)	262.8	(106.8)	158.9	149.8
Other Receivables	(61.5)	775.6	402.9	593.5	2,480.5
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(306.4)	(2,196.4)	(2,937.6)	1,953.9	(2,100.2)
Salaries and Fringe Benefits Payable	14.5	17.7	77.5	(96.3)	70.4
Increase (decrease) in Continuing Appropriations	(25.4)	619.3	75.8	(143.2)	(252.5)
Transfer of Prior Year Surplus and BRF 15% Excess	--	(61.6)	(1,618.3)	(4,107.4)	(1,878.1)
GAAP Based Operating Surplus/(Deficit)	<u>\$ 169.8</u>	<u>\$ 990.4</u>	<u>\$ 410.5</u>	<u>\$ 238.8</u>	<u>\$ 395.8</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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Surplus/(Deficit)	\$ 38.7	\$ 475.9	\$ 1,261.3	\$ 555.3	\$ 401.0
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	0.0	0.0	0.0	0.0	76.0
Transfers from Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0
Transfers to SERF/TRS ^(a)	38.7	475.9	1,261.3	555.3	325.0
Total Transfers/Reserves	<u>\$ (38.7)</u>	<u>\$ (475.9)</u>	<u>\$ (1,261.3)</u>	<u>\$ (555.3)</u>	<u>\$ (401.0)</u>
Unappropriated Surplus/(Deficit)	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>

(a) In accordance with State statute, because the Budget Reserve Fund has reached the statutory limit of 15%, (i) for Fiscal Years 2020 to 2022 the Treasurer determined it was in the best interest of the State to transfer the surplus as an additional contribution to the State Employees' Retirement Fund and (ii) for Fiscal Year 2023 per statute, it was determined to be in the best interest of the State to transfer the surplus as an additional contribution to the Teachers' Retirement System. For Fiscal Year 2024, in accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 18%, the Treasurer determined it was in the best interest of the State to transfer the remaining \$325.0 million of the surplus as follows: \$179.0 million as an additional contribution to the State Employees' Retirement Fund and \$146.0 million as an additional contribution to the Teachers' Retirement System.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the statutory basis to the GAAP basis of accounting for Fiscal Years 2020 through 2024.

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

<u>Fiscal Year</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fund Balance (Deficit) Related to					
Statutory GAAP Budgeting	\$ 191.8	\$ 191.8	\$ 191.8	\$ 191.8	\$ 191.8
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(563.0)	(579.2)	(605.9)	(510.3)	(625.9)
Eliminate Corporation Accrual	(97.9)	(37.0)	(23.6)	(35.1)	(43.8)
Additional Taxes Receivable	<u>2.7</u>	<u>5.0</u>	<u>12.5</u>	<u>15.2</u>	<u>29.2</u>
Net Increase (Decrease) Taxes	(658.2)	(611.2)	(617.0)	(530.3)	(640.5)
Net Accounts Receivable	724.4	744.4	595.7	530.5	963.7
Federal and Other Grants Receivable ^(a)	33.3	296.2	189.5	348.3	46.9
Due From Other Funds	44.6	56.2	63.8	68.7	24.9
GAAP Conversion Bonds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(258.3)^(b)</u>
Total Additional Assets	\$ 144.1	\$ 485.6	\$ 232.0	\$ 417.3	\$ 136.7
Additional Liabilities					
Salaries and Fringe Payable	123.5	141.1	218.7	122.3	75.1
Accounts Payable—Dept. of Social Services	--	--	--	--	--
Accounts Payable—Trade & Other	(930.8)	(718.5)	(782.1)	(952.1)	(1,083.4)
Payable to Federal Government	(505.2)	(679.9)	(495.0)	(379.1)	(352.5)
Due to Other Funds	<u>(95.6)</u>	<u>(80.8)</u>	<u>(117.6)</u>	<u>(44.2)</u>	<u>(58.1)</u>
Total Additional Liabilities	<u>\$(1,408.1)</u>	<u>\$(1,338.1)</u>	<u>\$(1,176.0)</u>	<u>\$(1,253.0)</u>	<u>\$(1,418.9)</u>
Unreserved Fund Balance (Deficit)					
GAAP Basis.....	<u>\$(1,072.2)</u>	<u>\$ (660.7)</u>	<u>\$ (752.2)</u>	<u>\$ (643.9)</u>	<u>\$ (1,090.4)</u>

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

(b) This amount was included in Accounts Payable in previous years.

SOURCE: Comptroller's Office

The table below sets forth on a GAAP basis the components of the fund balance for the General Fund for Fiscal Years 2020 through 2024.

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

<u>Fiscal Year</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Reserved:					
Budget Reserve	\$ 3,012.9	\$ 3,112.0	\$ 3,313.4	\$ 3,315.8	\$ 4,105.0
Future Budget Years	144.4	-	208.2	211.7	418.4
Loans & Advances to Other Funds	51.4	56.3	72.9	72.9	72.9
Inventories	17.2	20.8	21.7	26.3	24.2
Continuing Appropriations	<u>139.1</u>	<u>758.4</u>	<u>834.3</u>	<u>691.1</u>	<u>511.9</u>
Total	\$ 3,365.0	\$ 3,947.5	\$ 4,450.5	\$ 4,317.8	\$ 5,132.4
Unreserved:	<u>(1,072.2)</u>	<u>(660.7)</u>	<u>(752.2)</u>	<u>(643.9)</u>	<u>(1,090.4)</u>
Total Fund Balance	<u>\$ 2,292.8</u>	<u>\$ 3,286.8</u>	<u>\$ 3,698.3</u>	<u>\$ 3,673.9</u>	<u>\$ 4,042.0</u>

SOURCE: Comptroller's Office

STATE DEBT

The State of Connecticut anticipates issuing approximately \$150,000,000 General Obligation Bonds (2025 Series A), \$1,151,000,000 General Obligation Refunding Bonds (2025 Series B) and \$300,000,000 Taxable General Obligation Bonds (2025 Series A) in May 2025.

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, bonds 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 **Types of Direct General Obligation Debt -- Credit Revenue Bond Program.**

There are no State constitutional provisions precluding the exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income, in order to pay debt service on bonded debt now or hereafter incurred. The constitutional limit on increases in General Fund expenditures for any fiscal year does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There are also no constitutional or statutory provisions requiring or precluding the enactment of liens on or pledges of the

State's General Fund revenues or taxes, or the establishment of priorities for payment of debt service on the State's general obligation bonds. There are no express statutory provisions establishing any priorities in favor of general obligation bondholders over other valid claims against the State.

Statutory Debt Limit. CGS Section 3-21 provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. Credit revenue bonds issued pursuant to CGS Section 3-20j shall be considered as payable from General Fund tax receipts of the State for purposes of the debt limit. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted:

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

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

The Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and at other statutorily prescribed times and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the

Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit. The General Assembly is not required to act upon such recommendations.

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

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

The total tax receipts for Fiscal Year 2025, as last estimated by the General Assembly’s joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 1, 2025, are described in the following table.

TABLE 7
Statutory Debt Limit
As of February 1, 2025

Total General Fund Tax Receipts	\$20,326,300,000	
Multiplier	1.6	
Debt Limit		\$32,522,080,000
Outstanding Debt ^(a)	\$13,427,615,000	
Guaranteed Debt ^(b)	\$1,902,632,369	
Authorized Debt ^(c)	\$9,766,978,995	
Total Subject to Debt Limit		\$25,097,226,364
Aggregate Net Debt		\$25,097,226,364
Debt Incurring Margin ^(d)		\$ 7,424,853,636

- (a) 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) Includes guarantees for UConn 2000 Bonds, Municipal Contract Assistance secured by the State’s debt service commitment, Small Business Energy Advantage Loans and certain outstanding debt of Southeastern Connecticut Water Authority. 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 2025.
- (d) State debt as a percentage of the statutory debt limit is 77.2%. State debt as a percentage of the statutory debt limit for prior dates were as follows: 2/1/2021 – 80.9%; 2/1/2022 – 80.0%; 2/1/2023 – 72.3%; 2/1/2024 – 74.8%.

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 is scheduled to meet monthly and has the authority to call special meetings. The Commission may not authorize bond issuances or credit revenue bond issuances of greater than \$2.4 billion in the aggregate in any fiscal year, subject to certain exclusions and inflationary adjustments.

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

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

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

Types of Direct General Obligation Debt

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

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

Other general obligation debt finances grants and loans to municipalities for design and construction of water pollution control facilities, in addition to loans that are financed under the State's Clean Water revenue bond program.

Credit Revenue Bond Program. The State may issue credit revenue bonds secured by a statutory gross pledge of the State's withholding tax receipts to fund its capital projects. These receipts will be paid into segregated pledged accounts from which the trustee for the credit revenue bonds will withdraw amounts to be set aside for debt service on the credit revenue bonds. Withholding tax revenues withdrawn to be set aside for debt service on the credit revenue bonds will not be available to pay debt service on general obligation bonds. Amounts in the segregated pledged accounts in excess of the amounts withdrawn for debt service will be swept daily into other accounts of the State, free of the credit revenue bond lien and available for all purposes of the General Fund, including payment of debt service on the State's general obligation bonds. The credit revenue bonds will have no claim on any other revenues of the State and will not be subject to acceleration. The credit revenue bonds may be issued for any purpose for which general obligation bonds are authorized, including refunding bonds, and, if issued, would be in lieu of general obligation bonds. Credit revenue bonds will be authorized in the same manner as general obligation bonds, and accounted for within the State's General Fund. The credit revenue bonds will be treated as general obligation bonds for purposes of the State bond cap, and therefore do not represent an avenue for additional bond issuance. Issuance of credit revenue bonds is subject to an additional bonds test requiring a debt service coverage ratio of three times. As of February 1, 2025, 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 \$2.29 billion of bonds to fund up to \$2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. As of February 1, 2025, \$2.00 billion (reflecting the accreted value) of such bonds were outstanding. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. The University of Connecticut ("University") is a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as "UConn 2000", the infrastructure improvement program now is estimated to cost \$5,257.3 million to be financed over a thirty-six year period, beginning in Fiscal Year 1996. The UConn 2000 program contemplates total issuance of \$4,920.9 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, 2025, \$4,738.7 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which \$1,579.9 million remain outstanding, with a remaining authorization of \$876.9 million, of which \$306.9 million is allocated. It is anticipated that additional authorizations will become effective in future fiscal years.

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

The General Assembly has and may continue to authorize capital improvements for the University in addition to the UConn 2000 Program. General obligation bonds authorized for such purposes are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. However, the construction of a new \$203 million ambulatory care center at the University of Connecticut Health Center authorized in 2011 but

financed through a lease financing through the University of Connecticut Health Center Finance Corporation is not reflected in **Table 12**.

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

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

Supportive Housing Financing. The Connecticut Housing Finance Authority (“CHFA”) in conjunction with other state agencies developed a collaborative plan to create affordable housing and support services for specified eligible persons. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance may not exceed \$105 million in the aggregate. As of February 1, 2025, \$24.6 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. CHFA is authorized to issue up to \$50 million of bonds to fund an Emergency Mortgage Assistance Program and the Treasurer and OPM are required to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 1, 2025, the entire \$50 million had been issued, of which \$21.2 million is outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

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

Municipal Contract Assistance. The Municipal Accountability Advisory Board (“MARB”) supervises distressed municipalities in the State. The State, acting through the Treasurer and the Secretary of OPM, is authorized to enter into contract assistance agreements with municipalities operating as “Tier III” or “Tier IV” municipalities under the MARB. Such contract assistance may provide for payment by the State of all or a portion of annual debt service on refunding bonds issued to refund outstanding indebtedness of such a municipality, plus costs of issuance. The State is also authorized to provide alternate forms of credit support, provided the alternate support is not in excess of the amount of contract assistance otherwise available. The

contract assistance would be deemed appropriated, and would constitute the full faith and credit obligation of the State. Currently, the City of West Haven is a “Tier IV” municipality; however, the State does not have a contract assistance with the City of West Haven. In March 2018, the State and the City of Hartford, then a “Tier III” municipality, entered into an agreement that obligates the State to make payments equal to principal and interest, when due, on all of Hartford’s then outstanding general obligation bonds, with the State retaining the right to restructure the outstanding debt in the future. As of February 1, 2025, Hartford’s outstanding debt subject to this agreement is approximately \$318.2 million. This contract assistance program is in addition to, but not in duplication of, assistance available to municipalities and described under **OTHER FUNDS – Assistance to Municipalities**.

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

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

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

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

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

TABLE 8
Direct General Obligation Indebtedness^(a)
Principal Amount Outstanding As of February 1, 2025
(In Thousands)

General Obligation Bonds	\$13,226,172
Pension Obligation Bonds	2,003,780
UConn 2000 Bonds	1,579,855
Other ^(b)	<u>258,828</u>
Long-Term General Obligation Debt Total	17,068,635
Short-Term General Obligation Debt Total	-0-
Gross Direct General Obligation Debt	<u>17,068,635</u>
 Net Direct General Obligation Debt	 \$17,068,635

- (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:

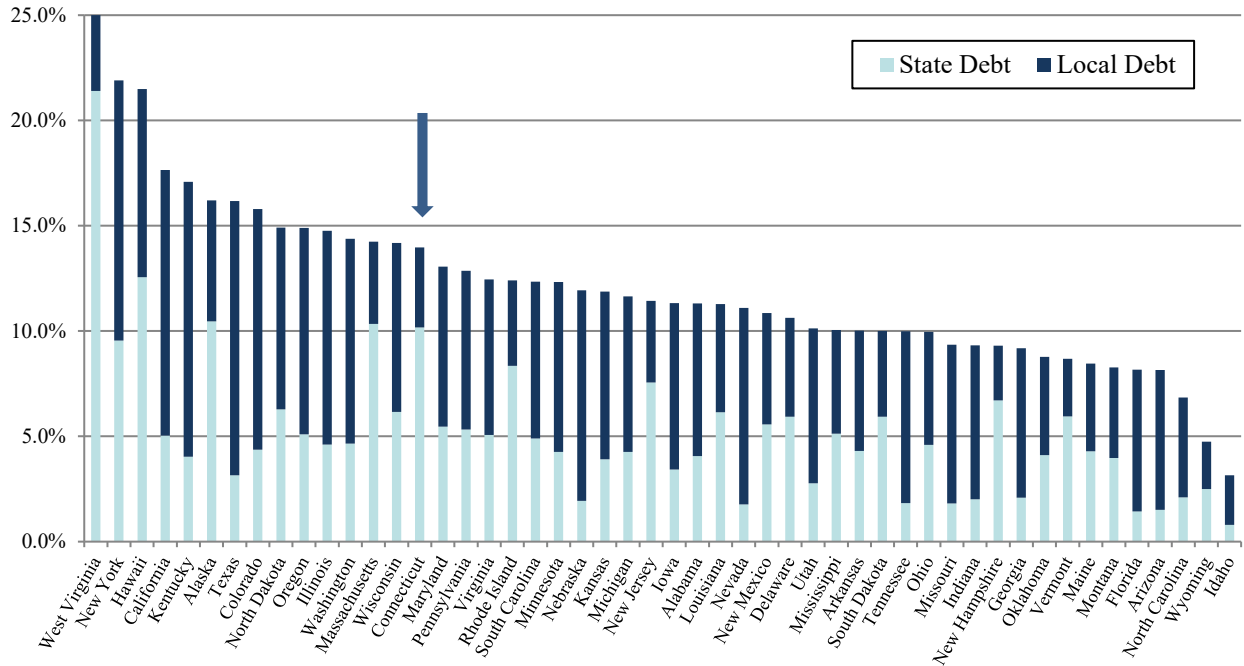
TABLE 9
Outstanding Long-Term General Obligation Debt Ratios

<u>Fiscal Year</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Gross Direct Debt (In Thousands) ^(a)	\$18,773,733	\$18,799,680	\$18,596,012	\$17,840,779	\$17,136,057
Ratio of Debt to Personal Income ^(b)	68.0%	63.8%	60.6%	54.8%	52.7%
Ratio of Debt to Estimated Full Value of Equalized Grand List ^(c)	32.7%	32.1%	28.7%	24.7%	21.6%
Per Capita Debt ^(d)	\$5,237	\$5,216	\$5,151	\$4,930	\$4,714

- (a) 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: 2020 - \$275.9 billion; 2021 - \$294.6 billion; 2022 - \$306.7 billion and 2023 - \$325.3 billion. The 2024 ratio uses 2023 data.
- (c) Full value estimated by OPM. Uses final equalized net grand lists: 2018 - \$573.5 billion, 2019 - \$586.0 billion, 2020 - \$647.0 billion, 2021 - \$723.1 billion and 2022 - \$792.5 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2020 ratio uses 2018 data; 2021 ratio uses 2019 data; 2022 ratio uses 2020 data; 2023 ratio uses 2021 data and 2024 ratio uses 2022 data.
- (d) See **Appendix II-B, Table B-1**. State population in thousands: 2020 - 3,585; 2021 - 3,604; 2022 - 3,610; 2023 - 3,619; and 2024 - 3,635.

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 35th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and 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, 2023 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2022 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis as of calendar year 2023.
- (b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Information Statement.

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

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 1, 2025. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include refunding bonds, thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10
Summary of Principal, Mandatory Sinking Fund Payments,
and Interest on Long-Term Direct General Obligation Debt(a)
As of February 1, 2025

<u>Fiscal Year</u>	<u>Principal Payments^(b)</u>	<u>Interest Payments^{(b)(c)}</u>	<u>Total Debt Service</u>
2025	\$ 841,972,437	\$ 404,292,096	\$ 1,246,264,532
2026	1,692,425,000	733,367,764	2,425,792,764
2027	1,647,665,000	655,947,639	2,303,612,639
2028	1,593,665,000	578,573,541	2,172,238,541
2029	1,539,900,000	503,458,256	2,043,358,256
2030	1,495,290,000	429,903,459	1,925,193,459
2031	1,443,350,000	360,681,355	1,804,031,355
2032	1,351,970,000	292,642,663	1,644,612,663
2033	909,280,000	226,524,972	1,135,804,972
2034	811,830,000	187,435,766	999,265,766
2035	717,945,000	152,121,278	870,066,278
2036	624,270,000	120,860,501	745,130,501
2037	523,690,000	95,179,824	618,869,824
2038	420,630,000	73,775,713	494,405,713
2039	354,330,000	55,984,863	410,314,863
2040	308,090,000	41,005,413	349,095,413
2041	253,090,000	27,813,513	280,903,513
2042	190,080,000	17,525,613	207,605,613
2043	131,225,000	9,375,225	140,600,225
2044	93,725,000	4,791,050	98,516,050
2045	40,000,000	1,000,000	41,000,000
Totals	\$ 16,984,422,437	\$ 4,972,260,503	\$ 21,956,682,939

- (a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments (\$16,984,422,437) plus accreted interest (\$84,212,906) total the amount of such long-term debt (\$17,068,635,343) 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 Year 2025.
- (c) Some of the State's direct debt pays interest at variable rates. For purposes of this Table 10, the interest on such debt is calculated based on the following assumed average rates:

<u>Year Issued</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Maturities</u>	<u>Assumed Average Interest Rate</u>
2013	\$ 244,570,000	\$ 20,000,000	2025	4.75%
2016	300,000,000	229,475,000	2025-2034	4.75
2017	300,000,000	231,055,000	2025-2037	4.75
Totals	\$ 844,570,000	\$ 480,530,000		

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.

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

<u>Fiscal Year</u>	<u>Gross Debt</u>
2015	\$16,879,336
2016	17,704,949
2017	18,534,494
2018	18,723,853
2019	18,705,288
2020	18,773,733
2021	18,799,680
2022	18,596,012
2023	17,840,779
2024	17,136,057

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 1, 2025, the amount of bonds authorized by the legislature, the amounts allocated by the Commission, the amount of bonds issued and applicable remaining amounts. The table also shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2025.

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TABLE 12
Authorized but Unissued Direct General Obligation Debt
As of February 1, 2025
(In Thousands)

	State Direct Debt^(a)	Pension Obligation Bonds	UCONN 2000^(b)	Tax Increment^(c)	Total
Amount Authorized by Legislature	\$52,350,817	\$2,276,578	\$4,043,092	\$74,750	\$58,745,237
Amount Allocated by Commission	<u>47,618,129</u>	<u>2,276,578</u>	<u>4,043,092</u>	<u>74,750</u>	<u>54,012,549</u>
Available for Commission Allocation	4,732,688	0	0	0	4,732,688
Amount Authorized by Legislature	52,350,817	2,276,578	4,043,092	74,750	58,745,237
Amount Issued	<u>42,904,278</u>	<u>2,276,578</u>	<u>3,736,192</u>	<u>68,040</u>	<u>48,985,088</u>
Authorized by Legislature but Unissued	9,446,539	0	306,900	6,710	9,760,149
Amount Allocated by Commission	47,618,129	2,276,578	4,043,092	74,750	54,012,549
Amount Issued	<u>42,904,278</u>	<u>2,276,578</u>	<u>3,736,192</u>	<u>68,040</u>	<u>48,985,088</u>
Allocated by Commission but Unissued	4,713,851	0	306,900	6,710	5,027,461

- (a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds and lease financings.
- (b) Includes new money bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.
- (c) The amount of tax increment bonds authorized is based on the amount authorized by the Commission, since there is no statutory amount of authorization.

SOURCE: State Treasurer's Office; OPM

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

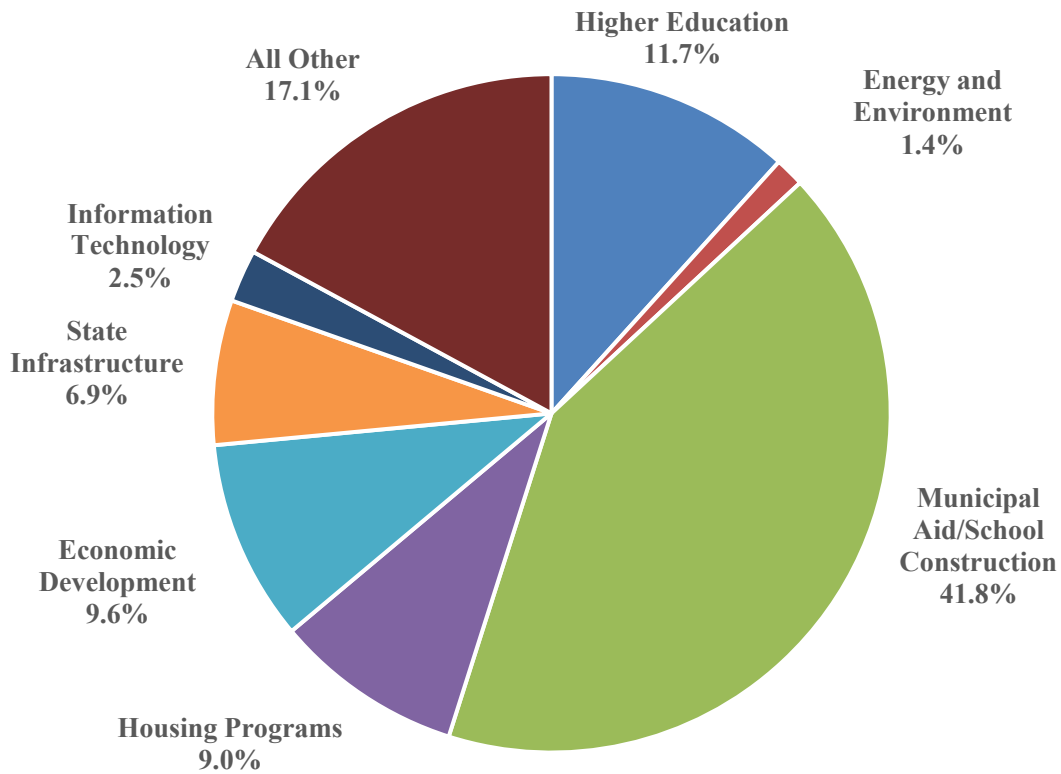
TABLE 13
Statutory General Obligation Bond Authorizations and Reductions^(a)
(In Millions of Dollars)

<u>Fiscal Year</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
New										
Authorizations	2,391.5	2,661.3	1,875.6	1,800.0	1,895.4	1,903.5	2,174.5	2,541.8	2,659.8	2,822.5
Reductions	<u>(272.5)</u>	<u>(985.7)</u>	<u>(263.3)</u>	<u>(406.3)</u>	<u>(3.4)</u>	<u>0.0</u>	<u>(156.2)</u>	<u>(410.5)</u>	<u>(73.0)</u>	<u>(55.8)</u>
Net New										
Authorizations	2,119.0	1,675.6	1,612.3	1,393.7	1,892.0	1,903.5	2,018.3	2,131.3	2,586.8	2,766.7

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

Source: OPM

TABLE 14
General Obligation Bond Allocations for Fiscal Years 2020 – 2024



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 2020-2029, which will be met from federal, State and local funds, is currently estimated at \$25.1 billion. The State's share of such cost, estimated at \$14.9 billion, is to be funded from the proceeds of STO bonds and from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below. The portion of State program costs not financed by STO bonds is estimated at \$0.2 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds.

It is estimated that an additional \$5.5 billion of STO bonds will be issued to fund the State's share of the cost of the infrastructure program through Fiscal Year 2029. As of February 1, 2025, there is \$7.7 billion of authorized but unissued STO bonds. While current appropriations are adequate to provide for expenditures through the projection period, additional appropriations, including the authorization of additional STO bonds, will be required before the end of the projection period in order to continue the multi-year planning required for expenditures beyond the end of the projection period.

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

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

TABLE 15
Special Tax Obligation Bonds
As of February 1, 2025
(In Millions of Dollars)

	<u>New Money</u>
Amount Authorized by Legislature ^(a)	24,903.2
Amount Allocated by the Commission	<u>23,541.6</u>
Available for Commission Allocation	1,361.6
Amount Authorized by Legislature ^(a)	24,903.2
Amount Issued ^(b)	<u>17,200.2</u>
Authorized by Legislature but Unissued	7,703.0
Amount Allocated by the Commission	23,541.6
Amount Issued ^(b)	<u>17,200.2</u>
Allocated by the Commission but Unissued	6,341.4
Amount Outstanding	8,023.9

(a) Refunding Bonds do not require legislative approval.

(b) Excludes the issuance of refunding bonds.

SOURCE: State Treasurer's Office

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

Other Special Revenue Funds and Debt

Bradley International Airport. Bradley International Airport (the “Airport”), located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority (“CAA”), a quasi-public authority of the State. The General Assembly authorized the issuance of revenue bonds for improvements at the Airport payable from all or a portion of the revenues generated at the Airport. No such bonds are outstanding. See ***Quasi-Public Agencies - Connecticut Airport Authority (“CAA”)***. Additional special obligation bonds to finance self-sustaining special facilities at the Airport payable solely from the revenues derived from such special facilities were authorized in 1993. No such bonds are currently outstanding.

State Revolving Fund (“SRF”). The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to \$4,511.1 million, of which \$2,466.6 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loan obligations of the municipalities and public water systems are secured by either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system. As of February 1, 2025, \$655.6 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the Unemployment Compensation Fund may receive advances from the federal government; in addition, the State may issue revenue bonds payable solely 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. No such bonds have been issued since 1993, and no such bonds are outstanding. See **Appendix II-B – Unemployment Compensation Fund** for a description of the recent operations of the Unemployment Compensation Fund.

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

Contingent Liability Debt

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

Special Capital Reserve Funds. The primary vehicle through which the State has undertaken contingent or limited liability is the Special Capital Reserve Fund ("SCRF"). A SCRF, if established, provides additional security for certain bonds issued by a quasi-public agency, municipality or other authority. Subject to certain legislative exceptions, monies held in and credited to a SCRF are intended to be used solely for the payment of the principal of bonds secured by such SCRF, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The SCRF is frequently funded with bond proceeds by the issuer to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a SCRF to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the SCRF. If the SCRF should fall below the required minimum capital reserve amount, an official of the issuer that established the SCRF is to certify to the Secretary of OPM or the Treasurer or both the amount necessary to restore such SCRF to the required minimum capital reserve amount. On or before December 1, annually, there is deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the SCRF. On an annual basis, the State's liability under any SCRF mechanism is limited to its obligation to restore each SCRF to its minimum capital reserve amount. The State has never been required to replenish a SCRF to the required minimum capital reserve amount.

By statute, the Capital Region Development Authority, the Connecticut Airport Authority, the Connecticut Green Bank, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Housing Finance Authority, Connecticut Innovations, Incorporated, Connecticut Municipal Redevelopment Authority, the Connecticut Port Authority, and the MIRA Dissolution Authority may borrow money or issue bonds or notes that are guaranteed or otherwise supported by the State or for which they can seek State supported SCRF with the approval of the Treasurer or the Deputy Treasurer, and for certain of these quasi-public issuers, the Secretary of OPM. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves

deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

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

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

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

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

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

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

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

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

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA, a subsidiary of CHEFA, provides financial assistance in the form of education loans to students in or from

the State. CHESLA is also authorized to provide loans to refinance eligible education loans of qualified borrowers. CHESLA is authorized to issue bonds the proceeds of which are used to fund or refinance education loans to applicants meeting certain eligibility requirements. The repayment of such loans is used to make debt service payments on CHESLA bonds. CHESLA bonds are further secured by a SCRF.

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

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

Connecticut Innovations, Incorporated (“CI”). Under its General Obligation Bond Program, CI may issue bonds secured by a SCRF to finance eligible economic development and information technology projects. As of February 1, 2025, 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. The amount of bonds of CMRA secured by a SCRF, however, shall not exceed \$50.0 million in the aggregate.

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

MIRA Dissolution Authority (“MIRA”). MIRA was created by the State effective July 1, 2023 as successor to the Materials Innovation and Recycling Authority (the “Dissolved Authority”). MIRA has assumed all of the Dissolved Authority’s underlying statutory duties, authorities and capabilities which include the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State’s Solid Waste Management Plan. MIRA will continue such ongoing waste transfer operations until acceptable alternatives become available. MIRA is also charged with additional activities related to the dissolution of the Dissolved Authority. These dissolution responsibilities include identifying the immediate environmental needs and knowledge necessary for redevelopment of the Dissolved

Authority's closed waste to energy facility in Hartford, Connecticut, engaging the City of Hartford and other stakeholders with respect to the future of that site, continuing to operate its transfer stations until acceptable alternatives, operated by entities other than the Dissolved Authority, become available and winding down its operations and activities in an orderly and responsible manner including the marketing and sale of the Dissolved Authority's surplus real and personal property. For the purpose of financing any solid waste facility, bonds may be issued and such bonds may be secured by a SCRF, but this authority has been repealed effective July 1, 2025 and MIRA has no plans to issue such debt. Following termination of MIRA, all of MIRA's rights and properties shall pass to and be vested in the State.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 1, 2025, the University has outstanding \$260.5 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities and Others

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

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

Outstanding Special Capital Reserve Fund Debt

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

TABLE 16
Special Capital Reserve Fund Debt
As of February 1, 2025
(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)	\$54.6 ^(b)	\$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank.....	500.0	39.4	4.9
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	236.6	29.5
UConn Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority^(c)	300.0	145.4	19.1
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program ^(d)	(a)	5,301.4	384.8
Special Needs Housing Mortgage Finance Program	(a)	55.9	5.0
Connecticut Innovations	450.0	0.0	0.0
Connecticut Municipal Redevelopment Authority	50.0	0.0	0.0
Connecticut Port Authority	50.0	0.0	0.0
MIRA Dissolution Authority	725.0 ^(e)	0.0	0.0
Southeastern Connecticut Water Authority	15.0	0.4 ^(b)	N.A.
University of Connecticut	(a)	0.0 ^(f)	N.A.

(a) No statutory limit.

(b) Debt is secured by a non-SCRF State contract assistance agreement.

(c) CHESLA anticipates issuing approximately \$65,470,000 State Supported Revenue Bonds (CHESLA Loan Program) 2025 Series B – AMT in May 2025 consisting of 2025 Series B-1 Bonds and 2025 Series B-2 Bonds. At the time of issuance only the 2025 Series B-1 Bonds (issued in the approximate amount of \$35,740,000) will be secured by a State supported SCRF. The 2025 Series B-2 Bonds will be subject to mandatory tender on a date that will be approximately one year from their issue date and will not be secured by a State supported SCRF.

(d) As of December 31, 2024.

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

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

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. The obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 1, 2025, CHEFA had approximately \$31.1 million in Child Care Facilities Bonds outstanding under this program, with annual debt service of approximately \$4.3 million, of which the State Office of Early Childhood is committed to reimburse approximately \$0.6 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The Commission approved up to \$122.5 million of revenue bonds and other borrowings for the Hartford convention center project. The predecessor authority to CRDA issued \$110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds. As of February 1, 2025, \$54.6 million of CRDA revenue bonds was outstanding. The State's aggregate obligation under the contract assistance agreement is limited to \$9.0 million per year, and the CRDA's debt obligations are structured not to exceed this amount. An additional \$12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Through February 1, 2025, the State has paid \$70.3 million of debt service with respect to such bonds which has not been reimbursed. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

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 at least for the foreseeable future. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State provides partial funding for public school building new construction and renovation projects to public school districts under a reimbursement grant program. For certain school projects approved by the General Assembly, districts are ranked according to their adjusted equalized net grand list per capita and, based on such rankings, a reimbursement percentage is assigned that determines the amount of grant money a town or regional school district may be eligible to receive. The State reimburses districts its share on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments in varying amounts based on completed applications received. With the passage of Public Act No. 24-151, the State expects to authorize new school construction grant commitments of approximately \$921 million (the total project cost of approximately \$1.4 billion) that take effect in Fiscal Year 2024. It is anticipated that new authorizations will average approximately \$313 million in Fiscal Year 2025. As of June 30, 2024, the Commissioner of Administrative Services estimates that current grant obligations for school construction projects are approximately \$4.2 billion.

The legislature has authorized the issuance of State bonds for the school construction grant program based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal

year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the “Corporation”) was created as a public instrumentality of the State to operate the State’s lottery pursuant to the Connecticut Lottery Corporation Act (the “CLC Act”). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2024 the current and long-term liabilities of the Corporation total \$255.5 million.

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PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems and provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, as of June 30, 2024 the unfunded actuarial accrued liability ("UAAL") of the major pension systems aggregate approximately \$35.1 billion and the net social security and other post-employment benefits liability of the other major post-employment benefits systems aggregate approximately \$19.4 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, and is composed of an amount to amortize the accumulated unfunded liability and an amount representing the additional costs accrued for the current year.

When both of the State's major pension plans were converted to an actuarial funding method, the original time period determined to amortize the existing unfunded accrued liability and achieve full funding was set at 40 years, a period that was subsequently extended as part of a restructuring. As described below, under the funding models in effect as of June 30, 2024, the existing unfunded accrued liability at the time of the restructuring is being amortized over a base period amortization layer, with changes in the unfunded accrued liability owing to differences between assumptions and experience being amortized over separate 25 year layers as they occur. The remaining weighted average of the periods as of June 30, 2024 to reach full funding were approximately 21.6 years for the State Employees' Retirement Fund and approximately 24.7 years for the Teachers' Retirement Fund. At the time full funding of a plan is reached, only the costs accruing in the current year will be required; current modeling as shown in Tables 19 and 2a, indicate that the ADEC for each of the major pension plans will drop by over \$1 billion.

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 annually. 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, plus 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 periods.

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

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

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

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

The actuarial valuation also will state an ADEC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The ADEC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the UAAL. The normal cost is partially funded from active member contributions, if required under the particular plan, with the remainder funded by State contributions. The UAAL amortization component is made over the length of time chosen as the amortization period for the base and subsequent layers, 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 an existing base is amortized over a closed-end period and future actuarial gains and losses are phased in over closed 25

year periods, resulting in a weighted average amortization period of 21.6 years as of June 30, 2024, as further described below. The Teachers' Retirement Fund now amortizes the UAAL as of June 30, 2018 over a closed period of 30 years, with future actuarial gains and losses amortized over separate closed periods of 25 years, beginning the year each separate base is established, resulting in a remaining weighted amortization period of 24.7 years as of June 30, 2024. A second important factor is determining the amount to be amortized in each year of the remaining amortization period. Previously, both of the State plans used a "level percent of payroll" formula for this purpose, where in each year the same percent of assumed payroll for that year is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. This makes the assumption of the rate at which payroll increases each year an important assumption. SERS phased in a "level dollar" amortization over a five year period, where the cost is amortized in equal dollar amounts to be paid over the specified number of years. This method generally results in decreasing inflation-adjusted payments over time. TRS previously used a "level percent of payroll" amortization method, and has now also transitioned 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.

State Employees' Retirement Fund ("SERF")

SERS is one of the systems maintained by the State with approximately (i) 49,023 active members, consisting of 23,976 vested members and 25,047 non-vested members, (ii) 3,638 deferred vested members, and (iii) 57,628 retired members and beneficiaries as of June 30, 2024.

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

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

November 2024 SERF Actuarial Valuation. The State Employees Retirement Commission ("SER Commission") received an actuarial valuation with respect to SERF as of June 30, 2024 from Cavanaugh Macdonald Consulting, LLC dated November 20, 2024 (the "November 2024 SERF Valuation"), and subsequently approved such valuation. The November 2024 SERF Valuation reported the following results as of June 30, 2024 with respect to the SERF:

Actuarial Valuation as of June 30, 2024	
Market Value of Assets	\$ 23,890.9 million ^(a)
Actuarial Value of Assets	23,683.6 million ^(a)
Actuarial Accrued Liability	42,869.8 million
UAAL	19,186.2 million
Funded Ratio (based on the actuarial value of assets)	55.2%
Funded Ratio (based on the market value of assets)	55.7%

(a) Amounts include the transfer of \$513,939,722 made subsequent to June 30, 2024.

The November 2024 SERF Valuation was based on the following assumptions and methodologies, among others:

- 6.90% investment return assumption (including price inflation at 2.50%)
- Entry Age Normal actuarial cost method
- Level dollar amortization method
- Projected salary increases of 3.0% to 11.5% (including wage inflation at 3.0%)
- Cost of living adjustment ("COLA") of 1.95% to 3.25%

- A COLA moratorium for employees retiring on or after July 1, 2022 for the first 30 months of retirement, and that the partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is greater than 5.5% will result in the first COLA being assumed to be 0.15% higher
- Social security wage base increase of 3.5%
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets

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

Portion of UAAL	Year Established	Remaining Amortization Period
Statutory Base	1984	22 years ^(a)
Transitional Base	2016	22 years
2018 Base	2018	19 years
2019 Base	2019	20 years
2020 Base	2020	21 years
2021 Base	2021	22 years
2022 Base	2022	23 years
2023 Base	2023	24 years
2024 Base	2024	25 years

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

The November 2024 SERF Valuation determined the ADEC requirement for Fiscal Year 2025 and Fiscal Year 2026, and the annual contribution rate as a percentage of payroll as follows:

Annual Employer Contributions for:	Fiscal Year 2025		Fiscal Year 2026	
	Amount (in millions)	Percent of Payroll	Amount (in millions)	Percent of Payroll
Employer Normal Cost	\$ 232.6	5.58%	\$ 246.5	5.53%
Amortization of Net UAAL	\$1,781.2	42.73%	\$1,733.9	38.87%
Total Employer Contribution Requirement	\$2,013.8	48.31%	\$1,980.4	44.40%

The employer contribution amount for Fiscal Year 2025 was not available at the time of the original Fiscal Year 2025 budget was adopted and therefore, the adopted budget for Fiscal Year 2025 did not contain appropriations, sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2025. However, Public Act No. 24-81, which was signed into law by the Governor, authorized the Governor to transfer any specific appropriation to fully fund such requirement, which he did. The budget for Fiscal Year 2026 has not yet been adopted.

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, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024.

TABLE 17
State Employees' Retirement Fund
(In Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Fund					
Contributions	\$ 1,195.7	\$ 1,377.2	\$ 1,481.7 ^(c)	\$ 1,567.8 ^(c)	\$ 1,640.7 ^(c)
Transportation Fund					
Contributions	147.1	156.2	172.4	185.1	176.2
Federal and Other					
Reimbursements	273.5	320.5	360.2	462.4	280.3
Employee Contributions	<u>192.7</u>	<u>194.8</u>	<u>202.2</u>	<u>223.1</u>	<u>257.8</u>
Total Contributions ^(a)	\$ 1,809.0	\$ 2,048.7	\$ 2,216.5	\$ 2,438.4	\$ 2,355.0
Benefits Paid ^(b)	\$ 2,119.0	\$ 2,212.6	\$ 2,362.0	\$ 2,590.9	\$ 2,633.6
Investment Income/Net Gains (Losses) ^(c)	\$ 1,502.0	\$ 150.3	\$ 459.4	\$ 835.2	\$ 936.2
Actuarially Determined Employer Contribution	\$ 1,616.3	\$ 1,806.7	\$ 1,993.2	\$ 2,143.3	\$ 2,040.4
Percentage of Actuarially Determined Employer Contribution Made ^(d)	100.0%	102.6%	101.1%	103.4%	102.8%
Actuarial Accrued Liabilities	\$ 36,971.1	\$ 38,344.4	\$ 40,657.0	\$ 41,981.1	\$ 42,869.8
Actuarial Value of Assets ^(e)	\$ 14,242.9	\$ 15,946.9	\$ 19,726.0	\$ 21,846.7	\$ 23,683.6
Unfunded Accrued Liabilities	\$ 22,728.2	\$ 22,397.6	\$ 20,931.0	\$ 20,134.4	\$ 19,186.2
Market Value of Assets ^(e)	\$ 13,311.1 ^(f)	\$ 17,063.0	\$ 18,532.1	\$ 21,165.6	\$ 23,890.9
Funded Ratio (Assets Actuarial Value)	38.5%	41.6%	48.5%	52.0%	55.2%
Funded Ratio (Assets Market Value)	36.0%	44.5%	45.6%	50.4%	55.7%
Ratio of Actuarial Value of Assets to Market Value of Assets	107.0%	93.5%	106.4%	103.2%	99.1%

- (a) Does not include transfers of \$61.5 million, \$714.7 million, \$3,203.8 million, \$1,046.7 million and \$514.0 million made subsequent to June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, respectively.
- (b) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.
- (c) Adjusted to comply with GASB 72. Reflects investment income and net realized gain (loss) on shares redeemed.
- (d) Does not reflect the transfers referred to in footnote (e) which would bring the percentages to 103.8%, 140.9%, 258.2%, 151.4% and 127.5% for 2020, 2021, 2022, 2023 and 2024, respectively.
- (e) Includes transfers of \$61.6 million, \$697.0 million, \$3,132.1 million, \$1,028.8 million and \$503.7 million made subsequent to June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, respectively. June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024 transfers are discounted back to June 30 of such respective year.
- (f) As reported in Actuarial Valuation. This amount includes \$10.0 million of receivables.

The November 2024 SERF Valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees as determined by the valuation for Fiscal Year 2024 as set forth below:

TABLE 18
Normal Cost by Tier

<u>Group</u>	<u>Number of Active Members^(a)</u>	<u>Average Age (years)^(a)</u>	<u>Average Service (years)^(a)</u>	<u>Normal Cost</u>	<u>Normal Rate (percent of payroll)</u>
Tier I-Plan B	57	70.1	42.9	\$ 333,582	4.55%
Tier I-Plan C	2	71.5	44.5	10,020	5.17
Tier II-Hazardous	106	55.6	27.2	1,973,961	15.05
Tier II-Hybrid	204	61.9	29.3	917,371	2.87
Tier II-Others	4,339	58.4	31.5	22,536,738	4.57
Tier IIA-Hazardous	3,135	48.4	17.8	55,875,639	15.23
Tier IIA-Hybrid	682	56.0	20.0	1,458,758	1.61
Tier IIA-Others	10,733	52.6	19.2	49,223,934	4.45
Tier III-Hazardous	2,179	42.1	10.8	29,229,504	13.52
Tier III Hybrid	508	48.1	9.9	922,787	1.77
Tier III-Others	6,269	47.1	10.3	22,553,227	4.00
Tier IV-Hazardous	3,554	35.8	3.4	28,964,678	10.02
Tier IV Hybrid	1,312	40.7	2.8	1,106,464	1.04
Tier IV-Others	<u>15,943</u>	<u>40.1</u>	<u>2.8</u>	<u>31,408,790</u>	<u>2.80</u>
Total	49,023	46.1	11.8	\$ 246,515,453	5.53%

(a) As of June 30, 2024.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2050. 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 2050. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2024 SERF Valuation and includes a static active population throughout the projection period. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the SERF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

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

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

Fiscal Year Ending June 30	Valuation Date June 30	Unfunded Accrued Liability	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution
2026	2024	\$19,186.2	55.2%	\$246.5	\$1,733.9	\$1,980.4
2027	2025	18,606.9	57.2	248.9	1,719.5	1,986.4
2028	2026	18,069.6	59.0	249.1	1,710.8	1,959.9
2029	2027	17,513.8	60.8	249.2	1,703.0	1,952.2
2030	2028	16,934.7	62.5	247.6	1,695.9	1,943.4
2031	2029	16,325.9	64.3	246.5	1,688.9	1,935.5
2032	2030	15,686.2	66.0	246.3	1,682.4	1,928.7
2033	2031	15,012.9	67.7	247.3	1,676.1	1,923.4
2034	2032	14,303.3	69.5	249.1	1,670.2	1,919.3
2035	2033	13,554.0	71.3	252.0	1,664.6	1,916.6
2036	2034	12,762.4	73.1	255.1	1,659.3	1,914.4
2037	2035	11,925.4	75.0	257.1	1,654.4	1,911.5
2038	2036	11,036.3	77.0	260.2	1,649.5	1,909.6
2039	2037	10,093.1	79.1	264.2	1,644.8	1,909.0
2040	2038	9,091.8	81.2	269.4	1,640.3	1,909.7
2041	2039	8,029.2	83.5	274.9	1,636.1	1,911.0
2042	2040	6,899.4	85.9	281.1	1,632.0	1,913.1
2043	2041	5,697.5	88.4	288.1	1,628.1	1,916.2
2044	2042	4,418.4	91.0	296.1	1,624.3	1,920.4
2045	2043	3,057.0	93.8	304.8	1,570.7	1,875.5
2046	2044	1,609.5	96.8	312.9	1,475.7	1,788.6
2047	2045	120.0	99.8	320.5	1,420.9	1,741.4
2048	2046	0.0	100.0	327.4	0.0	327.4
2049	2047	0.0	100.0	334.4	0.0	334.4
2050	2048	0.0	100.0	341.8	0.0	341.8

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

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

Set forth in the following table are the percentages of the total State workforce in each Tier of the SERS plan as of June 30, 2024, and approximate average annual benefit payable to a retired member in Fiscal Year 2024 in each Tier.

	Percentage of Total Workforce as of <u>June 30, 2024</u>	Average Annual Benefit Payable to Retired Member in <u>Fiscal Year 2024</u>
Tier I	0.1%	\$61,305
Tier II	9.1	41,590
Tier II Hybrid	0.4	57,103
Tier IIA	28.3	29,596
Tier IIA Hybrid	1.4	31,124
Tier III	17.2	16,426
Tier III Hybrid	1.0	44,722
Tier IV	39.8	29,758
Tier IV Hybrid	<u>2.7</u>	N/A ^(a)
	100.0%	

(a) As of June 30, 2024, there were no retired Tier IV Hybrid members.

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

TABLE 20

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

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

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

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

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

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

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

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

GASB 67 and GASB 68 Disclosure as of June 30, 2024. The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2024 and dated December 6, 2024 containing information to assist the SER Commission in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the November 2023 SERF Valuation. This report reported the following results as of June 30, 2024 with respect to the SERF in accordance with GASB 67:

2024 GASB 67 Report as of June 30, 2024	
Total Pension Liability	\$42,869.8 million
Fiduciary Net Position	\$23,901.1 million
Net Pension Liability	\$18,968.7 million
Ratio of Fiduciary Net Position to Total Pension Liability	55.75%

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 \$14,735.0 million or increase the NPL to \$24,042.3 million, respectively.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report dated January 15, 2025 and prepared as of June 30, 2024 containing the pension expense and information to assist the SER Commission in meeting the requirements of GASB 68. The report indicated a Pension Expense of \$2,293.3 million for the fiscal year ending June 30, 2024. Much of the material provided in the report is based on the data, assumptions and results of a valuation delivered in November 2024.

The audited financial statements for Fiscal Year 2024 which are included as **Appendix II-C** hereto, including certain notes and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in a February 14, 2024 GASB 67 report and a March 15, 2024 GASB 68 report. As those reports were prepared as of June 30, 2023 based on data, assumptions and results from a November 2023 actuarial valuation, they do not reflect data, assumptions and results of the GASB 67 and GASB 68 disclosures described above.

Teachers' Retirement Fund ("TRF")

The TRF, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2024, there were 104,765 active and former employees and beneficiaries, consisting of (i) 53,373 active members, (ii) 2,457 inactive vested members, (iii) 8,901 inactive non-vested members, (iv) 39,772 retired members and beneficiaries, and (v) 262 members on disability allowance.

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

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

November 2024 TRF Actuarial Valuation. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2024 dated November 21, 2024 ("November 2024 TRF Valuation"). The November 2024 TRF Valuation reported the following results as of June 30, 2024 with respect to the TRF:

Actuarial Valuation as of June 30, 2024	
Market Value of Assets	\$26,392.6 million
Actuarial Value of Assets	26,333.6 million
Actuarial Accrued Liability	42,260.0 million
UAAL	15,926.3 million
Funded Ratio (based on the actuarial value of assets)	62.3%
Funded Ratio (based on the market value of assets)	62.5%

The November 2024 TRF Valuation set forth the ADEC requirement for Fiscal Year 2025 and determined the ADEC requirement for Fiscal Year 2026, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2024 of \$5,054.2 million, as follows:

Annual Employer Contributions for:	
Fiscal Year 2025	\$1,601.4 million
Fiscal Year 2026	\$1,655.1 million
Annual Employer Contribution as a Percent of Payroll as of June 30, 2024	31.8%

The November 2024 TRF Valuation was based upon the following assumptions and methodologies, among others, which incorporate the changes recommended in the latest experience study for the five-year period ending June 30, 2019:

- 6.90% earnings assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- The UAAL is amortized using a level dollar method effective 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%
- Remaining amortization period for the (i) June 30, 2018 Transitional Base is 24 years, (ii) June 30, 2020 Incremental Base is 21 years, (iii) June 30, 2022 Incremental Base is 23 years, (iv) June 30, 2023 Incremental Base is 24 years and (v) June 30, 2024 Incremental Base is 25 years; with an equivalent single amortization period of 24.7 years
- The actuarial value of assets recognizes 25% of the difference between the market value of assets and the expected actuarial value of assets

The employer contribution amount for Fiscal Year 2025 was not available at the time of the original Fiscal Year 2025 budget was adopted and therefore, the adopted budget for Fiscal Year 2025 did not contain appropriations, sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2025. However, Public Act No. 24-81, which was signed into law by the Governor, authorized the Governor to transfer any specific appropriation to fully fund such requirement, which he did. The budget for Fiscal Year 2026 has not yet been adopted.

The November 2024 TRF Valuation recognized the \$411.1 million additional deposit from the State as a receivable contribution which reflected the discounted value of the \$273.2 million volatility transfer deposited approximately three months after the end of Fiscal Year 2024 and \$147.2 million which was expected to be deposited approximately six months after the end of Fiscal Year 2024 from the Fiscal Year 2024 surplus. The November 2024 TRF Valuation noted that the \$147.2 million additional contribution was pending the

completion of the State's audited financial statements and any material difference in that amount may require a revision to the actuarial valuation. After the completion of the State's audited financial statements, the State deposited \$145.9 million from the Fiscal Year 2024 surplus to the TRF which was slightly lower than the \$147.2 million additional contribution used in the November 2024 TRF Valuation.

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

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

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

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

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

TRF Plan Results – Five Prior Years. Set forth in the following table are State contributions to the TRF, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2020, June 30, 2022, June 30, 2023 and June 30, 2024.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Fund					
Contributions	\$ 1,209.6	\$ 1,249.8	\$ 1,443.7	\$ 1,578.0	\$ 1,554.5
Employee					
Contributions ^(b)	<u>318.2</u>	<u>324.1</u>	<u>337.3</u>	<u>339.3</u>	<u>367.0</u>
Total Contributions ^(c)	<u>\$ 1,527.8</u>	<u>\$ 1,573.9</u>	<u>\$ 1,781.0</u>	<u>\$ 1,917.3</u>	<u>\$ 1,921.5</u>
Benefits Paid ^(d)	\$ 2,065.2	\$ 2,114.6	\$ 2,168.6	\$ 2,305.0	\$ 2,347.4
Investment Income/Net Gains (Losses) ^(e)	\$ 410.0	\$ 4,528.5	\$ (1,970.3)	\$ 1,830.1	\$ 2,702.8
Actuarially Determined Employer Contribution	\$ 1,208.8	\$ 1,249.8	\$ 1,443.7	\$ 1,578.0	\$ 1,554.5
Percentage of Actuarially Determined Employer Contribution Made ^(f)	100.1%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	\$ 37,128.0	N/A	\$ 39,860.3	\$ 40,877.0	\$ 42,260.0
Actuarial Values of Assets ^(g)	\$ 19,055.1	N/A	\$ 22,729.2	\$ 24,455.0	\$ 26,333.6
Unfunded Accrued Liabilities	\$ 18,072.9	N/A	\$ 17,131.1	\$ 16,422.1	\$ 15,926.3
Market Value of Assets ^(h)	\$ 18,286.4	\$ 23,102.1	\$ 21,574.4	\$ 23,763.1	\$ 26,392.6
Funded Ratio (Assets - Actuarial Value)	51.32%	N/A	57.02%	59.83%	62.31%
Funded Ratio (Assets - Market Value)	49.25%	N/A	54.13%	58.13%	62.45%
Ratio of Actuarial Value of Assets to Market Value of Assets	104.20%	N/A	105.35%	102.92%	99.78%

(a) Prior to 2022 actuarial valuations were performed every two years, so not all of the data is available for each year.

(b) Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Fiscal Years 2021, 2022, 2023 and 2024 **do not include** transfers made subsequent to such years of \$903.6 million, \$903.6 million, \$828.1 million and \$419.2 million, respectively.

(d) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership (\$85.0 during Fiscal Year 2020, \$56.5 million during Fiscal Year 2021, \$58.4 million during Fiscal Year 2022, \$55.0 million during Fiscal Year 2023 and \$58.4 million for Fiscal Year 2024).

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

(f) Fiscal Years 2021, 2022, 2023 and 2024 **do not include** the transfers referred to in footnote (c) which would bring the percentages to 172.30%, 162.66%, 152.48% and 127.04%, respectively.

(g) Fiscal Year 2022 **includes** transfers made subsequent to such year of \$903.6 million, discounted at 6.9% to the valuation date. Fiscal Years 2023 and 2024 **include** estimated transfers made subsequent to such fiscal years of \$823.8 million and \$420.4 million, respectively, discounted at 6.9% to the valuation date.

(h) Fiscal Year 2021 **includes** the transfer of \$903.6 million made subsequent to 2021. Fiscal Years 2022 – 2024 figures derived from actuarial valuation and **include** the amounts reflected in footnote (g) above.

Note: Totals may not add due to rounding.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2058. In December 2024, 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 2058. 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 2024 TRF Valuation. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the TRF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

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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
2024	2022	\$15,926.3	62.3%	\$273.7	\$1,280.8	\$1,554.5
2025	2023	16,190.4	62.6	285.4	1,316.0	1,601.4
2026	2024	15,534.7	64.9	293.6	1,361.5	1,655.1
2027	2025	14,925.6	67.1	299.8	1,405.3	1,705.1
2028	2026	14,587.6	68.5	306.5	1,367.9	1,674.4
2029	2027	14,251.3	69.9	314.0	1,342.8	1,656.8
2030	2028	13,891.9	71.4	321.0	1,342.8	1,663.8
2031	2029	13,507.6	72.8	328.5	1,342.8	1,671.3
2032	2030	13,096.9	74.2	336.1	1,342.8	1,678.9
2033	2031	12,657.8	75.6	344.4	1,342.8	1,687.2
2034	2032	12,188.3	77.0	352.0	1,342.8	1,694.8
2035	2033	11,686.5	78.4	361.0	1,342.8	1,703.8
2036	2034	11,150.1	79.9	369.5	1,342.8	1,712.3
2037	2035	10,576.7	81.3	378.7	1,342.8	1,721.5
2038	2036	9,963.7	82.8	388.1	1,342.8	1,730.9
2039	2037	9,308.4	84.2	398.0	1,342.8	1,740.8
2040	2038	8,607.9	85.7	408.8	1,342.8	1,751.6
2041	2039	7,859.0	87.2	419.4	1,342.8	1,762.2
2042	2040	7,058.5	88.8	431.0	1,342.8	1,773.8
2043	2041	6,202.8	90.3	443.0	1,342.8	1,785.8
2044	2042	5,288.0	91.9	454.7	1,342.8	1,797.5
2045	2043	4,310.1	93.5	467.6	1,342.8	1,810.4
2046	2044	3,264.7	95.2	481.2	1,342.8	1,824.0
2047	2045	2,244.5	96.8	494.9	1,245.5	1,740.4
2048	2046	1,153.9	98.4	510.1	1,245.5	1,755.6
2049	2047	(133.8)	100.2	525.1	1,367.3	1,892.4
2050	2048	(92.7)	100.1	540.6	(50.4)	490.2
2051	2049	(80.4)	100.1	556.6	(18.7)	537.9
2052	2050	(23.5)	100.0	573.1	(62.5)	510.6
2053	2051	0.0	100.0	589.4	(25.1)	564.3
2054	2052	0.0	100.0	607.4	0.0	607.4
2055	2053	0.0	100.0	625.1	0.0	625.1
2056	2054	0.0	100.0	643.4	0.0	643.4
2057	2055	0.0	100.0	662.2	0.0	662.2
2058	2056	0.0	100.0	680.5	0.0	680.5

(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, 2024 was approximately \$52,345.

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, 2024. The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of the period ending June 30, 2024 and dated February 2025 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 the November 2024 TRF Valuation. This report reported the following results as of June 30, 2024 with respect to the TRF in accordance with GASB 67:

GASB 67 Report as of June 30, 2024	
Total Pension Liability	\$42,260.0 million
Fiduciary Net Position	\$26,488.7 million
Net Pension Liability	\$15,771.2 million
Ratio of Fiduciary Net Position to Total Pension Liability	62.68%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the November 2024 TRF Valuation, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$11,298.6 million or increase the NPL to \$21,158.7 million, respectively.

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2024 and dated February 2025 containing supplemental information to assist the Teachers’ Retirement Board in meeting the requirements of GASB 68. This report indicates a collective Pension Expense of \$1,809.0 million as of June 30, 2024 for Fiscal Year 2025.

The audited financial statements for Fiscal Year 2024 which are included as **Appendix II-C** hereto, including certain notes and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in a February 14, 2024 GASB 67 report and a February 14, 2024 GASB 68 report. As those reports were prepared as of June 30, 2023 based on data, assumptions and results of a November 2023 TRF actuarial valuation, they do not reflect data, assumptions and results of the GASB 67 and GASB 68 disclosures described above.

SERF/TRF Sensitivity and Stress Test Analyses

Pursuant to CGS Section 4-68ee, the Secretary of OPM is required to develop and annually report to the Appropriations Committee of the General Assembly sensitivity and stress test analyses for SERS and TRF. The report is to include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios. The Secretary received from GovInvest a report titled Connecticut Pension Stress Test – State Employees Retirement System (SERS) and Teacher Retirement Systems (TRS) (the “2024 Stress Test Report”). The analysis utilizes the valuations for SERS and TRS as of June 30, 2023 and does not include the results of the November 2024 SERF Valuation or November 2024 TRF Valuation. However, the results were rolled forward one year (i) with respect SERF, to account for the actual Fiscal Year 2024 investment return of 11.52% and \$514 million in supplemental contributions and (ii) with respect to TRS, to account for the actual Fiscal Year 2024 investment return of 11.50% and \$420.1 million in supplemental contributions. The 2024 Stress Test Report concentrates on four specific scenarios: (i) investment returns above and below the assumed rate of return, (ii) a 20 percent asset shock, (iii) asset shock with contribution risk and (iv) high retiree COLAs. The results combine SERS and TRS to provide a complete, statewide assessment. The key findings from the analysis include:

- Baseline contribution requirements are projected to grow from current levels of \$3.6 billion per year for the next 20 years until the unfunded liability is paid off in Fiscal Year 2047.
- Without the Fiscal Year 2024 additional deposits of approximately \$930 million, the annual contribution plateau would have occurred around \$3.7 billion per year and cost the State an additional \$2.1 billion over the projection period.

- Funding levels will continue to improve over time even when investments underperform if ADEC are adjusted according to the funding policy. Maintaining baseline contribution patterns in an asset shock scenario, which includes a significant asset loss in Fiscal Year 2025, instead of following the ADEC would lead to slower funding recovery for both SERS and TRS and persistently low operating cash flow ratio for SERS.
- In the near term, the asset shock scenario causes contribution requirements to grow faster than projected revenues over the next five years, potentially leading to budget crowd out. Increases at TRS drive this growth, increasing 10 percent per year on average from Fiscal Years 2027-2030 under these scenarios.

It should be noted that the 2024 Stress Test Report did not reflect updated consensus revenues and actual Fiscal Year 2024 contributions, actuarial smoothing of investment returns, newer actuarial valuations or recalculation of future ADECs based on actual performance varying from assumed performance.

Investment of Pension Funds

Eleven investment funds serve as the investment medium for both SERF and TRF, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2024 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24
Pension Fund Investment Allocations
As of June 30, 2024*

	<u>State Employees'</u> <u>Retirement Fund</u>	<u>Teachers'</u> <u>Retirement Fund</u>
Domestic Equity Fund	30.4%	30.5%
Developed Markets International Stock Fund	13.1	13.1
Emerging Markets International Stock Fund	5.3	5.4
Real Estate Fund	6.3	6.3
Infrastructure and Natural Resources	2.9	3.0
Core Fixed Income Fund	14.8	14.9
Non-Core Fixed Income Fund	5.1	5.2
Liquidity Fund	1.3	0.7
Private Investment Fund	11.3	11.4
Private Credit Fund	5.0	5.0
Risk Mitigation Strategy	4.5	4.5
	100.0%	100.0%

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

Investment Returns

Annualized Net Returns on Investment Assets in
Retirement Funds
Periods Ending June 30, 2024

	<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	11.52%	7.32%	6.67%	8.34%	6.80%	6.23%
TRF	11.50%	7.14%	6.55%	8.25%	6.81%	6.18%

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 State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2024, there were 204 active members and 341 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, 2024, approximately 65,274 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
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 appropriated \$214.8 million and \$217.3 million for Social Security coverage for Fiscal Years 2024 and 2025, respectively. Of such amounts, \$196.0 million and \$198.3 have been appropriated from the General Fund for Fiscal Years 2024 and 2025, respectively, with the remainder appropriated from the Special Transportation Fund.

OPEB – State Employees. The State provides post-retirement health care and life insurance benefits to eligible employees who retire from State employment. For new retirees with twenty-five or more years of service, retiree group life benefits are half of the amount an employee was eligible for as an active employee at the time of retirement; the benefit is governed by CGS 5-257. Retirees with less than twenty-five years of service shall receive the proportionate amount that such years of service is to twenty-five years rounded off to the nearest hundred dollars of coverage. Retirees do not contribute to the group life premium post-retirement; 100% of the cost of retiree group life insurance premium is funded by the State through a General Fund appropriation.

Retirees' health benefits are equivalent to the benefits offered to them as an active employee at the time of their retirement. There are five distinct retiree benefit designs dependent upon date of retirement. The covered

benefits and plan offerings are equivalent across all groups with slight variations in copay costs and prescription formularies. The health plan includes a health enhancement program (“HEP”) for those who retired after October 1, 2011. HEP is voluntary; members who complete age-appropriate preventive services are eligible for reduced copays, a waiver of the plan deductible, and a \$100 per month reduced premium cost share. More than 90% of members are enrolled and compliant with HEP. The HEP program does not apply to Medicare Advantage enrollees, however those members receive the HEP compliant benefit design. Retirees who retired prior to July 1, 2022, receive full Medicare Part B and D premium reimbursement while those retiring after that date receive full reimbursement for the standard Part B premium, full Part D income-related premium and 50% of any Part B Income Related Monthly Adjustment Amount.

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. Health care costs for current retirees are funded by retiree premiums and General Fund appropriations. Such expenses are paid out of a Retiree Funds Awaiting Distribution Account administered by the Office of the State Comptroller. Such account is separate and distinct from the OPEB Trust described above. As of June 30, 2024, the fair market value of the net assets within the OPEB Trust totaled \$2.926 billion, adjusted to comply with GASB 72, invested in the Combined Investment Funds. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

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

The OPEB liability is determined using future health care cost trend rates that are based on the anticipated overall rate at which health plan costs are expected to increase in future years. While short term trend rates may reflect known contractual changes (increases and decreases), the long-term trend rates reflect the overall expectations for health care costs. OPEB liability can be very volatile; in recent years the State has seen significant swings in its OPEB liability as a result of decreases and increases in its Medicare Advantage premiums that were below or above projected amounts. Future health care costs are an unknown variable and are the primary driver of future projected OPEB liability.

Because of rising health care trends in the State’s Medicare Advantage population and changes in federal reimbursements to Medicare Advantage plans, the State currently expects significant increases in Medicare Advantage rates for calendar years 2025 and 2026. Increased rates will result in a significant increase in projected Net OPEB liability from the liability presented in the 2024 SERS OPEB GASB 74 Report (as defined and discussed below).

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

calculation is a SEIR, which is determined in the same manner as provided by GASB 67 for pension plans. GASB 75 requires, among other things, that OPEB Expense (“OE”) be calculated and a proportionate share of NOL and OE be recognized in the employer’s financial reporting. OE is calculated in a manner similar to the manner provided by GASB 68 for the calculation of TOL for pension plans. OE should not be considered a proxy for funding or contribution levels.

SERS OPEB Valuation and GASB 74 Report as of June 30, 2024. The State received from The Segal Group (“Segal”) a report prepared as of June 30, 2024 and dated February 5, 2025 (“2025 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 2025 SERS OPEB GASB 74 Report indicated the following as of June 30, 2024:

SERS OPEB GASB 74 Report as of June 30, 2024	
Total OPEB Liability	\$19,277.6 million
Fiduciary Net Position	\$ 3,126.1 million
Net OPEB Liability (“NOL”)	\$16,151.5 million
Ratio of Fiduciary Net Position to Total OPEB Liability	16.22%
ADEC (Fiscal Year 2024)	\$ 1,725.9 million

In Fiscal Year 2024, the State’s contribution was 44.6% of the ADEC. There has been no actuarial determinations of the ADEC or Annual OPEB Expense applicable to the Plan for Fiscal Year 2025.

The 2025 SERS OPEB GASB 74 Report uses (i) the characteristics of the members and beneficiaries as of June 30, 2023 and (ii) assets of the plan as of June 30, 2024, each as provided by the Office of the State Comptroller. The assets of the plan are as of June 30, 2024. In addition, the Total OPEB Liability was determined from actuarial valuations using data as of June 30, 2023 using the following actuarial assumption, applied to all period included in the measurement, unless otherwise specified, among others:

- An entry age normal actuarial cost method
- An expected long-term rate of return on Plan assets of 6.90%
- Salary increases of 3.00% to 11.5%, vary by service and retirement system, including inflation
- A discount rate used to measure Total OPEB Liability was 6.90% as of June 30, 2024 for contributory members and 3.9% for non-contributory members
- A payroll growth rate of 3.00%
- Medical and prescription drug cost trend rates of 43.03%, 60.47%, 24.36% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year
- Dental trend rate of 2.60%, 4.45% then an ultimate level of 3.0% per year
- 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, 2024 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 2025 SERS OPEB GASB 74 Report:

Net SERS OPEB Liability Sensitivity

Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current	1% Increase
Net OPEB Liability	\$13,808.6	\$16,151.5	\$19,038.5

Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease	Current	1% Increase
Net OPEB Liability	\$18,788.8	\$16,151.5	\$13,988.9

For Fiscal Years 2020 through 2024, the State paid \$743.1 million, \$749.5 million, \$735.5 million, \$737.7 million and \$693.0 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2020 through 2024, the State paid \$682.0 million, \$674.9 million, \$672.9 million, \$716.5 million and \$624.3 million, respectively, for General Fund eligible employees' health care costs. For Fiscal Year 2025, the projected General Fund expenditure for retirees' health care costs is \$772.0 million. For Fiscal Years 2020 through 2024, General Fund expenditures on life insurance benefits were \$8.7 million, \$8.7 million, \$9.9 million, \$10.5 million and \$9.3 million, respectively. For Fiscal Year 2025, the projected General Fund expenditure on life insurance benefits is \$9.2 million.

SERS OPEB GASB 75 Report as of June 30, 2024. The State received from The Segal Group a report measured as of June 30, 2023 and dated September 4, 2024 for purposes of reporting as of June 30, 2024 ("2024 SERS OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS. The report used economic assumptions regarding future salary increases and investment earnings adopted by the State described in the 2023 SERS OPEB GASB 74 Report and other actuarial assumptions including regarding employee terminations, retirement and death, and determined the Annual OPEB Expense to be \$196.0 million as of June 30, 2023. In addition, the 2024 SERS OPEB GASB 75 Report reported a Total OPEB Liability of \$18,266.1 million and a Net OPEB Liability of \$15,598.6 million, each measured as of June 30, 2023 measurement date. Consistent with the provisions of GASB 75, the assets and liabilities measured as of June 30, 2023 are not adjusted or rolled forward to the June 30, 2024 reporting date.

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

TABLE 25
State Employee Retirees Health Care and Life Insurance Benefits

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Retirees Eligible to Receive Benefits.....	55,280	54,437	56,633	61,069	60,408
Retirees Receiving Health Care Benefits	52,021	52,990	53,481	57,696	57,217
Retirees Receiving Life Insurance Benefits	29,040	28,341	29,151	30,040	29,450
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (in millions)..	\$ 751.8 ^(a)	\$ 758.2 ^(b)	\$ 745.4 ^(c)	\$ 743.8 ^(d)	\$ 701.5 ^(e)

- (a) 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.
- (b) 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.
- (c) The \$745.4 million appropriated for Fiscal Year 2022 includes a combined appropriation of \$9.9 million for active employees and retiree life insurance benefits. Of the \$745.4 million appropriation, \$735.5 million was expended on retiree health care benefits and \$5.7 million was expended on retiree life insurance benefits.
- (d) The \$743.8 million appropriated for Fiscal Year 2023 includes a combined appropriation of \$10.5 million for active employees and retiree life insurance benefits. Of the \$743.8 million appropriation, \$737.7 million was expended on retiree health care benefits and \$6.1 million was expended on retiree life insurance benefits.
- (e) The \$701.5 million appropriated for Fiscal Year 2024 includes a combined appropriation of \$8.5 million for active employees and retiree life insurance benefits. Of the \$701.5 million appropriation, \$693.0 million was expended on retiree health care benefits and \$5.9 million was expended on retiree life insurance benefits.

OPEB – 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 budget act for Fiscal Year 2025 includes \$25.9 million for Fiscal Year 2025 to subsidize the TRHIF.

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

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

TRHIP OPEB GASB 74 and Valuation Report. The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC, the Funding and Plan Accounting Report for the Connecticut State Teachers’

Retirement System Retiree Health Insurance Plan (“TRHIP”) dated February 2025 representing the actuarial valuation of the TRHIP and containing information for the TRHIP required under GASB 74 (“February 2025 TRHIP Report”). The February 2025 TRHIP Report was prepared as of June 30, 2024 based on valuation results contained therein. All GASB 74 assumptions were selected for the measurement of the plan’s benefit obligations as of June 30, 2024.

The February 2025 TRHIP Report indicated the following:

February 2025 TRHIP Report as of June 30, 2024 (Valuation)	
Actuarial Accrued Liability	\$4,143.3 million
Actuarial Value of Assets	\$ 258.4 million
Unfunded Actuarial Liability	\$3,884.9 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	6.24%
ADEC (Fiscal Year 2025)	\$ 235.0 million
ADEC (Fiscal Year 2026)	\$ 242.0 million
Annual Employer Contribution as a Percentage of Payroll	4.66%
February 2025 TRHIP Report as of June 30, 2024 (GASB 74)	
Total OPEB Liability	\$3,493.6 million
Fiduciary Net Position	\$ 258.4 million
Net OPEB Liability (“NOL”)	\$3,235.2 million
Ratio of Fiduciary Net Position to Total OPEB Liability	7.40%
NOL as a Percentage of Covered Compensation	64.01%

The February 2025 TRHIP Report was based upon the following assumptions and methodologies among others:

- An individual entry-age actuarial cost method
- Level percent-of-payroll contributions over an open 30-year amortization period
- An expected long-term rate of return on Plan assets of 3.0%
- Price inflation rate of 2.50%
- Real wage growth of 0.50%
- Wage inflation rate of 3.00%
- A discount rate of 3.93% for accounting purposes
- Payroll growth rate of 3.00%
- Projected salary increases, including wage inflation, of 3.00% to 6.50%
- Health care cost trend rates of 6.25% for 2024 decreasing to an ultimate rate of 4.50% by 2031

The February 2025 TRHIP 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, 2024 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and a SEIR that is 1% lower or higher than the current SEIR, as set forth in the following table:

Net TRHIP OPEB Liability Sensitivity to Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Lower Trend Rate	Current Trend Rates	1% Higher Trend Rate
Net OPEB Liability	\$2,655.5	\$3,235.2	\$4,023.4

Net TRHIP OPEB Liability Sensitivity to Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.93%)	Current (3.93%)	1% Increase (4.93%)
Net OPEB Liability	\$3,940.3	\$3,235.2	\$2,684.5

TRHIP OPEB GASB 75 Report. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting LLC a report dated February 2025, prepared as of the June 30, 2024 measurement date for financial reporting as of June 30, 2025, and containing information to assist the Board in meeting the requirements of GASB 75 with respect to the TRHIP. The report indicates a collective OPEB Expense of \$44.8 million for the fiscal year ending June 30 2024 measurement period.

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

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Fund Contribution					
Attributable To Post Retirement					
Retiree Medicare Health Insurance	\$ 26,001.3	\$ 24,405.4	\$ 17,798.9	\$ 12,116.2	\$ 13,557.1
General Fund Contribution					
Attributable To Non-Board					
Health Insurance Cost Subsidy	<u>5,532.1</u>	<u>5,006.0</u>	<u>5,044.1</u>	<u>9,357.5</u>	<u>8,208.2</u>
Total General Fund Contributions.....	\$31,533.4	\$ 29,411.4	\$ 22,843.0	\$ 21,473.7	\$ 21,765.3
Teacher Contributions (Active and Retired)	106,716.0	106,974.2	103,540.3	101,940.4	105,291.0
Investment Income	<u>848.3</u>	<u>90.8</u>	<u>450.4</u>	<u>7,568.8</u>	<u>12,911.3</u>
Total Receipts	\$136,737.0	\$136,476.4	\$126,833.8	\$130,983.0	\$139,967.6
Fund Expenditures	<u>\$(121,481.2)</u>	<u>\$(92,804.7)</u>	<u>\$(75,931.9)</u>	<u>\$(82,433.0)</u>	<u>\$(97,333.5)</u>
Fund Balance as of June 30.....	\$ 72,235.2	\$115,906.9	\$ 166,808.7	\$ 217,819.5	\$260,453.6

Additional Information

The audited financial statements for Fiscal Year 2024 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.

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CLIMATE CHANGE AND ENVIRONMENTAL MATTERS

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

Climate Impacts

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

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

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

Extreme Heat, Drought and Precipitation. The State is susceptible to heat waves, drought and increased precipitation. According to CIRCA, climate change is expected to increase average temperature by five degrees Fahrenheit by 2050. Average annual precipitation is expected to increase four inches by 2050 and the number of heat wave days from four to 48. The State also experiences abnormally dry or drought conditions. Indices of hot weather, summer drought, and extreme precipitation events (rain or snow) are all expected to increase by 2050 with a decrease in summer water availability. Extreme heat events pose a significant threat to public health

in the State. The CT Water Council adopted the most recent drought preparedness and response plan in 2022, which lays out protocols for how the State prepares for and responds to drought conditions. Under the plan, all eight counties in CT were designated as a Stage 2 Drought on November 9, 2024. It is the second of five levels under the Connecticut Drought Preparedness and Response Plan, with Stage 1 being the lowest and Stage 5 the most extreme.

Extreme Storms. Like other New England states, the State is susceptible to storms, including blizzards, nor'easters and hurricanes. Wet weather events can cause river flooding, drainage problems and increased groundwater tables and can overwhelm sewer systems, especially with events that far exceed infrastructure design. These events are not limited to large storm systems such as nor'easters and hurricanes. These types of events also can be from localized "rain bomb" events that drop large amounts of rain in a short period of time, similar to what portions of the State experienced on August 18, 2024. As noted in the most recent report of the State's Governor's Council on Climate Change ("GC3"), though it is unclear whether the frequency or intensity of storms in Connecticut will change, they will likely bring higher winds and more precipitation during the event. In addition, infrastructure throughout the State has generally been designed on 25, 50 or 100 year storm specifications and existing flood plain and coastal area management designations. These may not fully capture all of the adaptation requirements required by climate change, which could lead to costly damage or destruction of infrastructure.

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

Wildfires. The State is not particularly vulnerable to wildfires except during times of drought, and has not itself experienced wildfire events of the magnitude experienced recently in Canada and California, with the concomitant effects on health, safety, and property damage. However, wide-scale wildfire events elsewhere, most particularly in Canada recently, have demonstrated the continental and perhaps transcontinental reach of such events, impacting the health of Connecticut residents. In the Fall of 2024, the State did experience an unprecedented period of unusually warm and dry weather that resulted in multiple extreme fire weather warnings. This period resulted in the most wildfires in the State's history, with 227 fires and more than 400 acres burned. The scale of these fires, while unprecedented in Connecticut, is extremely small compared to the major fires out west. As a result of after-action reviews, the State is reassessing its preparedness and readiness along with several statutory reviews to improve policies, procedures, and assessing available resources and training. While it is recognized there was widespread success preventing large conflagrations, the State is using this opportunity to identify areas for improvement.

State Actions to Improve Sustainability and Resiliency

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

Climate Resilience Fund. To further protect areas of the State from the impacts of climate change, DEEP created the Climate Resilience Fund to serve as seed money to help Connecticut communities begin planning for climate change impacts and then propel those who have already completed planning into developing projects that are eligible for federal resilience grant funding competitions, with the goal of bringing federal funding for construction. In June 2023, the State announced the first round of 21 awards for resilience plans and project

development, totaling \$8.8 million. More than 90% of the funds went to communities where vulnerable populations reside, who will be disproportionately impacted by climate change. In 2024 DEEP launched a new Office of Planning and Resilience in the DEEP's Bureau of Water Protection and Land Reuse that will oversee all of the resilience investments and improve the agency's coordination and integration of climate resilience across the agency.

Rapid Response for Rebuilding with Resilience. On August 18, 2024, portions of Fairfield, New Haven, and Litchfield counties experienced a severe rain event that dropped more than 14 inches of rain in a few hours. The rain far exceeded the capacity of stormwater systems, causing nearly \$300 million in damages. The event was designated as a presidentially declared disaster, which opened up access to FEMA reimbursement funds for local and state government, along with individual assistance available to qualifying homeowners. The State's Department of Economic and Community Development responded by making up to \$5 million available to small businesses to assist with recovery and DEEP responded by offering contracted resources to municipalities that want to expand or modify rebuilding projects to make infrastructure more resilient.

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

Natural Hazard Mitigation. DEMHS includes a Hazard Mitigation and Resiliency Unit, led by the State Hazard Mitigation Officer, who administers 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. In 2025, DEMHS will be administering an additional FEMA mitigation grant, known as Swift Current. DEMHS solicits projects from state and local agencies to be funded by these and other programs. The State Hazard Mitigation Plan was recently revised to include a climate vulnerability assessment of critical facilities. DEMHS also coordinates the filing of local natural hazard mitigation plans with FEMA, as well as required revisions to the State Natural Hazard Mitigation Plan. These plans are prerequisites to federal funding.

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

Department of Transportation Resilience Improvement Plan. Using federal funds from the U.S. Department of Transportation (“USDOT”), the Connecticut Department of Transportation (“ConnDOT”) is developing a Resilience Improvement Plan (“RIP”) to help identify climate-related vulnerabilities and prioritize solutions across the agency’s multi-modal transportation network. By developing the RIP and incorporating it into the State’s long-range transportation plan, Connecticut will be eligible to reduce its federal/state cost share on transportation projects funded by the USDOT. The process also prepares the state for the continued operation and rapid recovery of surface transportation systems affected by major weather events, including natural disasters and changing climate conditions. The plan is expected to be complete by early 2025.

Connecticut Green Bank. Established by the Connecticut General Assembly in 2011, the Connecticut Green Bank supports the Governor’s and legislature’s energy strategy to achieve cleaner, less expensive, and more reliable sources of energy while creating jobs and supporting the local economic development. In 2021, the Green Bank’s model was expanded to include new areas of environmental infrastructure, related to climate adaptation and resiliency, land conservation, parks and recreation, agriculture, water, waste and recycling, and environmental markets, including carbon offsets and ecosystem services.

Resilience Opportunity Areas. CIRCA continues to work with communities across the State through its Resilient Connecticut initiative that uses the institute’s vulnerability assessment tools to identify Resilience Opportunity Areas. These areas are expected to experience moderate to high impacts of climate change, have identified regional significance, and meet additional local, regional or State policy goals (such as housing, transportation, ecology, etc.) These areas are slated for consideration for additional technical assistance, planning, or funding. CIRCA published a resilience roadmap in July 2024 with recommendations for enhancing the State’s climate resilience using lessons learned since the institute was created 10 years ago.

PFAS. Per- and polyfluoroalkyl substances (“PFAS”) are widely used, long lasting chemicals, components of which break down very slowly over time and may be linked to harmful health effects. The State has an interagency task force to evaluate and address PFAS. This task force produced a PFAS Action Plan (“Action Plan”) which includes recommendations to (i) minimize environmental exposure to PFAS for State residents, (ii) minimize future releases of PFAS to the environment and (iii) identify, assess and clean up historical releases of PFAS to the environment. In addition, the task force recommended education, outreach and communication on PFAS as well as following potential legislative opportunities to support the recommended actions. Since the release of the Action Plan, \$7.3 million has been allocated to DEEP to: conduct private well testing in 10 communities where PFAS has been detected in groundwater and to provide bottled water and water filtration systems to those homes where the PFAS drinking water concentrations exceeded State drinking water action levels; implement a take-back program to collect and properly dispose of 35,000 gallons of PFAS-containing aqueous film forming foam (“AFFF”) from municipal fire departments; drain and dispose of AFFF and PFAS-contaminated components (e.g., tanks and tubing) from the State’s existing fleet of regional foam trailers; purchase new regional foam trailers containing PFAS-free firefighting foam for strategic deployment statewide; and conduct a pilot study to evaluate proprietary AFFF decontamination techniques for future use on State and municipal fire apparatus. The use of AFFF is now prohibited, and these efforts have largely eliminated one of the largest sources of PFAS in the State. An additional \$2.5 million has been authorized for allocation to: address remediation of PFAS-contaminated soil at an elementary school utilized for municipal fire training activities; test for pollution from perfluoroalkyl and polyfluoroalkyl substances.

State Response to Reduce Its Contribution to Climate Change

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

GreenerGov and Lead by Example. In 2021, Governor Lamont, in his first Executive Order, set a goal for the executive branch of the 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. Because data prior to Fiscal Year 2019 is limited, GreenerGov uses an additional baseline to reduce executive branch emissions 32.53% below Fiscal 2019 levels by 2030. As of Fiscal Year 2023, executive branch GHG emissions are down 14.3% from the baseline. GreenerGov indicates that its 138 bond-funded projects since 2012 have saved an estimated 2 million MMBtus and \$10 million annually with a 17-year average project payback timescale. In Executive Order 21-3 the Governor directed further planning for decarbonizing State buildings and the State fleet. In 2022, the legislature passed the Connecticut Clean Air Act that set new goals for reducing emissions and air pollution from cars, transit buses, school buses, and trucks through the deployment of zero emission vehicles, expanded electric vehicle charging, and expanded rebates for e-bikes.

Climate Planning. DEEP conducts climate planning across all sectors to meet the State’s statutory economy-wide GHG emissions reduction goals. In 2024, DEEP continued to update and develop new climate plans with \$3 million in funding from the Environmental Protection Agency (“EPA”) Climate Pollution Reduction Grant. DEEP published a priority climate action plan in March 2024 with near term implementable actions that built upon recommendations of the Governor’s Council on Climate Change 2021 report and began work on an economy-wide comprehensive climate action plan set to be completed by July 2026. This plan will serve as the State’s roadmap for how to reach the State’s 2050 emissions reductions targets including a pathway to net zero by 2050.

Greenhouse Gas Inventory. DEEP provides a report card on over 30 years of greenhouse gas emissions in the State and tracks progress toward the State’s statutory greenhouse gas emission-reduction targets. The latest inventory showed that the transportation, commercial building and residential building sectors are Connecticut’s most carbon intensive. Transportation remains the largest source of emissions, accounting for just over 40% of emissions in 2022, with the commercial and residential building sectors comprising nearly 35% of emissions combined. Except for the COVID-19 pandemic-induced dip in emissions for the years 2020-2021, transportation emissions remain near their 1990 levels, despite significant improvements in automobile fuel economy over the past three decades. Improvements in fuel economy have reduced emissions per vehicle mile traveled, but those reductions have been offset by an increase in the overall number of miles driven. In 2022, electricity consumption emissions continued to drop to 16% below 2021 levels and 80% below 1990 levels. This is consistent with the findings of the Integrated Resources Plan released in 2021 that showed the State is on the path to achieving the Governor’s goal of a 100% carbon free electric supply by 2040.

Climate Change Mitigation Actions. The State continues to look for opportunities to drive down greenhouse gas emissions in all sectors, particularly for the electric, buildings, and transportation sectors. In December of 2024, the State procured several clean energy projects that would result in a total of 518 megawatts (MW) of new solar generation and 200 MW of electric storage capacity. The projects are expected to improve grid reliability and save State ratepayers hundreds of millions of dollars over the twenty-year contract term. In 2024, the State successfully obtained hundreds of millions in federal funds through federal programs funded through the Bipartisan Infrastructure Law and the Inflation Reduction Act to improve energy affordability, reduce greenhouse gas emissions and air pollution, and make the grid more resilient. The State has received funds to, among other actions, increase the deployment of energy efficient heat pumps for building heating and cooling; to build electric vehicle charging infrastructure for commercial zero-emission medium- and heavy-duty vehicles; and to provide new and upgraded points of interconnection for up to 4800 MW of offshore wind and a multi-day energy storage system. The State expects to benefit from federal investments through programs that will allow more low-income families in the State to realize the benefits of solar and energy storage as well as energy efficiency improvements for their homes. Additionally, the State continues to leverage funding to support the adoption of electric vehicles in the State. As noted elsewhere, there is uncertainty currently as to whether these opportunities will continue to be available under the current federal administration.

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.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned or do petition the Federal Government for federal acknowledgement. In any of the land claims matters, irrespective of whether federal acknowledgement is granted, denied or upheld, a particular group could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal acknowledgement of tribes under relaxed standards. On January 14, 2025, the BIA announced a final rule effective February 14, 2025 that lifts the prior ban against re-petitioning and creates a conditional, time-limited opportunity for previously denied petitioners to re-petition for federal acknowledgement. This could result in re-petitions by previously denied petitioners such as the Schaghticoke Tribal Nation ("STN"), the Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek acknowledgement under the new regulations. However, courts in litigation with other tribes have held that the prohibition on re-petitioning is invalid. In 2022, the BIA promulgated new rulemaking on this issue to address the district courts' concerns and bolster the long-standing prohibition on re-petitioning. The State is reviewing the final rule and any potential implications to pending matters, as well as any previously litigated matters involving tribes who failed to obtain federal recognition.

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

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 seeking 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. The parties reached a final settlement of approximately \$2.5 million which was approved by the court and is awaiting approval of the General Assembly.

OTHER MATTERS

Hospital Dispute

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

Information Technology, Cybersecurity and Related Matters

Strategic Plan. The State’s Information Technology strategic plan for Fiscal Year 2025 focused on four goals: (i) to optimize IT services across executive branch agencies for improved flexibility and efficiency; (ii) to grow digital government services, which will increase online services to residents and businesses; (iii) to improve cybersecurity statewide and (iv) to harness and appropriately manage the power of artificial intelligence (“AI”) technology. To account for the increased cyber risk that is being experienced across all industries, the State authorized a total of \$11.8 million to reduce cybersecurity risks. This investment to date has been used to improve security monitoring and vulnerability response capabilities and to upgrade State government endpoint and E-Mail security. There have been no cybersecurity incidents of note within the State as a result of these investments and ongoing organizational discipline.

The State recognized that resident demands for online services have continued to grow in recent years. Technology is being applied to make more transactions available to the public on a 24x7 basis. Recent additions include the State’s business portal, Business.CT.gov, new tax system, new business registry system and improvements to the unemployment insurance system. This continued growth in online services creates a more responsive government to those that choose to work in that way with the State.

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

Systems. In accordance with these plans and prior initiatives, the State continues to make progress in improvements to its systems. Since 2015, the State’s shared systems have been primarily operated through two data centers which allows infrastructure continuity through duplication at the two facilities. The two data centers operate in an “active/passive” mode, whereby the overall system load is handled by one of the two centers, and

the applications and datasets are replicated in each. If one data center is offline, the entire load would shift to the other data center. Depending on the application criticality, some manual intervention may be required to return to operation. One data center is located in Groton, Connecticut and the other in Springfield, Massachusetts. The datasets are regularly verified for integrity, and backed up incrementally in stages covering approximately six months. Some of these backups are maintained externally to the datacenters. DAS/BITS has systems in place to monitor and protect against malicious events. The datacenters of the State have procedures in place to protect against unauthorized physical access, against misconduct or risks associated by personnel with physical access and similar risks, on a level comparable to the other parties collocated with it in the datacenters. Since these centers were put in operation, the State has been incrementally moving agency computing from older, location-based technology to a shared private cloud infrastructure. The State intends to vacate the Groton data center before 2029 and in the 2023 calendar year began substantive planning for the next iteration of computing.

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

The State maintains an application portfolio of over 1,300 applications. Many of the State's critical administrative systems have undergone replacement or modernization in the last 5 years, including unemployment insurance, revenue and taxation, and Core-CT. Several other system modernizations are underway including Medicaid claims management, child support, child welfare, teachers' retirement and others. The State continues to support and modernize systems where appropriate and financially advantageous, migrating them to internal or external cloud solutions. Agencies using these applications may utilize internal or outside consulting assistance for improvements and maintenance of these systems.

The State maintains a State-wide fiber-optic networking system for its Connecticut Education Network ("CEN") and its Public Safety Data Network ("PSDN"). This network had been stable, seeing incremental expansion as schools, towns, libraries, State agencies, first responders and others were connected. The State's E911 system operates on this network, with microwave radio backup for the State police systems. Because of the critical nature of these systems, DAS/BITS has taken steps to ensure the continuity of the systems for natural events, the continuity of the systems for malicious events, and safeguarding the information maintained against theft and misuse. The systems are regularly monitored, evaluated, tested, and improved. Major equipment upgrades for both CEN and PSDN are currently underway that improve capacity, supportability and resilience. Individual offices of the State access the systems through internet facilities maintained by third parties, and those offices have varied levels of backup power and redundancy. No individual office is believed to be critical to the integrity of the overall systems; however far reaching events such as snowstorms, flooding, fire and other hazards may affect the ability of the State to deliver services as contemplated.

Cybersecurity. In calendar year 2023 steps continued to be taken to significantly harden the State's operations against cybersecurity threats. The State released the second statewide cybersecurity strategy, with input from federal, state and local partners, in March of 2022. This document outlines the critical importance of protecting all the digital assets in the State. The State has obtained the first and second year funding of a four-year Department of Homeland Security grant to address a "whole of state" approach to cybersecurity that factors in both state and local government entities through the Department of Emergency Services and Public Protection, Division of Emergency Management and Homeland Security ("DEMHS"), CT Intelligence Center and DAS/BITS. That funding was successfully distributed to the State and local municipalities to improve security fundamentals across the recipients. In 2024, the State began efforts to prioritize the 2023 year state and local cybersecurity grant program grant and application process, focusing on security fundamentals. The DEMHS Training and Exercise Unit includes a cybersecurity trainer to provide training to the State and local partners, as well as the public. The State convenes a monthly cybersecurity working group with local, state, federal, and private sector partners to raise awareness of current threats and to share best practices, gather statewide feedback and help prioritize initiatives. The State also operates under a State Cyber Disruption Response Plan and a Cyber Incident Response Plan, which was updated in January 2024.

Generally, the State's centralized systems were also protected by methods limiting access of users to relevant portions of the system. Malware infection introduced by one user may therefore be limited to the portions of the system accessible by that user. The State runs an incident response team and utilizes commercial software and solutions, and in the past five years, no malware incidents have materially affected State data or operations. In 2022, the State completed the rollout of Endpoint Detection and Response capabilities for servers and endpoints to provide advanced protections from constantly evolving threats. The State experienced an outage, along with many global entities related to the CrowdStrike incident in July 2024. Critical capabilities were restored within a couple of hours, all primary systems were restored within a few hours and all systems by the end of the first business day. This activity demonstrated the State's resilience and also the activation of the State's Cyber Disruption Response Plan. While technically not a cyber incident, the team responded with efficiency. The State is currently going through initial efforts to upgrade its security monitoring and event management system to provide modernized capabilities in protecting in-scope systems against modern attacks. Over the last year, the State has experienced no material cybersecurity incidents. Additional protections have developed and been put in place to continue addressing an evolving threat landscape, including working with StateRamp.org to streamline the ongoing assessments of the technology supply chain of government focused solutions.

The State's systems contain significant amounts of personally identifiable and non-public information. This includes social security identification numbers, credit card information, criminal and arrest records, medical records, driving records, educational records, information made available from the federal government and other states. The State limits misuse of this information by compartmentalizing access and endeavoring to design systems such that such information is encrypted, segmented and otherwise not available to unauthorized individuals gaining access to some portion of the State's systems. This information is nevertheless vulnerable to misuse by persons with authorized access to such information, persons with unauthorized access to such information (such as through phishing or other social engineering 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, and continues to actively monitor its security posture and controls. The State endeavors to further mitigate any such potential misuse with thorough training of its users to recognize, and be able to effectively respond to common attack vectors.

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

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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.

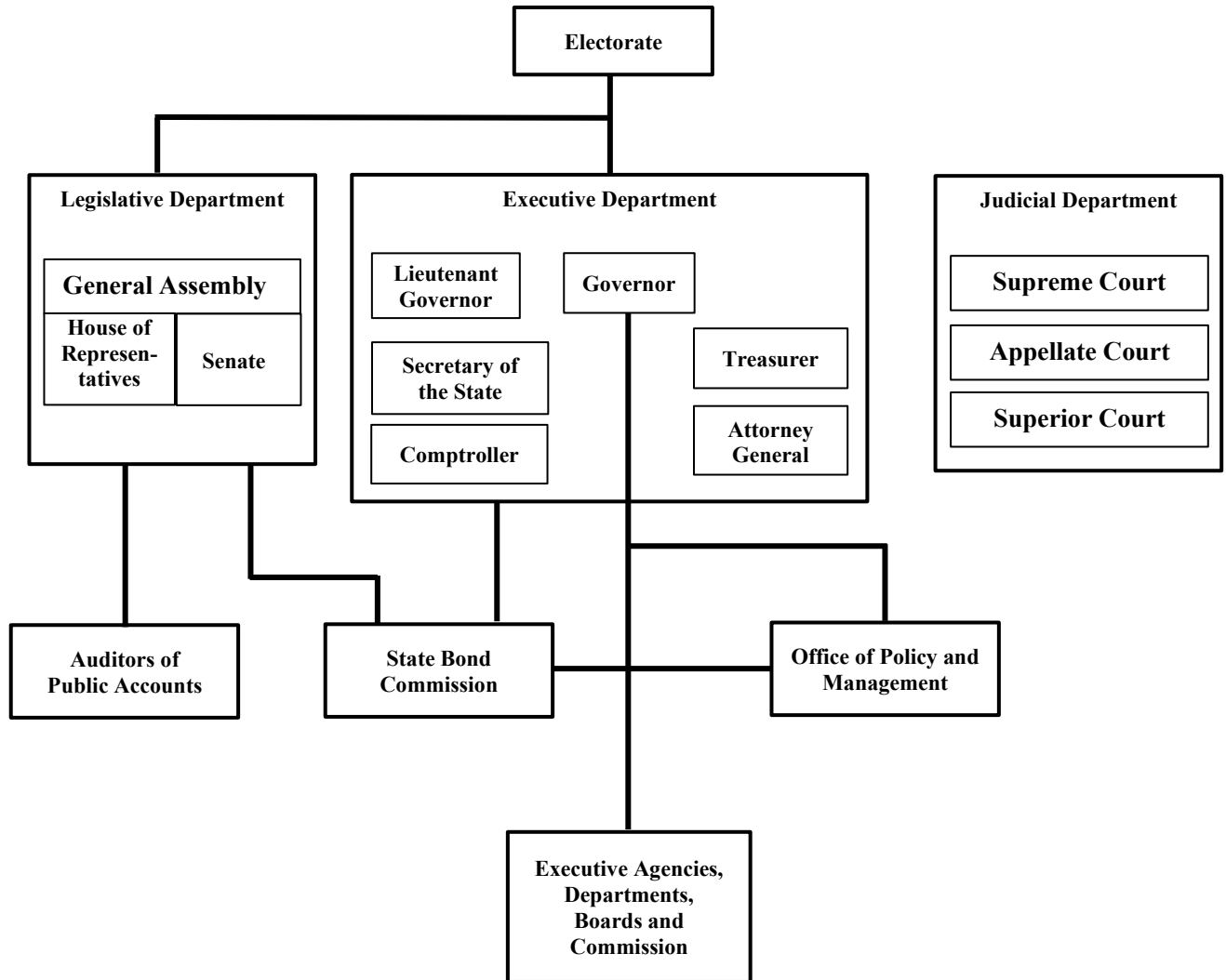
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2022, and the new members took office in January 2023.

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

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

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

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

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

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

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

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

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

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

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

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 186 sitting judges as of February 1, 2025, 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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Legislative	532	533	535	561	565
General Government	2,767	2,749	2,971	3,159	3,350
Regulation and Protection	3,749	3,757	3,740	3,710	3,844
Conservation and Development	1,353	1,398	1,354	1,335	1,479
Health and Hospitals	5,792	5,529	5,402	5,539	6,046
Transportation	4,469	4,477	4,505	4,557	4,594
Human Services.....	2,094	2,082	1,992	2,048	2,200
Education.....	16,276	16,144	16,324	15,101	17,181
Corrections	8,706	8,405	8,204	8,179	8,345
Judicial	<u>4,166</u>	<u>3,965</u>	<u>4,060</u>	<u>4,154</u>	<u>4,218</u>
Total.....	49,904	49,039	49,087	48,343	51,822

(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, 2024^{(a)(b)}
By Function of Government and Fund Categories

<u>Function Headings</u>	<u>General Fund</u>	<u>Special Transportation Fund</u>	<u>Other Appropriated Funds</u>	<u>Special Funds – Non-Appropriated</u>	<u>Federal Funds</u>	<u>TOTALS</u>
Legislative	565					565
General Government	3,023	34	27	110	156	3,350
Regulation and Protection	2,139	538	451	359	357	3,844
Conservation and Development	780	48	135	88	428	1,479
Health and Hospitals	5,577		29		440	6,046
Transportation		3,067		631	896	4,594
Human Services	1,886		6		308	2,200
Education	3,437			13,399	345	17,181
Corrections	8,260			74	11	8,345
Judicial	4,126		10	22	60	4,218
Total	29,793	3,687	658	14,888	3,001	51,822

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

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

SOURCE: OPM

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

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

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

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

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

<u>Bargaining Unit/Status Group</u>	<u>Percentage of State Employees Represented^(a)</u>	<u>Contract Status, if any</u>
<u>Covered by Collective Bargaining</u>		
Administrative and Residual (P-5)	6.38%	Contract in place through 6/30/2025
Administrative Clerical (NP-3)	4.62%	Contract in place through 6/30/2025
American Federation of School Administrators	0.14%	Contract in place through 6/30/2025
Assistant Attorneys General (P-6)	0.38%	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	0.13%	Contract in place through 6/30/2025
Community College Administration - AFSCME	0.17%	Contract in place through 6/30/2025
Community College Administration – CCCC	1.42%	Contract in place through 6/30/2025
Community College AFT – Counselors/Librarians	0.02%	Contract in place through 6/30/2025
Community College Faculty – AFT	0.28%	Contract in place through 6/30/2025
Community College Faculty – CCCC	1.01%	Contract in place through 6/30/2025
Connecticut Association of Prosecutors	0.42%	Contract in place through 6/30/2025
Correctional Officers (NP-4)	7.72%	Contract in place through 6/30/2025
Correctional Supervisor (NP-8)	0.96%	Contract in place through 6/30/2025
Criminal Justice Inspectors	0.14%	Contract in place through 6/30/2025
Criminal Justice Residual	0.25%	Contract in place through 6/30/2025
DCF Program Supervisors - AFSCME	0.19%	Contract in place through 6/30/2025
DPDS Asst Public Defenders	0.39%	Contract in place through 6/30/2025
DPDS Supervising Attorneys - AFSCME	0.04%	Contract in place through 6/30/2025
Education Administrative (P-3A)	0.44%	Contract in place through 6/30/2025
Education Technical (P-3B)	1.08%	Contract in place through 6/30/2025
Engineering, Scientific and Technical (P-4)	5.15%	Contract in place through 6/30/2025
GEU-UAW Graduate Empl Union	3.27%	Contract in place through 6/30/2025
Health Care Unit-Non-Professional (NP-6)	5.04%	Contract in place through 6/30/2025
Health Care Unit-Professional (P-1)	6.03%	Contract in place through 6/30/2025
Higher Education – Professional Employees	0.00%	Contract in place through 6/30/2025
Judicial - Judicial Marshals	1.05%	Contract in place through 6/30/2025
Judicial – Law Clerks	0.10%	Contract in place through 6/30/2025
Judicial – Non-Professional	2.50%	Contract in place through 6/30/2025
Judicial – Professional	2.28%	Contract in place through 6/30/2025
Judicial – Professional B	0.33%	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)	1.47%	Contract in place through 6/30/2025
Service/Maintenance (NP-2)	6.91%	Contract in place through 6/30/2025
Social and Human Services (P-2)	7.17%	Contract in place through 6/30/2025
State Vocational Federation of Teachers	2.39%	Contract in place through 6/30/2025
State Police (NP-1)	1.68%	Contract in place through 6/30/2026
State Police Lieutenants and Captains (NP-9)	0.07%	Contract in place through 6/30/2025
State University-Faculty	2.42%	Contract in place through 6/30/2025
State University- Non-Faculty Professional	1.82%	Contract in place through 6/30/2025
UHC – Faculty	0.08%	Contract in place through 6/30/2025
UHC – Faculty AAUP	1.03%	Contract in place through 6/30/2025
UHC University Health Professionals	5.56%	Contract in place through 6/30/2025
UConn – Faculty	3.70%	Contract in place through 6/30/2025
UConn – Law School Faculty	0.09%	Contract in place through 6/30/2025
UConn - Non-Faculty	3.97%	Contract in place through 6/30/2025
UConn – UAW Postdoc	0.27%	Contract in place through 6/30/2026
Total Covered by Collective Bargaining	90.71%	
<u>Not Covered by Collective Bargaining</u>		
Auditors of Public Accounts	0.24%	Not Applicable
Other Employees	9.05%	Not Applicable
Total Not Covered by Collective Bargaining	9.29%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 53,410 filled full-time positions as of February 1, 2025.

SOURCE: OPM

Governmental Services

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

TABLE A-5

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

Conservation and Development

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

Corrections

Department of Corrections
Department of Children and
Families

Education, Libraries and Museums

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

General Government

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

Health and Hospitals

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

Human Services

Department of Social Services
Department of Rehabilitation
Services

Judicial

Judicial Department
Public Defender Services
Commission

Legislative

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

Regulation and Protection

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

Transportation

Department of Transportation

- (a) In addition to the ten listed government function headings, the State also employs a “non-functional” heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.
- (b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2024.

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 or other major chemical, biological radiological, nuclear or explosive release. Although these three events are still priority disasters, it is clear that response to a pandemic disaster can also be a priority in the State. The State responds to all disasters by following the all-hazards State Response Framework and operating the Emergency Operations Center in person and virtually. Recent disasters include historic flooding in August 2024 and the outbreak of wildfires in October and November 2024 during which such response was successfully implemented.

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. CTIC staff includes a cyber intelligence analyst. 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 mitigation and disaster grants and state and federal non-profit security grants. The DEMHS Training and Exercise Unit functions include training on Targeted Violence and Terrorism Prevention and Cybersecurity.

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. Re-accreditation occurs every five years and DEMHS will under the process beginning May 2025.

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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 five decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 0.7% from 2015 to 2024 versus an increase of 2.4% in New England and 5.7% for the nation. The mid-2024 population in Connecticut was estimated at 3.635 million, a 0.4% change from a year ago, compared to an increase of 0.5% for New England and an increase of 0.9% for the United States. From 2015 to 2024, within New England, Massachusetts (2.6%), New Hampshire (4.4%), Maine (4.9%), Rhode Island (2.2%) and Vermont (2.0%) all experienced growth higher than Connecticut (0.7%).

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
2015	3,611	(0.1)	14,879	0.4	322,371	0.8
2016	3,608	(0.1)	14,937	0.4	324,860	0.8
2017	3,608	0.0	15,002	0.4	327,076	0.7
2018	3,610	0.1	15,057	0.4	328,978	0.6
2019	3,607	(0.1)	15,096	0.3	330,661	0.5
2020	3,588	(0.5)	15,075	(0.1)	331,855	0.4
2021	3,607	0.5	15,124	0.3	332,579	0.2
2022	3,621	0.4	15,186	0.4	334,599	0.6
2023	3,647	0.7	15,279	0.6	337,492	0.9
2024	3,677	0.8	15,396	0.8	340,634	0.9

NOTE: 1940-2020, April 1 Census. Figures are for census comparison purposes.
2015-2024 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 2024 population density of 751 persons per square mile, as compared with 96 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 2023 Connecticut ranked 6th in the nation with 42.9% of the State population over the age of 25 holding a bachelor's degree or higher.

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

Industry Landscape. Connecticut is home to some of the country's leading companies, including, but not limited to the following 15 members of the 2024 Fortune 500: Cigna, Charter Communications, Philip Morris International, Hartford Financial Services, Synchrony Financial, XPO Logistics, Booking Holdings, Stanley Black & Decker, Amphenol, EMCOR Group, United Rentals, Otis Worldwide Corporation, GXO Logistics, W.R. Berkley, and Interactive Brokers Group. 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 2024, Bradley handled approximately 160 commercial flights every day to 45 non-stop destinations and was served by virtually all major passenger and cargo air carriers. Bradley served over 6.6 million passengers in 2024, which represented a 6.5% increase over 2023 passenger levels.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines), Shore Line East, and Hartford Line serves approximately 29.6 million passengers each year and statewide bus and paratransit services carry approximately 35.1 million passengers each year. The overall bus transit program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 12 independent, locally-governed and operated transit districts. The State also operates two historic passenger and vehicular ferries, linking communities on the Connecticut River.

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

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

Investor-owned electric distribution companies in Connecticut (Eversource Energy and The United Illuminating Company) deliver electricity to consumers through the infrastructure they own and operate and are regulated by the Public Utilities Regulatory Authority ("PURA"). Consumers of these companies can choose an independent

electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on the distribution company's standard service for their electricity supply. Electric suppliers are not subject to rate regulation by PURA, but must receive a license issued by PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory can continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection ("DEEP") structure, where it continues its mandates to ensure safe, reliable, and affordable service. Additionally, under DEEP, PURA also supports policy goals articulated in DEEP's Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. PURA is the successor to the former Department of Public Utility Control.

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

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

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

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

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

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

The State's water is an essential natural resource that must be carefully maintained and distributed in order to ensure long-term, safe, available, and affordable water service. Within the State boundaries are over 6,000 miles of rivers and streams, at least 2,000 lakes and reservoirs, and groundwater resources that supply Connecticut residents with water. These public water systems and resources are jointly regulated by PURA, DEEP, and the Department of Public Health ("DPH"). DEEP is responsible for administering the Aquifer Protection Area Program, establishing land use regulations and standards, and monitoring, assessing, and reporting water quality. DPH oversees the safe and adequate supply of drinking water for the State's population by regulating the purity of all public water systems, while PURA regulates the costs, rates, infrastructure, conservation mechanisms and business operations of Connecticut's investor-owned water utilities.

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 2.56 thousand British Thermal Units (BTU) per 2017 chained dollar of Gross State Product in 2022, the latest available data, ranking it the 6th most efficient state among the 50 states plus the District of Columbia and 41.0% less than the national average of 4.34 thousand BTUs. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 196.1 million BTU's of energy per person in 2022, ranking it 43rd among the 50 states plus the District of Columbia and 31.0% less than the national average of 284.4 million BTU per capita.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2023, per capita personal income in Connecticut equaled \$89,899, the 2nd highest of any state in the nation behind Massachusetts at \$90,536. 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 2023 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 2014 to 2023 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2**Connecticut Personal Income by Place of Residence**

<u>Calendar Year</u>	<u>Connecticut</u>		<u>Connecticut Per Capita as Percent of</u>	
	<u>Total</u> <u>(Millions of Dollars)</u>	<u>Per Capita</u> <u>(Dollars)</u>	<u>New England</u>	<u>United States</u>
2014	233,084	64,498	114.6	139.5
2015	239,185	66,233	112.7	138.0
2016	243,699	67,546	112.1	138.1
2017	249,451	69,134	110.8	135.7
2018	260,582	72,179	110.7	135.5
2019	267,564	74,179	109.1	133.6
2020	274,862	76,666	106.4	129.7
2021	294,632	81,756	105.3	126.9
2022	306,718	84,966	106.2	128.7
2023	325,346	89,899	106.6	129.6

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

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

TABLE B-3**Annual Growth Rates in Personal Income By Place of Residence**

<u>Calendar Year</u>	<u>Connecticut</u> <u>(Current)</u>	<u>New England</u> <u>(Current)</u>	<u>U.S.</u> <u>(Current)</u>	<u>Connecticut</u> <u>(Constant)</u>	<u>New England</u> <u>(Constant)</u>	<u>U.S.</u> <u>(Constant)</u>
2014	4.1	4.2	5.1	3.4	3.0	3.6
2015	2.6	4.8	4.7	1.9	3.7	4.5
2016	1.9	3.0	2.7	1.0	0.4	1.6
2017	2.4	4.0	4.9	0.9	2.5	3.1
2018	4.5	4.8	5.2	5.4	3.7	3.1
2019	2.7	4.6	4.8	1.4	3.4	3.3
2020	2.7	5.9	6.8	0.4	3.1	5.7
2021	7.2	8.0	9.2	5.3	5.8	4.9
2022	4.1	3.2	3.1	(5.6)	(6.0)	(3.3)
2023	6.1	5.6	5.9	1.5	1.2	2.1

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 2023.

TABLE B-4
Sources of Personal Income By Place of Residence
Calendar Year 2023
(In Billions)

	<u>Connecticut</u>	<u>Percent of Total</u>	<u>U.S</u>	<u>Percent of Total</u>
Wages in Non-manufacturing.....	149.2	45.9	10,641.2	45.5
Property Income (Div., Rents & Int.).....	70.9	21.8	4,812.0	20.6
Wages in Manufacturing	17.6	5.4	1,084.0	4.6
Transfer Payments less Social Insurance Paid	22.7	7.0	2,451.4	10.5
Other Labor Income	33.3	10.2	2,464.9	10.5
Proprietor's Income.....	<u>31.6</u>	<u>9.7</u>	<u>1,949.0</u>	<u>8.3</u>
Personal Income — Total.....	325.3	100.0	23,402.5	100.0

Note—Columns may not add due to rounding.

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

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

In 2023, the State produced \$345.9 billion worth of goods and services and \$286.6 billion worth of goods and services in 2017 chained dollars.

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

TABLE B-5
Gross State Product
(In Millions)

<u>Calendar Year</u>	<u>Connecticut</u>		<u>New England^(a)</u>		<u>United States^(b)</u>	
	<u>\$</u>	<u>Percent Growth</u>	<u>\$</u>	<u>Percent Growth</u>	<u>\$</u>	<u>Percent Growth</u>
2014	247,114.7	2.7	931,904.0	3.4	17,608,138.3	4.3
2015	260,648.6	5.5	982,313.5	5.4	18,295,019.0	3.9
2016	264,760.4	1.6	1,009,275.1	2.7	18,804,913.3	2.8
2017	273,875.1	3.4	1,039,545.6	3.0	19,612,102.5	4.3
2018	280,535.4	2.4	1,083,763.3	4.3	20,656,515.5	5.3
2019	286,451.9	2.1	1,129,673.3	4.2	21,539,981.5	4.3
2020	278,029.4	(2.9)	1,127,827.0	(0.2)	21,354,104.8	(0.9)
2021	296,801.4	6.8	1,229,266.3	9.0	23,681,170.8	10.9
2022	321,686.4	8.4	1,324,160.7	7.7	26,006,892.5	9.8
2023	345,911.9	7.5	1,410,686.8	6.5	27,720,709.5	6.6

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

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

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

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

TABLE B-6

Calendar Year	Gross State Product (In Millions of 2017 Chained Dollars*)					
	Connecticut		New England		United States	
	\$	Percent Growth	\$	Percent Growth	\$	Percent Growth
2014	260,605.8	0.7	982,725.6	1.4	18,261,714.3	2.5
2015	268,869.8	3.2	1,013,576.4	3.1	18,799,622.0	2.9
2016	268,196.2	(0.3)	1,023,573.5	1.0	19,141,672.3	1.8
2017	273,875.1	2.1	1,039,545.4	1.6	19,612,102.5	2.5
2018	274,582.8	0.3	1,062,486.4	2.2	20,193,895.3	3.0
2019	275,225.4	0.2	1,086,241.8	2.2	20,715,671.5	2.6
2020	260,765.2	(5.3)	1,061,563.0	(2.3)	20,267,584.8	(2.2)
2021	269,838.7	3.5	1,121,312.4	5.6	21,494,798.3	6.1
2022	278,975.9	3.4	1,148,379.2	2.4	22,034,828.8	2.5
2023	286,628.5	2.7	1,169,155.4	1.8	22,671,096.5	2.9

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

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

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2023 Connecticut's production was concentrated in four areas: finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 76.3% of total production in Connecticut in 2023 compared to 70.3% for the nation in 2023.

The output contribution of manufacturing, however, has remained relatively flat as the contributions of services has been increasing. The share of production from the manufacturing sector was 10.2% in 2016 compared to 11.7% in 2023. Historically, the share of production from the manufacturing sector was declining, however, that trend ended as defense-related production has been stable to increasing. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have decreased slightly to 61.1% of the total GSP in 2023 from 61.6% in 2016. 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Sector</u>								
Manufacturing	27,095	28,374	31,694	33,958	31,121	33,733	36,574	40,426
Construction ^(a)	7,714	7,705	7,873	8,244	7,623	8,341	9,175	9,944
Agriculture ^(b)	373	397	363	353	311	382	511	442
Utilities ^(c)	9,923	9,921	10,122	10,261	10,591	11,619	12,763	13,616
Wholesale Trade	15,107	14,667	14,715	14,873	14,906	16,016	18,398	19,094
Retail Trade	14,346	14,634	15,233	15,510	15,622	17,934	18,629	20,203
Information	14,251	14,114	14,661	16,301	15,671	16,780	17,659	18,777
Finance ^(d)	75,782	81,940	81,390	79,661	80,307	80,815	86,625	93,808
Services ^(e)	73,116	74,528	76,854	79,916	74,238	82,938	91,868	98,756
Government	<u>27,053</u>	<u>27,594</u>	<u>27,629</u>	<u>27,375</u>	<u>27,641</u>	<u>28,243</u>	<u>29,485</u>	<u>30,845</u>
Total GSP	264,760	273,875	280,535	286,452	278,029	296,801	321,686	345,912

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 2014 and 2023. Connecticut's nonagricultural employment reached a high in March 2008 of 1,720,900 persons employed, but began declining with the onset of the 2008 recession falling to 1,601,800 jobs by February 2010. After the 2008 recession, employment reached a peak of 1,698,600 jobs in February 2020 before the onset of the COVID-19 pandemic-related recession. Employment then fell 291,100 jobs to 1,407,500 jobs in April 2020. In June 2023, the State had regained all of the jobs that were lost as a result of the pandemic, reaching a new employment level high since February 2020. As of December 2024, the State stands at 1,715,900 jobs, approximately 17,300 jobs above the February 2020 levels.

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

Calendar Year	Connecticut		New England^(a)		United States^(b)	
	<u>Employment</u>	<u>Percent Growth</u>	<u>Employment</u>	<u>Percent Growth</u>	<u>Employment</u>	<u>Percent Growth</u>
2014	1,672.9	0.7	7,146.0	1.4	138,919.5	1.9
2015	1,686.8	0.8	7,252.9	1.5	141,801.3	2.1
2016	1,692.5	0.3	7,351.1	1.4	144,332.4	1.8
2017	1,696.2	0.2	7,420.9	0.9	146,610.8	1.6
2018	1,699.1	0.2	7,479.6	0.8	148,896.6	1.6
2019	1,696.0	(0.2)	7,547.8	0.9	150,906.0	1.3
2020	1,570.4	(7.4)	6,956.9	(7.8)	142,164.5	(5.8)
2021	1,616.6	2.9	7,208.3	3.6	146,275.9	2.9
2022	1,668.5	3.2	7,466.3	3.6	152,531.3	4.3
2023	1,694.8	1.6	7,571.3	1.4	156,065.5	2.3

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

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

In an effort to provide a broader employment picture, the following table, based on residential employment, was developed. Total residential employment is estimated based on household surveys which include individuals excluded from establishment employment figures such as self-employed and workers in the agricultural sector. By this measure, residential employment in 2023 decreased by approximately 10,900 jobs. The level of establishment employment based on the survey response increased by approximately 26,300 jobs in 2023. Both measurements were significantly impacted by COVID.

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

Calendar Year	<u>Establishment Employment</u>	<u>Percent Growth</u>	<u>Residential Employment</u>	<u>Percent Growth</u>
2014	1,672.9	0.7	1,773.7	2.7
2015	1,686.8	0.8	1,798.0	1.4
2016	1,692.5	0.3	1,815.7	1.0
2017	1,696.2	0.2	1,838.4	1.2
2018	1,699.1	0.2	1,848.9	0.6
2019	1,696.0	(0.2)	1,862.7	0.7
2020	1,570.4	(7.4)	1,724.3	(7.4)
2021	1,616.6	2.9	1,724.8	0.0
2022	1,668.5	3.2	1,833.8	6.3
2023	1,694.8	1.6	1,822.9	(0.6)

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 2023. 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 2023
(In Thousands)

	<u>Connecticut</u>		<u>United States</u>	
	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>
Services ^(a)	793.5	46.8	71,253.2	45.7
Trade ^(b)	299.0	17.6	28,849.9	18.5
Manufacturing	158.4	9.3	12,941.8	8.3
Government	232.4	13.7	22,779.5	14.6
Finance ^(c)	118.3	7.0	9,196.8	5.9
Information ^(d)	31.0	1.8	3,027.4	1.9
Construction ^(e)	<u>62.3</u>	<u>3.7</u>	<u>8,017.0</u>	<u>5.1</u>
Total ^(f)	1,694.8	100.0	156,065.5	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 2023, approximately 90.7% 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)
2014	157.2	294.9	759.7	244.7	128.8	32.1	55.5	1,672.9
2015	156.9	296.4	769.2	243.7	130.1	32.5	57.9	1,686.8
2016	156.5	297.3	776.7	241.0	129.5	32.4	59.1	1,692.5
2017	158.7	296.9	784.4	238.5	127.8	31.6	58.3	1,696.2
2018	160.7	296.4	789.7	236.4	125.4	31.7	58.8	1,699.1
2019	161.9	292.5	790.5	236.1	123.7	31.6	59.7	1,696.0
2020	153.9	277.5	708.2	224.5	120.1	29.4	56.9	1,570.4
2021	153.0	290.5	741.5	224.1	118.1	30.1	59.4	1,616.6
2022	157.1	298.2	774.8	227.4	118.6	31.3	61.1	1,668.5
2023	158.4	299.0	793.5	232.4	118.3	31.0	62.3	1,694.8

(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 21st in the nation for manufacturing employment as a percentage of total employment in calendar year 2023. 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 2023 approximately 9.3% of the State's workforce, versus 8.3% for the nation, was employed in the manufacturing sector.

TABLE B-11

**Manufacturing Employment
(In Thousands)**

Calendar Year	Connecticut		New England^(a)		United States^(b)	
	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>
2014	157.2	(1.9)	592.2	(0.6)	12,184.6	1.4
2015	156.9	(0.2)	592.9	0.1	12,334.9	1.2
2016	156.5	(0.3)	588.8	(0.7)	12,352.8	0.1
2017	158.7	1.4	590.9	0.4	12,438.8	0.7
2018	160.7	1.2	596.0	0.9	12,687.8	2.0
2019	161.9	0.7	600.9	0.8	12,816.5	1.0
2020	153.9	(5.0)	567.3	(5.6)	12,164.9	(5.1)
2021	153.0	(0.6)	575.8	1.5	12,354.8	1.6
2022	157.1	2.7	590.1	2.5	12,814.3	3.7
2023	158.4	0.8	589.3	(0.1)	12,941.8	1.0

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

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, machinery, and computer and electronics for the total number employed in 2023.

TABLE B-12

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

Calendar Year	<u>Transportation Equipment</u>	<u>Fabricated Metals</u>	<u>Computer & Electronics</u>	<u>Machinery</u>	<u>Other^(a)</u>	<u>Total Manufacturing Employment^(b)</u>
2014	40.1	29.7	12.6	14.0	60.8	157.2
2015	40.7	29.2	12.3	14.1	60.6	156.9
2016	41.7	29.2	11.6	13.6	60.4	156.5
2017	44.0	29.4	11.2	13.3	60.7	158.7
2018	45.6	29.8	10.9	13.1	61.3	160.7
2019	47.0	29.8	10.9	13.2	61.0	161.9
2020	45.9	27.8	10.3	12.9	57.0	153.9
2021	44.7	27.6	10.1	12.9	57.7	153.0
2022	45.3	28.0	10.4	13.5	59.9	157.1
2023	46.6	27.5	10.5	13.8	60.0	158.4

(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 2019 at just under 162,000 workers. Over the last ten years, employment in manufacturing has remained relatively stable with the exception of 2020 and 2021 levels which were influenced by the pandemic induced recession. Total manufacturing jobs in Connecticut in 2023 increased by approximately 1,300 jobs or 0.8% over 2022 levels to 158,400 jobs. Connecticut experienced the largest increase in manufacturing jobs in the State since before 2000 in 2022, registering growth of 2.7% or an additional 4,100 jobs over 2021 levels. However, manufacturing jobs in the State remain approximately 2.2% below levels attained before the pandemic in 2019.

Exports. In Connecticut, the export sector of manufacturing is an important component of the overall economy. According to figures published by the United States Census Bureau Foreign Trade Division, compiled by the World Institute for Strategic Economic Research, exports of manufacturing products registered at \$15.8 billion in 2023, accounting for 4.7% of Gross State Product. From 2019 to 2023, the State's export of goods declined at a compound annual rate of (0.6)% versus 4.5% 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>2019</u>	<u>2020</u>	<u>Calendar Year</u> <u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Percent</u> <u>of</u> <u>2023</u> <u>Total</u>	<u>Compound</u> <u>Annual</u> <u>Growth Rate</u> <u>2019-2023</u>
A. Manufacturing Products							
Paper	145.1	124.9	161.0	196.8	171.9	1.1%	4.3%
Chemicals	1,054.4	1,303.3	1,350.7	1,268.9	986.5	6.2%	-1.7%
Plastics and Rubber	295.1	211.7	318.4	287.0	302.5	1.9%	0.6%
Primary Metal	346.4	256.8	290.8	343.6	334.0	2.1%	-0.9%
Fabricated Metal	938.5	888.5	870.1	942.2	1,025.6	6.5%	2.2%
Machinery, exc. Elec.	2,180.8	2,134.6	2,221.2	2,696.5	3,156.1	19.9%	9.7%
Comp. & Electronic	1,176.9	1,032.5	1,128.6	1,158.3	1,201.8	7.6%	0.5%
Electrical Equipment	895.6	946.5	979.1	914.3	1,044.4	6.6%	3.9%
Transportation Equip.	6,951.0	4,883.3	5,130.0	5,237.0	5,390.0	34.0%	-6.2%
Misc. MFG	382.5	426.9	504.1	483.8	477.8	3.0%	5.7%
Other	<u>1,864.3</u>	<u>1,618.1</u>	<u>1,594.4</u>	<u>1,823.5</u>	<u>1,755.7</u>	<u>11.1%</u>	<u>-1.5%</u>
Total	16,230.6	13,827.2	14,548.4	15,352.0	15,846.2	100.0%	-0.6%
Percent Growth	-6.7%	-14.8%	5.2%	5.5%	3.2%		
B. Gross State Product^(a)	285,466.4	275,801.9	295,907.5	319,344.8	340,181.3		4.5%
Mfg Exports as a % of GSP	5.7%	5.0%	4.9%	4.8%	4.7%		5.0%

(a) In millions of dollars.

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 2023 Connecticut received \$18.2 billion of prime contract awards. These total awards

accounted for 6.5% 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 2023, Connecticut had \$5,031 in per capita defense awards, compared to the national average of \$824. 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 5.4% of Gross State Product in Fiscal Year 2023.

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>
2014	\$ 13,207	4 th	31.7%	5.3%
2015	12,147	5 th	(8.0)	(1.7)
2016	14,132	4 th	16.3	11.6
2017	11,647	7 th	(17.6)	(4.0)
2018	14,696	6 th	26.2	6.7
2019	18,358	5 th	24.9	10.4
2020	22,356	4 th	21.8	24.0
2021	16,966	4 th	(24.1)	(30.1)
2022	17,262	5 th	1.7	12.5
2023	18,190	4 th	5.4	(11.7)

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 90.7% by 2023. This trend has diluted the State's dependence on manufacturing. From 2014 to 2023, Connecticut gained 21,900 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 20,700, while manufacturing jobs increased by only 1,200 jobs.

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

TABLE B-15

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

Calendar Year	Connecticut		New England		United States	
	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>	<u>Number</u>	<u>Percent Growth</u>
2014	1,515.7	1.0	6,553.7	1.6	126,734.9	1.9
2015	1,529.9	0.9	6,660.1	1.6	129,466.3	2.2
2016	1,536.0	0.4	6,762.3	1.5	131,979.6	1.9
2017	1,537.5	0.1	6,830.0	1.0	134,172.1	1.7
2018	1,538.4	0.1	6,883.5	0.8	136,208.8	1.5
2019	1,534.1	(0.3)	6,946.9	0.9	138,089.5	1.4
2020	1,416.5	(7.7)	6,389.7	(8.0)	129,999.6	(5.9)
2021	1,463.6	3.3	6,632.5	3.8	133,921.2	3.0
2022	1,511.4	3.3	6,876.2	3.7	139,717.0	4.3
2023	1,536.4	1.7	6,982.1	1.5	143,123.8	2.4

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

Services as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 59.3% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2014, 2022 and 2023 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 2014 and 2023, employment in the non-manufacturing sector grew by 20,700 workers driven primarily by the growth in services offset somewhat by a decline in FIRE, State and Local Government, and Information-related employment.

TABLE B-16

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

<u>Industry</u>	<u>Calendar Year 2014</u>	<u>Calendar Year 2022</u>	<u>Calendar Year 2023</u>	<u>Percent Change 2022-2023</u>	<u>Percent Change 2014-2023</u>
Construction ^(a)	56.1	61.6	62.8	2.1	12.1
Information	32.1	31.3	31.0	(0.9)	(3.4)
Trade ^(b)	294.9	298.2	299.0	0.2	1.4
Finance, Insurance & Real Estate	128.8	118.6	118.3	(0.2)	(8.1)
Services ^(c)	759.2	774.3	792.9	2.4	4.4
Federal Government	17.4	18.3	18.7	2.2	7.1
State and Local Government	<u>227.3</u>	<u>209.2</u>	<u>213.7</u>	2.2	(6.0)
Total Non-manufacturing Employment ^(d)	1,515.7	1,511.4	1,536.4	1.7	1.4

(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 2019-2023. Connecticut retail trade in Fiscal Year 2023 totaled \$81.4 billion, an increase of 4.6% from Fiscal Year 2022. Sales in the durable goods category, which are typically most sensitive to changes in economic conditions, increased slightly in Fiscal Year 2023. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17
Retail Trade In Connecticut^(a)
(In Millions)

<u>NAICS</u>	<u>Fiscal Year 2019 Total</u>	<u>Percent of Fiscal Year 2019 Total</u>	<u>Fiscal Year 2020 Total</u>	<u>Percent of Fiscal Year 2020 Total</u>	<u>Fiscal Year 2021 Total</u>	<u>Percent of Fiscal Year 2021 Total</u>	<u>Fiscal Year 2022 Total</u>	<u>Percent of Fiscal Year 2022 Total</u>	<u>Fiscal Year 2023 Total</u>	<u>Percent Of Fiscal Year 2023 Total</u>	<u>Compound Annual Growth Rate 2019-2023</u>
441 Motor Vehicle and Parts Dealers	\$11,435.0	19.0%	\$11,068.4	17.8%	\$13,592.5	18.7%	\$13,755	17.7%	14,318	17.6	5.1
442 Furniture and Home Furnishings Stores	2,043.0	3.4	1,902.1	3.1	2,390.7	3.3	2,404	3.1	2,337	2.9	0.9
443 Electronics and Appliance Stores	1,630.0	2.7	1,744.0	2.8	1,974.1	2.7	1,688	2.2	1,639	2.0	(0.3)
444 Building Material and Garden Supply Stores	3,331.0	5.5	3,488.3	5.6	4,147.3	5.7	4,520	5.8	4,617	5.7	6.2
445 Food and Beverage Stores ^(b)	10,873.0	18.1	11,663.8	18.7	12,234.1	16.9	12,706	16.3	13,279	16.3	4.9
446 Health and Personal Care Stores	4,124.0	6.9	4,346.7	7.0	4,944.6	6.8	5,462	7.0	6,015	7.4	9.4
447 Gasoline Stations	3,792.0	6.3	3,261.4	5.2	3,305.5	4.6	4,597	5.9	4,749	5.8	4.1
448 Clothing and Clothing Accessories Stores	3,083.0	5.1	2,723.8	4.4	3,210.6	4.4	3,700	4.8	3,819	4.7	4.6
451 Sporting Goods, Hobby, Book and Music Stores	936.0	1.6	856.9	1.4	1,028.0	1.4	1,044	1.3	1,055	1.3	2.0
452 General Merchandise Stores	5,465.0	9.1	5,625.1	9.0	6,132.4	8.5	6,651	8.5	7,126	8.8	6.6
453 Miscellaneous Store Retailers	7,917.0	13.2	8,025.6	12.9	8,967.9	12.4	9,295	11.9	9,382	11.5	3.2
454 Nonstore Retailers	<u>5,451.4</u>	<u>9.1</u>	<u>7,568.9</u>	<u>12.2</u>	<u>10,614.4</u>	<u>14.6</u>	<u>12,027</u>	<u>15.4</u>	<u>13,101</u>	<u>16.1</u>	21.0
Total^(a)	\$60,080.4	100.0%	\$62,274.9	100.0%	\$72,542.1	100.0%	\$77,848	100.0%	81,436	100.0	6.8
Durables (NAICS 441, 442, 443, 444)	\$18,439.0	30.7%	\$18,202.8	29.2%	\$22,104.6	30.5%	\$22,367	28.7%	22,910	28.1	4.4
Non Durables (all other NAICS)	\$41,641.4	69.3%	\$44,072.1	70.8%	\$50,437.5	69.5%	\$55,482	71.3%	58,526	71.9	7.8

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

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates.

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

Just before the COVID-19 pandemic struck the State, Connecticut was experiencing low unemployment rates. In March 2020, Connecticut experienced an unemployment rate of 3.9%. Likewise, both the New England and the Nation were also experiencing low unemployment rates. New England saw a rate of 3.1% in January 2020 and the United States was experiencing a low unemployment rate of 3.5% in January 2020. At the height of unemployment during the pandemic, Connecticut's peak unemployment rate reached 11.7% in May of 2020, New England reached 14.0% in April 2020, and the nation reached 14.7% in April 2020. As of December 2024, Connecticut's unemployment rate was 3.0% whereas it was 3.6% in New England, and 4.1% for the United States.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2015 through 2024.

TABLE B-18
Unemployment Rate^(a)

<u>Calendar Year</u>	<u>Unemployment Rate</u>		
	<u>Connecticut</u>	<u>New England</u>	<u>United States</u>
2015	5.6	4.9	5.3
2016	4.9	4.1	4.9
2017	4.4	3.8	4.4
2018	3.9	3.5	3.9
2019	3.6	3.1	3.7
2020	8.0	8.3	8.1
2021	6.4	5.3	5.4
2022	4.1	3.5	3.6
2023	3.7	3.2	3.6
2024	3.8	3.4	4.0

(a) On a preliminary basis, Connecticut's unemployment rate was estimated at 3.4% for February 2025 compared to a national average of 4.1%. 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

Unemployment Compensation Fund. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the Unemployment Compensation Fund may receive advances from the federal government. At the end of August 2020, the Unemployment Compensation Fund began borrowing funds from the United States Department of Labor in order to pay Unemployment Insurance ("UI") benefits to unemployed workers. Generally, federal loans carry interest immediately, but the federal government waived interest on UI trust fund loans until September 6, 2021. After the interest free borrowing expired, the first special assessment payment of \$1.085 million was due on September 30, 2021 and was authorized to be paid by the Governor using funds from the Coronavirus Aid, Relief, and Economic Stabilization Act. The Governor has authorized \$30 million in funds available through the American Rescue Plan Act of 2021 to cover interest payments due, beginning August 2022 through end of 2026. Principal payments are made by employers through increased Federal Unemployment Tax Act tax payments and through the Connecticut Department of Labor UI Trust Fund when such fund begin to have a surplus. Currently, the Unemployment Compensation Fund continues to borrow and as of January 31, 2025, the outstanding UI loan balance was \$80.2 million.

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APPENDIX II-C

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APPENDIX II-C

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SEAN SCANLON
STATE COMPTROLLER



TARA DOWNES
DEPUTY COMPTROLLER



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

March 27, 2025

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

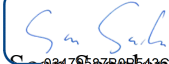
Dear Treasurer Russell,

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2024.

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:



Sean Scanlon

State Comptroller

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

INDEPENDENT AUDITORS' REPORT

The Honorable Ned Lamont, Governor
Members of the General Assembly

Report on the Audit of the Financial Statements

Opinions

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 fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State of Connecticut's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entities and funds:

Opinion Unit	Fund/Entity	Percentage of Opinion Unit's Total	
		Assets	Revenues/ Additions
Governmental Activities	Special Transportation Fund, Transportation Special Tax Obligations Fund, and Transportation Restricted Grants Fund	8%	10%

Opinion Unit	Fund/Entity	Percentage of Opinion Unit's Total	
		Assets	Revenues/ Additions
Business-Type Activities	John Dempsey Hospital, UConn Medical Group and Finance Corp within the University of Connecticut and Health Center, Connecticut State Universities, Connecticut State Community College, Clean Water Fund Federal Account, and Drinking Water Fund Federal Account	54%	35%
Aggregate Discretely Presented Component Units	Connecticut Housing Finance Authority, Connecticut Lottery Corporation, Connecticut Airport Authority, MIRA Dissolution Authority, Connecticut Health and Educational Facilities Authority, Connecticut Innovation Incorporated, Capital Region Development Authority, UConn Foundation, Connecticut Green Bank, and Connecticut Port Authority	100%	100%
Transportation Fund	Special Transportation Fund	100%	98%
Debt Service Fund	Transportation Special Tax Obligations Fund	100%	100%
Restricted Grants and Accounts Fund	Transportation Restricted Grants Fund	8%	14%
Aggregate Remaining Fund Information	Connecticut Paid Family and Medical Leave Insurance Authority	1%	3%

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

Basis for Opinions

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

The financial statements of the University of Connecticut, the UConn Health, the Connecticut State University System, the Connecticut Community Colleges, and the University of Connecticut Foundation were audited in accordance with GAAS but not in accordance *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium that changed the way fringe benefits are paid for institutions of higher education. Effective July 1, 2023, the state directly funds employee retirement benefit costs, which are therefore no longer charged to the University of Connecticut, the Health Center, or the Board of Regents. As a result, there is a corresponding reduction in appropriations to those institutions. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 opinion. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, 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 is the responsibility of management and, 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 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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other auditors. In our opinion, based on our audit and the report 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 as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, 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 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



Craig A. Miner
State Auditor

March 27, 2025
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Connecticut

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, 2024. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) decreased \$2.1 billion (or 5.1 percent) as a result of this year's operations. Net position (deficit) of governmental activities decreased by \$1.6 billion (or 3.3 percent) and net position of business-type activities increased by \$489.2 million (or 7.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative (\$47.0) billion and \$7.5 billion, respectively.

Component units reported net position of \$3.3 billion, an increase of \$293.1 million (or 9.8 percent) from the previous year.

Fund Financial Statements

The governmental funds reported combined ending fund balance of \$10.6 billion, a decrease of (\$0.7) billion in comparison with the prior year. Of this total fund balance, \$266.6 million represents nonspendable fund balance, \$6.2 billion represents restricted fund balance, \$5.0 billion represents committed fund balance, and \$270.9 million represents assigned fund balance. A negative (\$1.1) billion unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which increased by \$446.5 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 \$4.1 billion compared to the prior year's balance of \$3.3 billion. The primary reason for the increase in the current fiscal year, as in the prior fiscal year, was that significant progress has been made toward building the balance of the Budget Reserve Fund. This was mainly 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 2024, the cap was just over \$4.1 billion for estimated and final income tax payments and revenue from the pass-through entity tax. At year-end, a volatility transfer of \$1.32 billion was made to the Budget Reserve Fund.

Prior to the close of fiscal year 2024, the balance in the Budget Reserve Fund was just over \$3.3 billion. Adding the \$1.32 billion volatility transfer brought the Budget Reserve Fund total to \$4.6 billion, or 20.2 percent of net General Fund appropriations for fiscal year 2025. As a result, the Budget Reserve Fund was \$0.5 billion above the statutory 18.0 percent cap. 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 18.0 percent threshold as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement Fund (TRF). In late September, the State Treasurer elected to transfer \$335.0 million to TRF to reduce unfunded pension liability, with the remaining balance of \$273.2 million going to SERF. This brought the Budget Reserve Fund to just over \$4.1 billion or approximately 18.0 percent of net General Fund appropriations for fiscal year 2024. The General Fund surplus of \$401.0 million was transferred in December, with \$76.0 million going to the Budget Reserve Fund to bring the balance to 18.0 percent of net General Fund appropriations for fiscal year 2024, \$179.0 million going to SERF, and \$146.0 million going to TRF.

Tax revenues in the governmental funds increased \$1.3 billion or 5.9 percent. General Fund tax revenues increased \$574.7 million (or 2.9 percent). Collections in four of the six largest tax categories ended the year above their budgeted targets. The Pass-Through Entity Tax was a strong performer, and receipts ended the year \$149.1 million (or 8.2 percent) above the budget plan. Income tax collections finished well above the budgeted plan, \$779.7 million or 7.1 percent over target, and the corporation tax outperformed its target by \$41.1 million (or 2.7 percent). This was partly offset by the underperformance of sales and use tax, which came in (\$296.5) million (or (5.6) percent) under the budget plan, and the real estate conveyance tax, which came in under budget by (\$3.1) million (or (1.1) percent).

The Enterprise funds reported net position of \$7.5 billion at year-end, an increase of \$743.6 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 \$84.2 billion for governmental activities at year-end, of which \$27.5 billion was bonded debt. Total long-term debt was \$2.0 billion for business-type activities at year-end, of which \$1.3 billion was bonded debt.

State of Connecticut

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 required and 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-26 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 2024. 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 College), 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.

Fund Financial Statements – Report the State's Most Significant Funds

The fund financial statements beginning on page II-C-29 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.

State of Connecticut

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 enterprise 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 College), 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.
- **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-30 and II-C-32 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.

State of Connecticut

Supplementary Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position (deficit) of the State decreased \$2.1 billion or 5.1 percent. In comparison, last year the combined net position (deficit) decreased \$3.8 billion or (8.3) percent. The net position (deficit) of the State's governmental activities decreased \$1.6 billion (or 3.3 percent) to (\$47.0) billion during the current fiscal year.

State Of Connecticut's Net Position (Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and Other Assets	\$ 15,096	\$ 16,194	\$ 2,526	\$ 2,270	\$ 17,622	\$ 18,464
Noncurrent Assets	20,932	19,951	7,562	7,419	28,494	27,370
Total Assets	\$ 36,028	\$ 36,145	\$ 10,088	\$ 9,689	\$ 46,116	\$ 45,834
Deferred Outflows of Resources	\$ 12,624	\$ 16,500	\$ 6	\$ 8	\$ 12,630	\$ 16,508
LIABILITIES						
Current Liabilities	\$ 6,596	\$ 7,311	\$ 774	\$ 812	\$ 7,370	\$ 8,123
Long-term Liabilities	81,693	84,463	1,790	1,841	83,483	86,304
Total Liabilities	\$ 88,289	\$ 91,774	\$ 2,564	\$ 2,653	\$ 90,853	\$ 94,427
Deferred Inflows of Resources	\$ 7,335	\$ 9,458	\$ 7	\$ 9	\$ 7,342	\$ 9,467
NET POSITION						
Net Investment in Capital Assets	\$ 7,125	\$ 7,192	\$ 3,255	\$ 3,200	\$ 10,380	\$ 10,392
Restricted	5,843	6,731	2,241	2,196	8,084	8,927
Unrestricted	(59,941)	(62,509)	2,027	1,638	(57,914)	(60,871)
Total Net Position (Deficit)	\$ (46,973)	\$ (48,586)	\$ 7,523	\$ 7,034	\$ (39,450)	\$ (41,552)

Total investment in capital assets net of related debt was \$7.1 billion (buildings, roads, bridges, etc.); and \$5.8 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of (\$59.9) 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 \$16.9 billion to finance various municipal grant programs (e.g., school construction) and \$1.9 billion issued to finance a contribution to a pension trust fund; and b) other long-term obligations in the amount of \$57.4 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 increased \$489.2 million (or 7.0 percent) to \$7.5 billion during the current fiscal year. Of this amount, \$3.3 billion was invested in capital assets and \$2.2 billion was restricted for specific purposes, resulting in unrestricted net position of \$2.0 billion. 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).

Changes in net position for the years ended June 30, 2024 and 2023 were as follows:

State of Connecticut

State of Connecticut's Changes in Net Position (Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2024	2023	2024	2023	2024	2023	24 - 23
REVENUES							
Program Revenues							
Charges for Services	\$ 2,349	\$ 3,700	\$ 3,592	\$ 3,411	\$ 5,941	\$ 7,111	-16.5%
Operating Grants and Contributions	10,570	11,763	773	703	11,343	12,466	-9.0%
Capital Grants and Contributions	1,272	998	54	16	1,326	1,014	30.8%
General Revenues							
Taxes	23,267	22,035	-	-	23,267	22,035	5.6%
Casino Gaming Payments	306	279	-	-	306	279	9.7%
Lottery Tickets	376	392	-	-	376	392	-4.1%
Other	687	566	111	73	798	639	24.9%
Total Revenues	38,827	39,733	4,530	4,203	43,357	43,936	-1.3%
EXPENSES							
Legislative	127	120	-	-	127	120	5.8%
General Government	3,665	5,795	-	-	3,665	5,795	-36.8%
Regulation and Protection	1,183	1,082	-	-	1,183	1,082	9.3%
Conservation and Development	1,350	1,057	-	-	1,350	1,057	27.7%
Health and Hospital	3,348	2,835	-	-	3,348	2,835	18.1%
Transportation	3,036	2,520	-	-	3,036	2,520	20.5%
Human Services	11,368	10,671	-	-	11,368	10,671	6.5%
Education, Libraries, and Museums	7,110	5,924	-	-	7,110	5,924	20.0%
Corrections	2,345	2,021	-	-	2,345	2,021	16.0%
Judicial	1,175	989	-	-	1,175	989	18.8%
Interest and Fiscal Charges	965	1,408	-	-	965	1,408	-31.5%
University of Connecticut & Health Center	-	-	2,924	3,171	2,924	3,171	-7.8%
Board of Regents	-	-	1,268	1,499	1,268	1,499	-15.4%
Employment Security	-	-	892	634	892	634	40.7%
Clean Water	-	-	38	36	38	36	5.6%
Other	-	-	49	42	49	42	16.7%
Total Expenses	35,672	34,422	5,171	5,382	40,843	39,804	2.6%
Excess (Deficiency) Before Transfers	3,155	5,311	(641)	(1,179)	2,514	4,132	-39.2%
Transfers Out	(412)	-	-	-	(412)	-	0.0%
Transfers - Internal Activities	(1,130)	(1,607)	1,130	1,607	-	-	0.0%
Change in Net Position	1,613	3,704	489	428	2,102	4,132	-49.1%
<i>Net Position (Deficit) - Beginning</i>	<i>(48,586)</i>	<i>(52,291)</i>	<i>7,033</i>	<i>6,607</i>	<i>(41,553)</i>	<i>(45,684)</i>	<i>-9.0%</i>
Net Position (Deficit) - Ending	\$ (46,973)	\$ (48,587)	\$ 7,522	\$ 7,035	\$ (39,451)	\$ (41,552)	-5.1%

Changes in Net Position

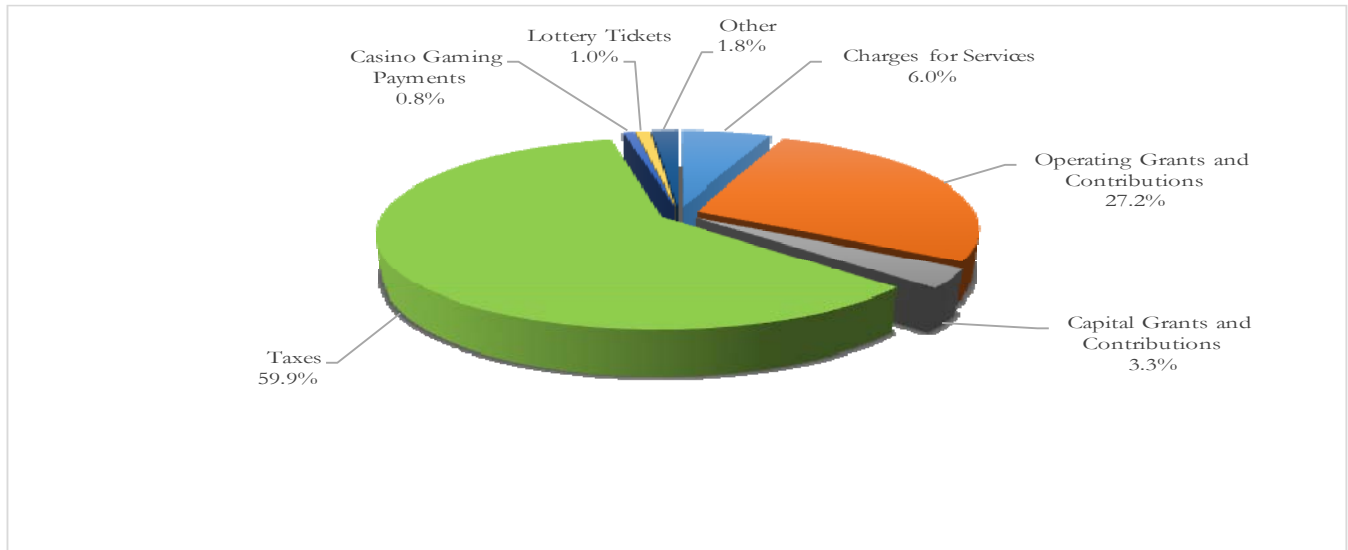
This year the State's governmental activities received 59.9 percent of its revenue from taxes and 30.5 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 55.5 percent and grants and contributions were 32.1 percent of total revenues. Charges for services such as licenses, permits, and fees, rents and fines, and other miscellaneous collections comprised 9.6 percent of total revenue in fiscal year 2024, compared to 12.4 percent in fiscal year 2023.

Governmental Activities

State of Connecticut

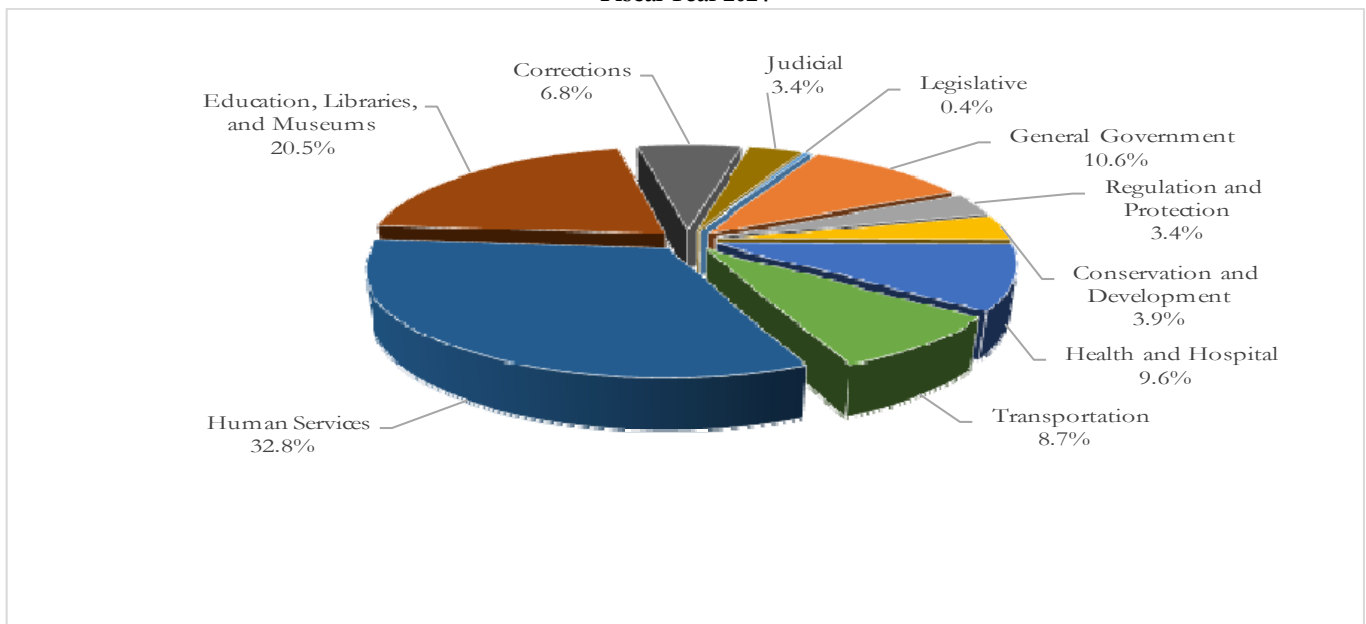
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues decreased by (\$906.0) million (or (2.3) percent). This decrease was primarily due to a decreases in charges for services and operating grants and contributions of (\$1.7) and (\$1.2) billion, respectively. These decreases were partially offset by an increase of \$1.2 billion in taxes and by increases in other revenue categories.

**Revenue by Source – Governmental Funds
Fiscal Year 2024**



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$1.3 billion, or 3.6 percent.

**Expenses by Type – Governmental Funds
Fiscal Year 2024**

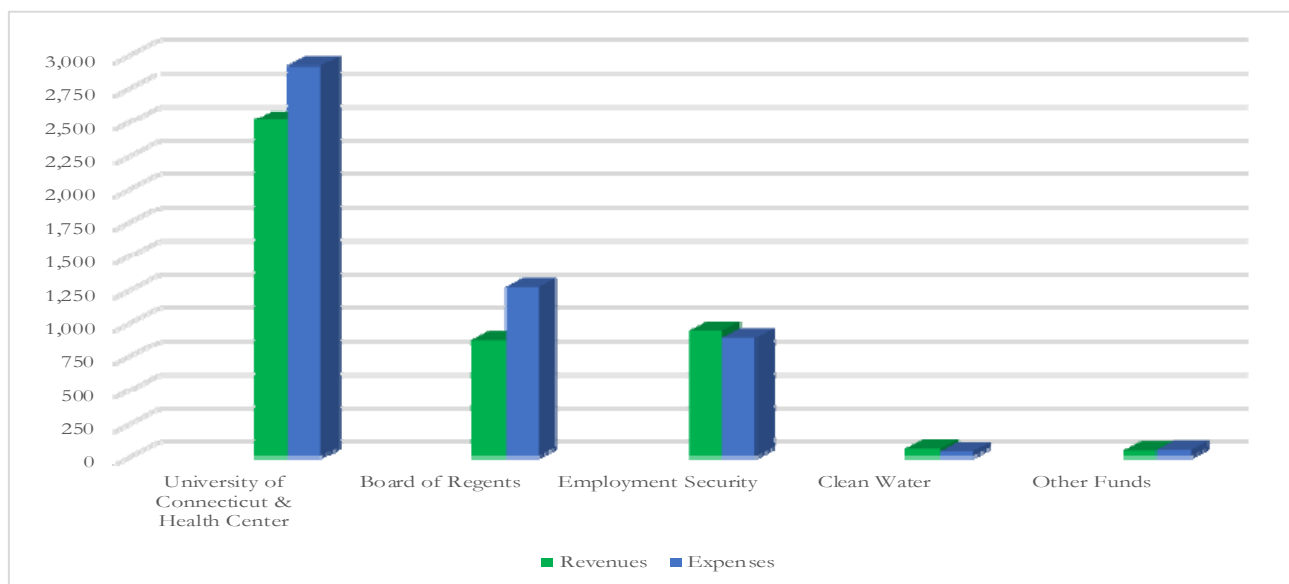


Business-Type Activities

State of Connecticut

Net position of business-type activities increased by \$487.0 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, 2024
(Amounts in Millions)**



During the year, total revenues of business-type activities increased \$327.0 million (or 7.8 percent), while total expenses decreased (\$211.0) million (or 3.9 percent). In comparison, last year total revenues decreased (\$563.0) million (or (11.8) percent), while total expenses decreased (\$680.0) million (or (11.2) percent). The decrease in total expenses of (\$211.0) million was due mainly to a reduction in Board of Regents salaries, wages, and administrative expenses of (\$227.8) million, the result of certain fringe costs being paid directly from the State's General Fund rather than reimbursed to the Board of Regents. This decrease was slightly offset by smaller increases in various other expense categories. Although total expenses exceeded total revenues by \$641 million, this deficiency was reduced by transfers of \$1.1 billion, resulting in an increase in net position of \$489 million.

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 \$10.6 billion, a decrease of (\$737.1) million over the prior year ending fund balances. Of the total governmental fund balances, \$6.2 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$266.6 million represents fund balance that is nonspendable and \$5.3 billion represents fund balance that is committed or assigned for specific purposes. A negative (\$1.1) billion 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 \$4.0 billion, an increase of \$368.2 million in comparison with the prior year. Of this total fund balance, \$5.1 billion represents nonspendable fund balance, committed, or assigned for specific purposes, leaving a deficit of (\$1.1) billion in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance decreased by (\$2.1) million or (2.1) percent.
- Committed fund balance increased by \$823.5 million or 20.6 percent. The primary reason for the increase, as in the prior fiscal years, 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 increased by \$205.0 million.
- Unassigned fund balance deficit increased by \$446.5 million.

State of Connecticut

At the end of fiscal year 2024, General Fund revenues were (\$55.3) million (or (0.2) percent) lower than fiscal year 2023 revenues. This change was primarily attributed to decreases in licenses, permits and fees ((\$11.2) million), lottery tickets ((\$16.0) million), federal grants ((\$645.0) million), and assessments ((\$2.6) million). These decreases were largely offset by increases in taxes (\$574.7 million) and fines, forfeits, and rents (\$3.2 million).

At the end of fiscal year 2024, General Fund expenditures were (\$165.8) million (or (0.7) percent) lower than fiscal year 2023. This was primarily attributable to decreases in general government ((\$3.3) billion), human services ((\$588.4) million), off-set by increases in health and hospitals (\$1.0 billion) and education, libraries, and museums (\$516.2 million).

Debt Service Fund

At the end of fiscal year 2024, the Debt Service Fund had a fund balance of \$1.4 billion, all of which was restricted, an increase of \$106.7 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$1.2 billion at the end of fiscal 2024. Of this amount, \$36.4 million was in nonspendable form and \$1.1 billion was restricted or committed for specific purposes. Fund balance increased by \$362.8 million during the current fiscal year.

At the end of fiscal year 2024, Transportation Fund revenues increased by \$320.8 million (or 15.6 percent) and expenditures increased by \$167.0 million (or 15.6 percent). The increase in revenue was primarily due to an increase in taxes.

Restricted Grants and Accounts Fund

At the end of fiscal year 2024, the Restricted Grants and Accounts Fund had a fund balance of \$2.0 billion, all of which was restricted for specific purposes, a decrease of (\$472.9) million in comparison with the prior year.

Total revenues were (\$1.5) billion (or 13.0 percent) lower than in fiscal year 2023. Overall, total expenditures were (\$1.6) billion (or (13.6) percent) lower than fiscal year 2023.

Grant and Loan Programs

As of June 30, 2024, the Grant and Loan Programs Fund had a fund balance of \$550.8 million, all of which was restricted or assigned for specific purposes, a decrease of (\$356.5) million in comparison with the prior year.

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 (OPEB) 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 \$63.7 billion, an increase of \$7.7 billion (or 13.9 percent) when compared to the prior fiscal 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,' will be 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.

State of Connecticut

In fiscal year 2024, for the seventh consecutive year, progress was made toward building the balance in the Budget Reserve Fund (BRF). 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 BRF. For fiscal year 2024, the cap was just over \$4.1 billion for estimated and final income tax payments and revenue from the Pass-through Entity Tax. At year-end, a volatility transfer of \$1.3 billion was made to the BRF.

Prior to the close of fiscal year 2024, the balance of the BRF was just over \$3.3 billion. Adding the \$1.3 billion volatility transfer brought the BRF total to \$4.6 billion (or 20.2 percent) of net General Fund appropriations for fiscal year 2024. As a result, the BRF was roughly \$0.5 billion above the statutory 18.0 percent cap. According to CGS Section 4-30a (c)(1)(A), no further transfers will be made to BRF. Instead, the State Treasurer transfers any remaining General Fund surplus, as he determines to be in the State's best interest, as follows:

1. first to reduce the State Employees' Retirement Fund's (SERF) unfunded liability by up to 5.0 percent;
2. next to reduce the Teachers' Retirement Fund's (TRF) unfunded liability by up to 5.0 percent; and
3. third to make additional payments towards the SERF.

In September the State Treasurer elected to transfer \$335.0 million to TRF, with the remaining balance of \$273.2 million going to SERF. The General Fund surplus of \$401.0 million was transferred in December, with \$76.0 million going to the BRF to bring the balance to 18.0 percent of net General Fund appropriations for fiscal year 2024, \$179.0 million going to SERF, and \$146.0 going to TRF.

Achieving and surpassing the 18.0 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 any future economic downturn that may occur.

The fiscal year 2024 budget plan as initially formulated included a built-in General Fund surplus of \$399.7 million. Surplus estimates declined from the original budget plan early in the year due to higher than budgeted spending projections, especially related to Medicaid and a change in the accounting treatment of certain state employee fringe benefits. In the spring, the revenue outlook improved, and the projected surplus was reduced by Public Acts No. 24-81 and 24-151, the fiscal year 2024 budget and finance, revenue and bonding bills. Certain provisions affected fiscal year 2024, including increasing fiscal year 2024 General Fund net appropriations by \$89.3 million and increasing the General Fund revenue transfer from fiscal year 2024 to fiscal year 2025 by \$110.0 million. General Fund revenues finished the year higher than anticipated, partially offsetting the additional expenditures.

In fiscal year 2024 General Fund expenditures totaled \$22,779,386,742 on the statutory basis of accounting. This represented an increase of \$580.5 million (or 2.6 percent) above fiscal year 2023 spending levels. Several appropriations saw large spending increases that accounted for much of the growth in fiscal year 2024. The largest were contributions to state pension plans. The employer contribution to the Teacher's Retirement Fund increased by \$395.6 million (or 25.1 percent) over fiscal year 2023. The General Fund employer contribution to the State Employee Retirement Fund decreased by (\$650.8) million (or (20.0) percent) over fiscal year 2023, primarily due to an increase in payments toward unfunded pension liability.

On the statutory basis of accounting, realized revenues totaled \$22,716,130, which represented an increase of \$210.8 million (or 0.9 percent) above the fiscal year 2024 budget plan. Collections in the four of the six largest tax categories ended the year above their budget targets. The strongest performer was Estimated and Final Income Tax collections, which finished the year \$494.2 million (or 18.7 percent) over target. Withholding finished \$285.5 million (or 3.4 percent) over its budget target. A strong stock market, continued job growth, and increased wages contributed to increased collections. Pass-Through Entity Tax (PET), which is levied on Partnerships and S-Corporations, ended the year \$149.1 million (or 8.2 percent) above the budget plan. Due in part to weaker than anticipated consumer demand and easing inflation, the Sales and Use Tax came in (\$296.5) million (or (5.6) percent) below the budget plan. The Health Provider tax also came in under budget by (\$72.6) million (or 7.6 percent).

On a statutory basis of accounting, Special Transportation Fund (STF) spending totaled \$2,048,792,448 in fiscal year 2024, an increase of \$184.0 million (or 9.9 percent) compared with the prior fiscal year. The largest category of growth was debt service, which grew by \$52.2 million (or 6.4 percent) above fiscal year 2023 levels. GAAP-based budgeting accruals, mostly salary and wages, resulted in a decrease of (\$5.5) million. The STF employer contribution to SERF decreased by (\$8.1) million (or (4.9) percent) over fiscal year 2023, largely due to an increase in payments toward the unfunded pension liability. Personal Services, the primary account for salaries, decreased by (\$6.1) billion (or (2.4) percent).

The Special Transportation Fund had revenue of \$2,410,571 on the statutory basis of accounting, which was \$58.0 million (or 2.5 percent) above the budget plan for fiscal year 2024. The Motor Fuels Tax and the Sales Tax – DMV outperformed budget targets by \$8.9 million (or 1.8 percent) and \$7.8 million or 7.3 percent, respectively. In contrast, the Oil Companies Tax came in below the budget target by (\$28.4) million (or (7.3) percent), and Sales and Use Tax came in (\$15.8) million (or (1.8) percent) below budget expectations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

State of Connecticut

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totaled \$24.1 billion (net of accumulated depreciation/amortization). This investment in capital assets includes land, art and historical collections, buildings, improvements other than buildings, equipment, right-to-use assets, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was \$1.0 billion.

Major capital asset events for governmental activities during the fiscal year include additions to land, art and historical collections, right-to-use assets, infrastructure, and construction in progress of \$1.5 billion and depreciation expense of \$729.5 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		Percent
	2024	2023	2024	2023	2024	2023	Change 24 - 23
Land	\$ 2,020	\$ 1,987	\$ 78	\$ 79	\$ 2,098	\$ 2,066	1.5%
Art & Historical Collections	225	225	71	68	296	293	1.0%
Construction in Progress	7,542	6,846	416	257	7,958	7,103	12.0%
Buildings	1,483	1,500	4,046	4,160	5,529	5,660	-2.3%
Improvements Other than Buildings	167	180	420	425	587	605	-3.0%
Equipment	851	782	215	189	1,066	971	9.8%
Intangible Assets	29	26	36	44	65	70	-7.1%
Right-to-use Assets	87	95	261	258	348	353	-1.4%
Infrastructure	6,143	6,019	-	-	6,143	6,019	2.1%
Total	\$ 18,547	\$ 17,660	\$ 5,543	\$ 5,480	\$ 24,090	\$ 23,140	4.1%

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 \$28.8 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 General Obligation and Revenue Bonds (in Millions)							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2024	2023	2024	2023	2024	2023	
General Obligation Bonds	\$ 16,932	\$ 17,622	\$ -	\$ -	\$ 16,932	\$ 17,622	
Direct Borrowings & Direct Placement	231	247	-	-	231	247	
Transportation Related Bonds	7,860	7,451	-	-	7,860	7,451	
Revenue Bonds	-	-	1,198	1,183	1,198	1,183	
Premiums and Deferred Amounts	2,497	2,534	122	130	2,619	2,664	
Total	\$ 27,520	\$ 27,854	\$ 1,320	\$ 1,313	\$ 28,840	\$ 29,167	

The State's total bonded debt decreased by (\$327.0) million (or 1.1 percent) during the current fiscal year. This decrease resulted mainly from an decrease in General Obligation bonds of (\$690.0) million. 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 the date of this report, the State had a debt incurring margin of \$7.0 billion.

State of Connecticut

State of Connecticut's Other Long-Term Debt (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Net Pension Liability	\$ 37,849	\$ 40,357	\$ -	\$ -	\$ 37,849	\$ 40,357
Net OPEB Liability	16,973	16,902	-	-	16,973	16,902
Compensated Absences	578	561	204	196	782	757
Workers Compensation	807	817	-	-	807	817
Lease Liabilities	58	65	207	181	265	246
Subscription Liabilities	31	31	53	60	84	91
Non-exchange Financial Guarantees	337	371	-	-	337	371
Federal Loan	-	-	4	4	4	4
Other	55	64	225	288	280	352
Total	<u>\$ 56,688</u>	<u>\$ 59,168</u>	<u>\$ 693</u>	<u>\$ 729</u>	<u>\$ 57,381</u>	<u>\$ 59,897</u>

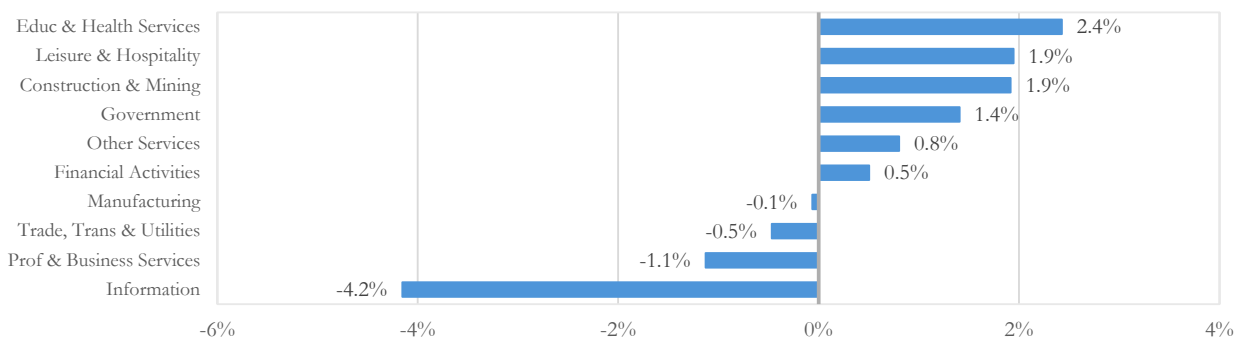
The State's other long-term obligations decreased by (\$2.5) billion (or 4.2 percent) during the fiscal year. This decrease was due mainly to a decrease in the Net Pension Liability and Net OPEB Liability (Governmental activities) of (\$2.4) billion (or 4.3 percent). Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Connecticut's budget results are ultimately dependent upon the performance of the national and state economies. In fiscal year 2024, the economy proved itself resilient to the highest interest rates in twenty years, with continued growth in jobs and consumer spending. Inflation, though, continued to run too hot for the Federal Reserve to cut interest rates, hurting interest-rate sensitive sectors such as housing. Important fiscal safeguards allowed the state to maximize the Budget Reserve Fund and make additional payments to reduce unfunded liability.

In fiscal year 2024, Connecticut recovered all the nonfarm jobs lost in the March to April pandemic lock down period, with total nonfarm jobs at 105.2 percent of pre-pandemic levels in June 2024. The state's labor force grew 1.1 percent over the course of the fiscal year, contributing to employment growth of 12,000 positions (0.7 percent). The unemployment rate peaked at 4.5 percent in February, before declining to 3.9 percent in June. Overall, six industry sectors experienced annual growth and four declined year-over-year. Private Education and Health Services had the largest gain, while the Information sector lost the greatest share of its positions. Connecticut job growth compared to pre-pandemic levels was concentrated in three sectors: Private Education and Health Services; Trade, Transportation and Utilities; and Construction.

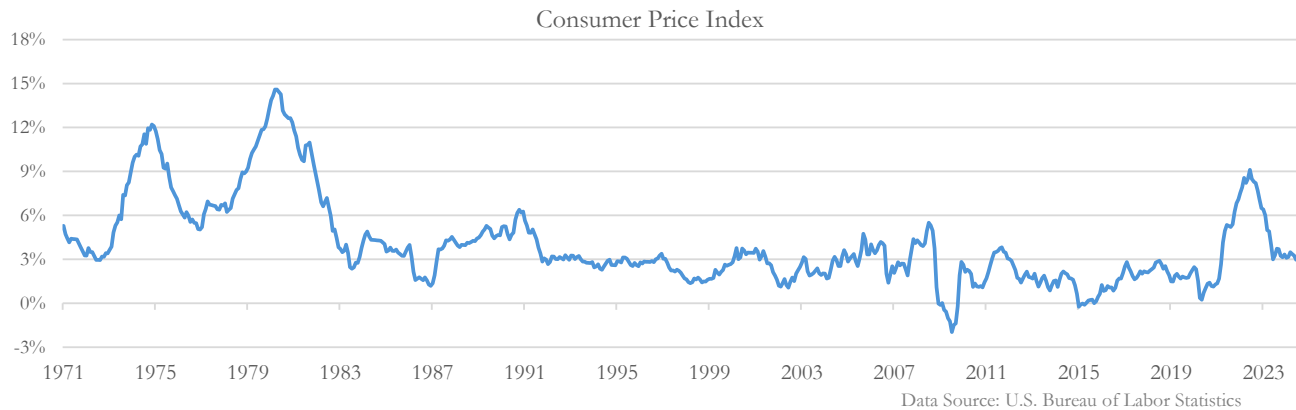
CT Nonfarm Employment Year-over-Year Change



Data Source: CT Department of Labor

The U.S. labor market remained strong, adding a total of 2.5 million net jobs over the year (1.6 percent). Unemployment remained very low, averaging a 3.8 percent rate, with the tight labor market gradually loosening. The nation recovered 100.0 percent of the 22 million jobs lost in March and April of 2020 back in July 2022. All U.S. industry sectors grew over the fiscal year, led by Private Education and Health Services. The Government and Construction sectors also saw notable job gains.

State of Connecticut

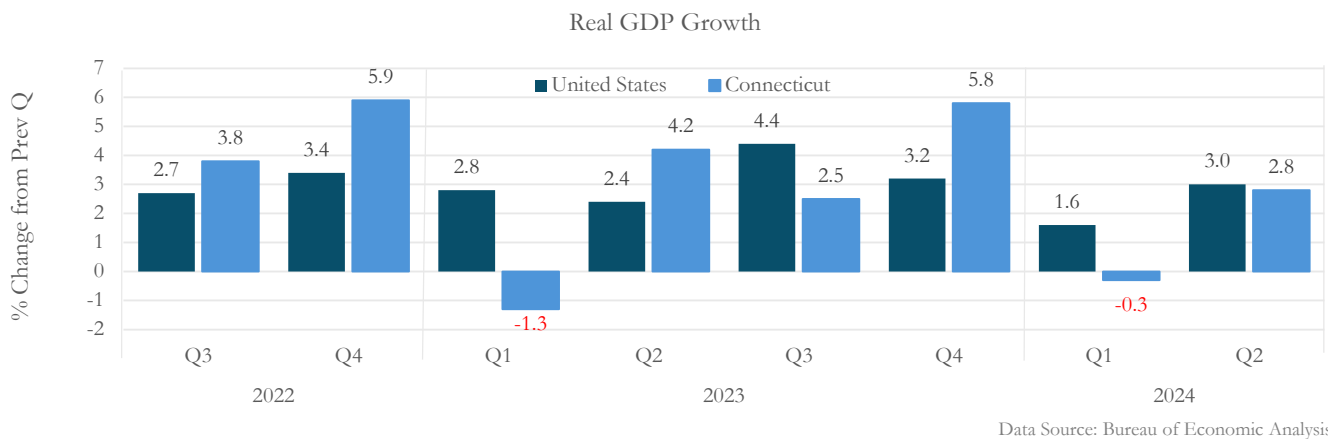


Throughout fiscal year 2024, the Federal Reserve held the federal funds target rate at 5.25-5.5 percent, the highest level since 2007, to try to get inflation down to its target rate (2.0 percent). Despite that, growth in prices for shelter, insurance, and other services proved stubborn, even as inflation on goods cooled. Overall inflation was still at 3.0 percent year-over-year in June according to the Consumer Price Index but has trended lower. Higher interest rates on mortgages, credit card debt, and business loans hit various sectors and consumers, but wage growth outpacing inflation and the strong labor market continued to support the economy.

The S&P 500 Index ended 2024 at 4,769.83, a rise of 24.2 percent for the calendar year, while the tech heavy NASDAQ Composite Index was up a massive 43.4 percent at year end on high hopes for cutting-edge artificial intelligence technology. Strong equity market growth continued in 2024.

The housing market remained challenging for buyers in fiscal year 2024, with median prices up 10.0 percent and sales down 14.0 percent year-over-year in Connecticut, as higher interest rates and the limited supply of homes hurt affordability. Homeowners that had locked in 3.0 percent interest rates from buying or refinancing during the pandemic proved reluctant to trade their mortgages for rates around 7.0 percent, resulting in fewer listings. Nationally, the median sales price reached a record high of \$426,900 in June 2024, according to the National Association of Realtors. Rent increases slowed nationally, thanks to a swell of new multifamily rental units coming online. Nonetheless, some locations in Connecticut continued to see 5.0 percent year-over-year increases in the cost of apartments in fiscal year 2024.

All quarters of fiscal year 2024 saw growth in U.S. Gross Domestic Product (GDP), with inflation-adjusted national GDP growth of 3.0 percent between the second quarters of 2023 and 2024. Connecticut's economic growth over the fiscal year was slightly lower at 2.7 percent, with annualized growth of 2.5 percent in the third quarter of 2023, 5.8 percent in the fourth quarter, -0.3 percent in the first quarter of 2024, and 2.8 percent in the final quarter of the fiscal year.



Connecticut has traditionally ranked among the wealthiest states in the nation. The U.S. Bureau of Economic Analysis (BEA) reported that in 2023, Connecticut had a per capita personal income (PCPI) of \$89,945. This PCPI ranked second in the United States and was 128.8 percent

State of Connecticut

of the national average of \$69,810. The United States 2023 PCPI reflected an increase of 5.4 percent from 2022, while Connecticut's increase was slightly higher at 5.8 percent. Connecticut's income growth in the previous decade was slower than the national average. In 2013, the PCPI of Connecticut was \$61,999 and ranked first in the United States. However, the State's 2013-2023 compound annual growth rate of PCPI was 3.8 percent compared with 6.1 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, 42.9 percent of Connecticut's population age 25 and over has a bachelor's degree or higher, compared to 36.2 percent nationally, and 91.7 percent of Connecticut residents are a High School graduate or higher. Connecticut ranked first in college readiness and third for pre-k through 12th grade education according to U.S. News and World Report. Connecticut also has the second-best community college system in the country and second-best overall school system according to WalletHub.

Connecticut also achieves high rankings on other quality of life measures:

- Connecticut ranked fifth in business environment by U.S. News and World Report.
- Connecticut ranked third best state overall in healthcare access, quality, and public health by U.S. News and World Report.
- Connecticut ranked fifth for public safety by U.S. News and World Report.
- Connecticut ranked sixth for lowest crime and incarceration according to U.S. News and World Report.
- Connecticut ranked third for internet access according to U.S. News and World Report.
- Connecticut is home to 44 top colleges and universities.
- Connecticut ranked first in top company headquarters per capita according to U.S. News and World Report.

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 U.S. Department of Defense (DoD) for federal fiscal year 2023, Connecticut ranked sixth overall in total defense spending, third in defense spending as a percentage of state gross domestic product, and second in defense spending per capita among states. Contracts awarded to Connecticut defense manufacturers reached a new all-time high in fiscal year 2023, totaling \$24.3 billion. Electric Boat was the largest recipient of DoD obligations in the state at \$10.5 billion, followed by RTX Corporation, which makes the F135 engines for F-35 Joint Strike Fighter jets, at \$8.5 billion. Electric Boat is the prime contractor and lead shipyard for all Navy nuclear-powered submarine programs, including the Virginia-class attack submarine and Columbia-class ballistic-missile submarine.

Halfway through fiscal year 2025, Connecticut's economy is on solid footing as the U.S. economy continues to expand. The Federal Reserve began reducing interest rates in September 2024, while unemployment remains low. Connecticut's unemployment rate fell to 3.2 percent in October 2024, its lowest rate in more than 20 years. Consumer spending has proven resilient, and inflation has generally trended downwards. However, there is significant uncertainty ahead related to the anticipated trade and fiscal policies of the next presidential administration. To the extent higher tariffs and larger federal budget deficits occur, inflation could creep up again and prevent the Federal Reserve from reducing interest rates as much as previously planned.

The most recent consensus revenue forecast for fiscal 2025 on January 15 showed revenue projections holding steady from prior projections. However, much of the projected increases to collections compared to the original budget will result in a larger volatility adjustment transfer to the Budget Reserve Fund, rather than additional General Fund revenue. Sales and use tax collections are anticipated to underperform the budget in continuation of fiscal year 2024 trends. Current forecasts show the General Fund is on track to end fiscal year 2025 with a surplus of \$443.0 million. This positive fiscal position is a tribute to smart long-term planning, the resilience of Connecticut's people, and the strength of its economy. 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.



***BASIC
FINANCIAL
STATEMENTS***

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*GOVERNMENT-WIDE
FINANCIAL
STATEMENTS*

State of Connecticut

STATEMENT OF NET POSITION

June 30, 2024

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 8,926,669	\$ 1,293,422	\$ 10,220,091	\$ 422,778
Deposits with U.S. Treasury	-	87,215	87,215	-
Investments	133,086	38,189	171,275	727,055
Receivables, (Net of Allowances)	6,013,438	759,769	6,773,207	130,064
Due from Primary Government	-	-	-	6,899
Inventories	66,936	23,775	90,711	-
Restricted Assets	-	238,323	238,323	1,948,297
Leases Redeemable	-	2,713	2,713	10,392
Internal Balances	(50,731)	50,731	-	-
Other Current Assets	6,309	31,929	38,238	28,035
Total Current Assets	15,095,707	2,526,066	17,621,773	3,273,520
Noncurrent Assets:				
Cash and Cash Equivalents	-	709,876	709,876	-
Due From Component Units	76,265	-	76,265	-
Investments	-	51,640	51,640	268,449
Receivables, (Net of Allowances)	939,982	1,022,332	1,962,314	543,896
Restricted Assets	1,368,157	209,429	1,577,586	5,237,971
Capital Assets, (Net of Accumulated Depreciation)	18,547,834	5,543,251	24,091,085	1,332,680
Other Noncurrent Assets	10	25,391	25,401	22,079
Total Noncurrent Assets	20,932,248	7,561,919	28,494,167	7,405,075
Total Assets	\$ 36,027,955	\$ 10,087,985	\$ 46,115,940	\$ 10,678,595
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ -	\$ -	\$ -
Unamortized Losses on Bond Refundings	92,380	2,381	94,761	53,902
Related to Pensions & Other Postemployment Benefits	12,532,074	-	12,532,074	111,262
Other Deferred Outflows	-	3,900	3,900	1,867
Total Deferred Outflows of Resources	\$ 12,624,454	\$ 6,281	\$ 12,630,735	\$ 167,031
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 2,075,794	\$ 374,915	\$ 2,450,709	\$ 343,107
Due to Other Funds	-	-	-	-
Due to Component Units	6,899	-	6,899	-
Due to Primary Government	-	-	-	76,265
Due to Other Governments	351,371	767	352,138	-
Due to Trustee	-	-	-	-
Current Portion of Lease Liabilities	15,399	13,899	29,298	713
Current Portion of Subscription Liabilities	13,914	21,735	35,649	647
Current Portion of Long-Term Obligations	2,485,867	180,855	2,666,722	527,913
Amount Held for Institutions	-	-	-	368,202
Unearned Revenue	69,655	70,240	139,895	15,551
Medicaid Liability	909,931	-	909,931	-
Liability for Escheated Property	586,123	-	586,123	-
Other Current Liabilities	81,436	111,554	192,990	37,192
Total Current Liabilities	6,596,389	773,965	7,370,354	1,369,590
Noncurrent Liabilities:				
Non-Current Portion of Lease Liabilities	43,072	193,587	236,659	22,104
Non-Current Portion of Subscription Liabilities	16,777	31,204	47,981	323
Non-Current Portion of Long-Term Obligations	81,632,887	1,566,236	83,199,123	5,676,220
Total Noncurrent Liabilities	81,692,736	1,791,027	83,483,763	5,698,647
Total Liabilities	\$ 88,289,125	\$ 2,564,992	\$ 90,854,117	\$ 7,068,237

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

State of Connecticut

STATEMENT OF NET POSITION (Continued)

June 30, 2024

(Expressed in Thousands)

Deferred Inflows of Resources

Related to Pensions & Other Postemployment Benefits	\$ 7,335,422	\$ -	\$ 7,335,422	\$ 169,270
Deferred Inflows Leases	-	6,509	6,509	162,583
Other Deferred Inflows	-	-	-	171,779
Total Deferred Inflows of Resources	<u>\$ 7,335,422</u>	<u>\$ 6,509</u>	<u>\$ 7,341,931</u>	<u>\$ 503,632</u>

Net Position

Net Investment in Capital Assets	\$ 7,124,511	\$ 3,254,894	\$ 10,379,405	\$ 911,215
Restricted For:				
Transportation	1,009,003	-	1,009,003	-
Debt Service	1,370,233	1,207,022	2,577,255	14,931
Federal Grants and Other Accounts	2,458,181	-	2,458,181	-
Capital Projects	230,664	55,561	286,225	95,036
Grant and Loan Programs	559,675	-	559,675	-
Clean Water and Drinking Water Projects	-	879,362	879,362	-
Bond Indenture Requirements	-	-	-	780,071
Loans	-	2,273	2,273	-
Permanent Investments or Endowments:				
Expendable	-	-	-	15,671
Nonexpendable	137,492	16,996	154,488	807,182
Other Purposes	77,640	79,631	157,271	247,047
Unrestricted (Deficit)	<u>(59,939,537)</u>	<u>2,027,026</u>	<u>(57,912,511)</u>	<u>402,604</u>
Total Net Position (Deficit)	<u>\$ (46,972,138)</u>	<u>\$ 7,522,765</u>	<u>\$ (39,449,373)</u>	<u>\$ 3,273,757</u>

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services, Fees, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 126,982	\$ 4,123	\$ -	\$ -	\$ (122,859)	\$ -	\$ (122,859)	\$ -
General Government	3,664,597	505,225	(836,687)	-	(3,996,059)	-	(3,996,059)	-
Regulation and Protection	1,183,235	763,993	407,595	-	(11,647)	-	(11,647)	-
Conservation and Development	1,350,284	353,563	529,605	-	(467,116)	-	(467,116)	-
Health and Hospitals	3,348,381	203,984	312,477	-	(2,831,920)	-	(2,831,920)	-
Transportation	3,035,747	135,109	-	1,272,144	(1,628,494)	-	(1,628,494)	-
Human Services	11,368,256	126,749	8,347,427	-	(2,894,080)	-	(2,894,080)	-
Education, Libraries, and Museums	7,109,721	99,719	1,531,560	-	(5,478,442)	-	(5,478,442)	-
Corrections	2,345,118	23,001	257,253	-	(2,064,863)	-	(2,064,863)	-
Judicial	1,175,215	133,811	20,858	-	(1,020,546)	-	(1,020,546)	-
Interest and Fiscal Charges	964,405	-	-	-	(964,405)	-	(964,405)	-
Total Governmental Activities	35,671,941	2,349,278	10,570,088	1,272,144	(21,480,431)	-	(21,480,431)	-
Business-Type Activities:								
University of Connecticut & Health Center	2,923,706	2,116,045	358,409	53,632	-	(395,620)	(395,620)	-
Board of Regents	1,267,711	752,108	91,126	-	-	(424,477)	(424,477)	-
Employment Security	891,975	662,353	281,002	-	-	51,380	51,380	-
Clean Water	37,784	27,786	21,784	-	-	11,786	11,786	-
Other	49,394	34,132	20,775	-	-	5,513	5,513	-
Total Business-Type Activities	5,170,570	3,592,424	773,096	53,632	-	(751,418)	(751,418)	-
Total Primary Government	\$ 40,842,511	\$ 5,941,702	\$ 11,343,184	\$ 1,325,776	\$ (21,480,431)	\$ (751,418)	\$ (22,231,849)	\$ -
Component Units								
Connecticut Housing Finance Authority (12/31/2023)	\$ 235,440	\$ 128,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (106,477)
Connecticut Lottery Corporation	1,680,757	1,680,937	-	-	-	-	-	180
Connecticut Airport Authority	138,612	151,731	-	42,466	-	-	-	55,585
Other Component Units	275,568	264,939	28,574	43,875	-	-	-	61,820
Total Component Units	\$ 2,330,377	\$ 2,226,570	\$ 28,574	\$ 86,341	\$ -	\$ -	\$ -	\$ 11,108
General Revenues:								
Taxes:								
Personal Income					9,660,842	-	9,660,842	-
Corporate Income					3,390,379	-	3,390,379	-
Sales and Use					5,792,285	-	5,792,285	-
Other					2,549,956	-	2,549,956	-
Restricted for Transportation Purposes:								
Motor Fuel					961,088	-	961,088	-
Other					913,722	-	913,722	-
Casino Gaming Payments					305,655	-	305,655	-
Tobacco Settlement					111,190	-	111,190	-
Lottery Tickets					375,995	-	375,995	-
Sports Wagering					4,124	-	4,124	-
Unrestricted Investment Earnings					571,987	110,589	682,576	293,633
Transfers Out Fiduciary Funds					(412,409)	-	(412,409)	-
Transfers-Internal Activities					(1,130,140)	1,130,140	-	400
Total General Revenues, Contributions, and Transfers								
					23,094,674	1,240,729	24,335,403	294,033
Change in Net Position								
					1,614,243	489,311	2,103,554	305,141
Net Position (Deficit)- Beginning*								
					(48,586,381)	7,033,454	(41,552,927)	2,968,616
Net Position (Deficit)- Ending								
					\$ (46,972,138)	\$ 7,522,765	\$ (39,449,373)	\$ 3,273,757

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2024

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 4,755,128	\$ 2,076	\$ 871,151	\$ 2,143,084	\$ 394,921	\$ 742,607	\$ 8,908,967
Investments	-	-	-	-	-	133,086	133,086
Securities Lending Collateral	-	-	-	-	-	5,938	5,938
Receivables:							
Taxes, Net of Allowances	3,780,329	-	288,427	-	-	-	4,068,756
Accounts, Net of Allowances	499,514	-	89,572	530,970	9,590	126,364	1,256,010
Loans, Net of Allowances	3,413	-	-	69,842	172,810	693,917	939,982
Due From Other Governments	105,152	-	-	563,640	-	10,964	679,756
Due from Other Funds	67,277	-	7,225	-	-	27,591	102,093
Due from Component Units	70,256	-	-	-	-	6,009	76,265
Interest Receivable	-	7,225	1,221	-	-	7	8,453
Other Receivables	-	-	-	-	-	-	-
Inventories	24,221	-	36,381	-	-	-	60,602
Restricted Assets	-	1,368,157	-	-	-	-	1,368,157
Total Assets	<u>\$ 9,305,290</u>	<u>\$ 1,377,458</u>	<u>\$ 1,293,977</u>	<u>\$ 3,307,536</u>	<u>\$ 577,321</u>	<u>\$ 1,746,483</u>	<u>\$ 17,608,065</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 394,261	\$ -	\$ 33,650	\$ 257,136	\$ 17,239	\$ 119,442	\$ 821,728
Due to Other Funds	967,145	7,225	-	3,587	23	77,753	1,055,733
Due to Component Units	13	-	-	6,886	-	-	6,899
Due to Other Governments	346,868	-	-	4,503	-	-	351,371
Unearned Revenue	54,699	-	-	-	-	14,956	69,655
Medicaid Liability	374,353	-	-	535,578	-	-	909,931
Liability For Escheated Property	586,123	-	-	-	-	-	586,123
Securities Lending Obligation	-	-	-	-	-	5,938	5,938
Other Liabilities	66,099	-	-	9,399	-	-	75,498
Total Liabilities	<u>2,789,561</u>	<u>7,225</u>	<u>33,650</u>	<u>817,089</u>	<u>17,262</u>	<u>218,089</u>	<u>3,882,876</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	<u>2,473,621</u>	<u>-</u>	<u>83,078</u>	<u>502,004</u>	<u>9,246</u>	<u>41,506</u>	<u>3,109,455</u>
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	97,145	-	36,381	-	-	-	133,526
Permanent Fund Principal	-	-	-	-	-	133,087	133,087
Restricted For:							
Debt Service	-	1,370,233	-	-	-	-	1,370,233
Transportation Programs	-	-	984,799	-	-	-	984,799
Federal Grant and State Programs	-	-	-	1,988,443	-	-	1,988,443
Grants and Loans	-	-	-	-	550,023	-	550,023
Other	-	-	-	-	-	1,289,434	1,289,434
Committed For:							
Continuing Appropriations	511,973	-	156,069	-	-	-	668,042
Budget Reserve Fund	4,105,054	-	-	-	-	-	4,105,054
Reserve Future Carry	213,400	-	-	-	-	-	213,400
Assigned To:							
Surplus Transfer to Next Fiscal Year	205,000	-	-	-	-	-	205,000
Grants and Loans	-	-	-	-	790	-	790
Other	-	-	-	-	-	65,085	65,085
Unassigned (Deficit)	<u>(1,090,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718)</u>	<u>(1,091,182)</u>
Total Fund Balances	<u>4,042,108</u>	<u>1,370,233</u>	<u>1,177,249</u>	<u>1,988,443</u>	<u>550,813</u>	<u>1,486,888</u>	<u>10,615,734</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 9,305,290</u>	<u>\$ 1,377,458</u>	<u>\$ 1,293,977</u>	<u>\$ 3,307,536</u>	<u>\$ 577,321</u>	<u>\$ 1,746,483</u>	<u>\$ 17,608,065</u>

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2024

(Expressed in Thousands)

Total Fund Balance - Governmental Funds	\$	10,615,734
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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:

Right-to-use assets	150,761	
Cost of capital assets, (excluding internal service funds)	37,850,579	
Less: Accumulated depreciation (excluding internal service funds)	(19,451,854)	
Less: Accumulated amortization right-to-use assets	(63,710)	
Net capital assets		18,485,776

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.	3,109,455
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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.	92,380
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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).	12,532,074
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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	(16,931,681)	
Transportation bonds payable	(7,860,010)	
Direct Borrowings & Direct Placements	(231,055)	
Unamortized premiums	(2,497,067)	
Accrued interest payable	(323,167)	
Net long-term debt		(27,842,980)

Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).

Net pension liability	(37,849,287)	
Net OPEB liability	(16,972,678)	
Obligations for worker's compensation	(806,619)	
Leases	(58,471)	
Subscriptions	(30,691)	
Compensated absences (excluding internal service funds)	(576,590)	
Claims and judgments payable	(32,319)	
Landfill postclosure care	(22,303)	
Nonexchange Financial guarantee	(337,380)	
Total other liabilities		(56,686,338)

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).

Pension and OPEB related	(7,335,422)
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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.

Total Net Position - Governmental Activities	\$	57,183
		(46,972,138)

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2024

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	\$ 20,691,384	\$ -	\$ 1,875,721	\$ -	\$ -	\$ 456,369	\$ 23,023,474
Licenses, Permits, and Fees	315,662	-	350,635	8,774	-	101,547	776,618
Tobacco Settlement	-	-	-	-	-	111,190	111,190
Federal Grants and Aid	2,750,298	-	9,321	9,007,326	-	67,666	11,834,611
Assessments	-	-	-	-	-	-	-
State Grants	-	-	-	7,622	-	-	7,622
Lottery Tickets	375,995	-	-	-	-	-	375,995
Charges for Services	18,651	-	56,596	12	-	1,206	76,465
Fines, Forfeits, and Rents	150,690	-	22,328	190	-	16	173,224
Casino Gaming Payments	305,655	-	-	-	-	-	305,655
Investment Earnings	293,314	59,167	39,841	144,411	5,583	29,671	571,987
Interest on Loans	-	-	-	-	-	-	-
Sports Wagering	-	-	-	-	-	4,124	4,124
Miscellaneous	183,011	-	19,760	740,455	32,315	158,536	1,134,077
Total Revenues	25,084,660	59,167	2,374,202	9,908,790	37,898	930,325	38,395,042
Expenditures							
Current:							
Legislative	148,698	-	-	2,708	-	-	151,406
General Government	2,132,185	-	35,745	300,407	675,312	735,381	3,879,030
Regulation and Protection	583,423	-	82,757	405,304	13,064	179,698	1,264,246
Conservation and Development	280,218	-	5,275	617,912	361,589	104,642	1,369,636
Health and Hospitals	2,913,637	-	-	404,198	14,572	56,133	3,388,540
Transportation	-	-	1,111,228	1,234,092	3,677	-	2,348,997
Human Services	5,810,175	-	-	5,635,223	-	1,706	11,447,104
Education, Libraries, and Museums	5,481,516	-	-	1,661,946	7,522	4,144	7,155,128
Corrections	2,361,037	-	-	69,950	2,441	1,898	2,435,326
Judicial	1,119,883	-	-	54,081	-	59,477	1,233,441
Capital Projects	-	-	-	-	-	1,324,741	1,324,741
Debt Service:							
Principal Retirement	1,718,829	442,665	-	-	-	-	2,161,494
Interest and Fiscal Charges	1,039,065	360,356	219	94,652	2,457	6,583	1,503,332
Total Expenditures	23,588,666	803,021	1,235,224	10,480,473	1,080,634	2,474,403	39,662,421
Excess (Deficiency) of Revenues Over Expenditures	1,495,994	(743,854)	1,138,978	(571,683)	(1,042,736)	(1,544,078)	(1,267,379)
Other Financing Sources (Uses)							
Bonds Issued (Retired)	-	-	-	-	683,820	1,515,720	2,199,540
Premiums (Discounts) on Bonds Issued	-	22,057	-	-	69,992	99,054	191,103
Transfers In	1,449,864	913,032	88,538	98,427	-	208,544	2,758,405
Transfers Out	(2,549,968)	(60,299)	(868,250)	(68)	(67,535)	(1,024,432)	(4,570,552)
Refunding Bonds Issued	-	349,005	-	-	-	-	349,005
Payment to Refunded Bond Escrow Agent	-	(373,213)	-	-	-	-	(373,213)
Total Other Financing Sources (Uses)	(1,100,104)	850,582	(779,712)	98,359	686,277	798,886	554,288
Net Change in Fund Balances	395,890	106,728	359,266	(473,324)	(356,459)	(745,192)	(713,091)
Fund Balances - Beginning	3,648,301	1,263,505	816,322	2,461,767	907,272	2,232,080	11,329,247
Change in Reserve for Inventories	(2,083)	-	1,661	-	-	-	(422)
Fund Balances - Ending	\$ 4,042,108	\$ 1,370,233	\$ 1,177,249	\$ 1,988,443	\$ 550,813	\$ 1,486,888	\$ 10,615,734

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

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, 2024

(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (713,513)

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	(2,199,540)	
Refunding bonds issued	(349,005)	
Premium on bonds issued	(191,103)	
Principal repayment:		
Principal Retirement	2,161,494	
Payments to refunded bond escrow agent	373,213	
Interest and Fiscal Charges	278,970	
Net debt adjustments		74,029

Some capital assets acquired this year were financed with 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 (537)

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)	1,841,479	
Depreciation/Amortization expense (excluding internal service funds)	(729,473)	
Net capital outlay adjustments		1,112,006

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. (422)

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	(24,817)	
Amortization of bond premium	259,957	
Amortization of loss on debt refunding's	(30,009)	
Decrease in Net OPEB Liability & Net pension liability	2,436,871	
Decrease in net deferred inflows related to OPEB & pensions	1,781,728	
Decrease in net deferred outflows related to OPEB & pensions	(4,030,780)	
Decrease in compensated absences	(16,476)	
Decrease in workers' compensation	9,902	
Increase in claims and judgments	6,346	
Decrease in landfill post closure cost	2,415	
Decrease in lease liability	6,447	
Decrease in subscription liability	134	
Decrease in non-exchange financial guarantees	33,840	
Net expense accruals		435,558

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. 703,711

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. 3,411

Change in net position - governmental activities \$ 1,614,243

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2024

(Expressed in Thousands)

	Business-Type Activities							Governmental
	Enterprise Funds						Activities	
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	Internal Service Funds	
Assets								
Current Assets:								
Cash and Cash Equivalents	\$ 665,235	\$ 567,531	\$ 2,455	\$ -	\$ 58,201	\$ 1,293,422	\$ 17,702	
Deposits with U.S. Treasury	-	-	87,215	-	-	87,215	-	
Investments	533	37,656	-	-	-	38,189	-	
Receivables:								
Accounts, Net of Allowances	222,046	58,872	211,062	7,869	6,107	505,956	463	
Loans, Net of Allowances	1,155	-	-	190,240	27,765	219,160	-	
Leases	2,358	355	-	-	-	2,713	-	
Interest	-	-	-	4,901	287	5,188	-	
Due from Other Governments	-	5,241	11,003	-	13,221	29,465	-	
Due from Other Funds	6,373	85,419	2,171	-	-	93,963	8,581	
Inventories	23,775	-	-	-	-	23,775	6,334	
Restricted Assets	238,323	-	-	-	-	238,323	-	
Other Current Assets	22,580	9,348	-	-	1	31,929	371	
Total Current Assets	1,182,378	764,422	313,906	203,010	105,582	2,569,298	33,451	
Noncurrent Assets:								
Cash and Cash Equivalents	-	213,972	-	400,018	95,886	709,876	-	
Investments	21,898	29,742	-	-	-	51,640	-	
Receivables:								
Loans, Net of Allowances	1,910	3,919	-	820,373	192,771	1,018,973	-	
Leases	1,897	1,462	-	-	-	3,359	-	
Restricted Assets	1,013	-	-	163,535	44,881	209,429	-	
Capital Assets, Net of Accumulated Depreciation	3,622,067	1,921,184	-	-	-	5,543,251	62,058	
Other Noncurrent Assets	25,370	21	-	-	-	25,391	10	
Total Noncurrent Assets	3,674,155	2,170,300	-	1,383,926	333,538	7,561,919	62,068	
Total Assets	\$ 4,856,533	\$ 2,934,722	\$ 313,906	\$ 1,586,936	\$ 439,120	\$ 10,131,217	\$ 95,519	
Deferred Outflows of Resources								
Unamortized Losses on Bond Refundings	\$ -	\$ -	\$ -	\$ 2,321	\$ 60	\$ 2,381	\$ -	
Other Deferred Outflows	117	3,783	-	-	-	3,900	-	
Total Deferred Outflows of Resources	\$ 117	\$ 3,783	\$ -	\$ 2,321	\$ 60	\$ 6,281	\$ -	
Liabilities								
Current Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 255,815	\$ 105,216	\$ -	\$ 7,459	\$ 6,425	\$ 374,915	\$ 629	
Due to Other Funds	24,200	347	310	7,895	10,480	43,232	35,942	
Due to Other Governments	729	-	38	-	-	767	-	
Current Portion of Long-Term Obligations	80,706	48,578	-	43,040	8,531	180,855	64	
Lease Liabilities, Current Portion	11,733	2,166	-	-	-	13,899	-	
Subscription Liabilities, Current Portion	13,286	8,449	-	-	-	21,735	-	
Unearned Revenue	-	70,240	-	-	-	70,240	-	
Other Current Liabilities	99,355	12,199	-	-	-	111,554	-	
Total Current Liabilities	485,824	247,195	348	58,394	25,436	817,197	36,635	
Noncurrent Liabilities:								
Lease Liabilities, Net of Current Portion	186,841	6,746	-	-	-	193,587	-	
Subscription Liabilities, Net of Current Portion	17,532	13,672	-	-	-	31,204	-	
Noncurrent Portion of Long-Term Obligations	500,371	354,554	-	587,674	123,637	1,566,236	1,701	
Total Noncurrent Liabilities	704,744	374,972	-	587,674	123,637	1,791,027	1,701	
Total Liabilities	\$ 1,190,568	\$ 622,167	\$ 348	\$ 646,068	\$ 149,073	\$ 2,608,224	\$ 38,336	
Deferred Inflows of Resources								
Other Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Deferred Inflows-Leases	4,075	2,434	-	-	-	6,509	-	
Total Deferred Inflows of Resources	\$ 4,075	\$ 2,434	\$ -	\$ -	\$ -	\$ 6,509	\$ -	
Net Position (Deficit)								
Net Investment in Capital Assets	\$ 1,633,293	\$ 1,621,601	\$ -	\$ -	\$ -	\$ 3,254,894	\$ 62,069	
Restricted For:								
Debt Service	1,207,022	-	-	-	-	1,207,022	-	
Clean and Drinking Water Projects	-	-	-	681,095	198,267	879,362	-	
Capital Projects	55,561	-	-	-	-	55,561	-	
Nonexpendable Purposes	16,434	562	-	-	-	16,996	-	
Loans	2,273	-	-	-	-	2,273	-	
Other Purposes	37,962	41,669	-	-	-	79,631	-	
Unrestricted (Deficit)	709,462	650,072	313,558	262,094	91,840	2,027,026	(4,886)	
Total Net Position	\$ 3,662,007	\$ 2,313,904	\$ 313,558	\$ 943,189	\$ 290,107	\$ 7,522,765	\$ 57,183	

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2024

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts \$348,242)	\$ 1,701,647	\$ 431,182	\$ -	\$ -	\$ -	\$ 2,132,829	\$ 60,681
Assessments	-	-	656,338	-	27,865	684,203	-
Federal Grants, Contracts, and Other Aid	280,136	47,767	265,187	-	-	593,090	-
State Grants, Contracts, and Other Aid	25,880	33,046	15,815	-	-	74,741	-
Private Gifts and Grants	52,393	10,313	-	-	-	62,706	-
Interest on Loans	-	-	-	20,367	4,152	24,519	-
Lease Revenue	2,409	-	-	-	-	2,409	-
Other	228,972	15,058	6,015	-	675	250,720	381
Total Operating Revenues	2,291,437	537,366	943,355	20,367	32,692	3,825,217	61,062
Operating Expenses							
Salaries, Wages, and Administrative	2,678,644	1,125,272	272,593	2,183	15,339	4,094,031	39,030
Unemployment Compensation	-	-	618,182	-	-	618,182	-
Claims Paid	-	-	-	-	17,103	17,103	-
Depreciation and Amortization	233,777	116,462	-	-	-	350,239	20,174
Other	-	25,977	-	6,767	11,276	44,020	-
Total Operating Expenses	2,912,421	1,267,711	890,775	8,950	43,718	5,123,575	59,204
Operating Income (Loss)	(620,984)	(730,345)	52,580	11,417	(11,026)	(1,298,358)	1,858
Nonoperating Revenue (Expenses)							
Interest and Investment Income	39,211	30,161	-	30,197	11,020	110,589	-
Interest and Fiscal Charges	(11,285)	14,835	(1,200)	(28,834)	(5,676)	(32,160)	-
Other - Net	183,017	291,033	-	7,419	1,440	482,909	1,821
Total Nonoperating Revenues (Expenses)	210,943	336,029	(1,200)	8,782	6,784	561,338	1,821
Income (Loss) Before Capital Contributions, Grants, and Transfers	(410,041)	(394,316)	51,380	20,199	(4,242)	(737,020)	3,679
Capital Contributions	53,632	-	-	-	-	53,632	-
Federal Capitalization Grants	-	-	-	21,784	20,775	42,559	-
Transfers In	638,065	498,394	-	3,035	-	1,139,494	-
Transfers Out	-	-	(9,154)	-	(200)	(9,354)	(268)
Change in Net Position	281,656	104,078	42,226	45,018	16,333	489,311	3,411
Total Net Position (Deficit) - Beginning	3,380,351	2,209,826	271,332	898,171	273,774	7,033,454	53,772
Total Net Position (Deficit) - Ending	\$ 3,662,007	\$ 2,313,904	\$ 313,558	\$ 943,189	\$ 290,107	\$ 7,522,765	\$ 57,183

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of						Internal
	Connecticut &	Board of	Employment	Clean	Other	Totals	Service
	Health Center	Regents	Security	Water			Funds
Cash Flows from Operating Activities							
Receipts from Customers	\$ 1,908,239	\$ 432,067	\$ 588,532	\$ 94,582	\$ 46,115	\$ 3,069,535	\$ 57,527
Payments to Suppliers	(1,426,985)	(369,679)	-	(6,767)	(11,418)	(1,814,849)	(14,965)
Payments to Employees	(1,241,164)	(810,857)	-	(737)	(13,386)	(2,066,144)	(13,498)
Other Receipts (Payments)	311,001	115,092	(580,511)	(57,575)	(34,144)	(246,137)	726
Net Cash Provided by (Used in) Operating Activities	(448,909)	(633,377)	8,021	29,503	(12,833)	(1,057,595)	29,790
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	-	-	-	-	-	-	-
Retirement of Bonds and Annuities Payable	(36,158)	-	-	(43,875)	(8,005)	(88,038)	-
Interest on Bonds and Annuities Payable	(17,992)	-	-	(28,527)	(5,765)	(52,284)	-
Transfers In	410,272	471,517	-	10,930	(200)	892,519	-
Transfers Out	-	-	(9,154)	-	-	(9,154)	-
Other Receipts (Payments)	301,047	277,696	-	-	-	578,743	1,821
Net Cash Flows from Noncapital Financing Activities	657,169	749,213	(9,154)	(61,472)	(13,970)	1,321,786	1,821
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(411,399)	(84,556)	-	-	-	(495,955)	(28,811)
Proceeds from Capital Debt	332,096	66,073	-	-	-	398,169	-
Principal Paid on Capital Debt	(120,804)	(35,073)	-	-	-	(155,877)	-
Interest Paid on Capital Debt	(84,191)	(9,071)	-	-	-	(93,262)	-
Transfer In	155,854	-	-	-	-	155,854	-
Federal Capitalization Grants	-	-	-	13,914	9,905	23,819	-
Lease Revenue	3,787	-	-	-	-	3,787	-
Payments on leases, net	-	-	-	-	-	-	-
Transfer from State	-	-	-	-	-	-	-
Other Receipts (Payments)	78,469	-	-	-	-	78,469	-
Net Cash Flows from Capital and Related Financing Activities	(46,188)	(62,627)	-	13,914	9,905	(84,996)	(28,811)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	147	43,273	-	-	-	43,420	-
Purchase of Investment Securities	37,295	(30,731)	-	-	-	6,564	-
Interest on Investments	-	43,652	1,795	30,271	11,022	86,740	-
(Increase) Decrease in Restricted Assets	-	-	-	(26,212)	-	(26,212)	-
Other Receipts (Payments)	157,968	-	-	8,737	8,131	174,836	-
Net Cash Flows from Investing Activities	195,410	56,194	1,795	12,796	19,153	285,348	-
Net Increase (Decrease) in Cash and Cash Equivalents	357,482	109,403	662	(5,259)	2,255	464,543	2,800
Cash and Cash Equivalents - Beginning of Year	547,089	672,100	1,793	5,259	55,946	1,282,187	14,902
Cash and Cash Equivalents - End of Year	\$ 904,571	\$ 781,503	\$ 2,455	\$ -	\$ 58,201	\$ 1,746,730	\$ 17,702
Reconciliation of Operating Income (Loss) to Net Cash							
Provided by (Used In) Operating Activities							
Operating Income (Loss)	\$ (620,984)	\$ (730,345)	\$ 52,580	\$ 11,417	\$ (11,026)	\$ (1,298,358)	\$ 1,858
Adjustments not Affecting Cash:							
Depreciation and Amortization	254,777	108,941	-	-	-	363,718	20,174
Other	5,709	7,662	(2,993)	-	-	10,378	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(31,408)	11,912	(37,035)	18,086	(11,103)	(49,548)	(145)
(Increase) Decrease in Due from Other Funds	6,784	6	(196)	-	-	6,594	(3,009)
(Increase) Decrease in Inventories and Other Assets	4,699	(1,048)	-	-	(1)	3,650	345
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(13,031)	(31,602)	-	-	9,297	(35,336)	10,567
Increase (Decrease) in Due to Other Funds	(14,460)	1,097	(4,335)	-	-	(17,698)	-
Increase (Decrease) Deferred Inflows Leases	(40,995)	-	-	-	-	(40,995)	-
Total Adjustments	172,075	96,968	(44,559)	18,086	(1,807)	240,763	27,932
Net Cash Provided by (Used In) Operating Activities	\$ (448,909)	\$ (633,377)	\$ 8,021	\$ 29,503	\$ (12,833)	\$ (1,057,595)	\$ 29,790
Reconciliation of Cash and Cash Equivalents to the Statement							
of Net Assets							
Cash and Cash Equivalents - Current	\$ 665,235	\$ 567,531					
Cash and Cash Equivalents - Noncurrent	-	213,972					
Cash and Cash Equivalents - Current Restricted	238,323	-					
Cash and Cash Equivalents - Noncurrent Restricted	1,013	-					
	\$ 904,571	\$ 781,503					
Noncash Investing, Capital, and Financing Activities:							
Proceeds from refunding bonds	140,820	-					
Amortization of premiums, discounts, and net loss on debt refunding's	24,822	-					
Acquisition of right-to-use lease and subscription assets	52,768	-					
Aquisition of equipment under install purchase agreement	-	4,497					
Capital assets acquired through gifts	2,926	-					
Unrealized gain (loss) on investment	2,300	-					
Loss on disposal of capital assets	(4,704)	-					
Mortgage proceeds held by Trustee in construction escrow account	-	-					
Funds held in escrow	-	-					
Change in endowment	-	-					

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2024

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private- Purpose Trust Fund Escheat Securities	Private- Purpose Trust Fund Baby Bonds	Fiduciary Component Unit Paid Family Medical Leave Authority	Custodial Funds	Total
Assets							
Current:							
Cash and Cash Equivalents	\$ 519,792	\$ -	\$ -	\$ 8,612	\$ 578,909	\$ 464,580	\$ 1,571,893
Receivables:							
Accounts, Net of Allowances	49,859	-	-	-	120,299	2,971	173,129
Due from Other Governments	24	-	-	-	267	-	291
Due from Other Funds	935,341	-	-	-	-	-	935,341
Interest	3,442	21,832	-	-	-	1,248	26,522
Inventories	-	-	-	-	-	-	-
Investments (See Note 3)	56,348,038	4,037,901	-	391,685	-	-	60,777,624
Securities Lending Collateral	5,740,907	-	-	-	-	-	5,740,907
Other Assets	-	108	-	-	368	321,338	321,814
Noncurrent:							
Due From Employers	9,797	-	-	-	-	-	9,797
Capital Assets, Net of Accumulated Depreciation	-	-	-	-	2,419	-	2,419
Other Assets	-	-	8,317	-	-	-	8,317
Total Assets	\$ 63,607,200	\$ 4,059,841	\$ 8,317	\$ 400,297	\$ 702,262	\$ 790,137	\$ 69,568,054
Deferred Outflows of Resources							
Related to Pensions & Other Postemployment Benefits	\$ -	\$ -	\$ -	\$ -	\$ 23,055	\$ -	\$ 23,055
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ 23,055	\$ -	\$ 23,055
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 23,055	\$ 17,834	\$ -	\$ -	\$ 69,628	\$ -	\$ 110,517
Securities Lending Obligation	5,740,907	-	-	-	-	-	5,740,907
Compensated Absences	-	-	-	-	795	-	795
Due to Other Funds	2,262	-	-	-	-	-	2,262
Other Current Liabilities	-	-	-	-	1,602	-	1,602
Total Current Liabilities	5,766,224	17,834	-	-	72,025	-	5,856,083
Noncurrent Liabilities:							
Pension & OPEB Liability	-	-	-	-	25,071	-	25,071
Noncurrent Portion of Long-Term Obligations	-	-	-	-	11,214	-	11,214
Other Noncurrent Liabilities	-	-	-	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-	36,285	-	36,285
Total Liabilities	\$ 5,766,224	\$ 17,834	\$ -	\$ -	\$ 108,310	\$ -	\$ 5,892,368
Other Deferred Inflows							
Related to Pensions & Other Postemployment Benefits	\$ -	\$ -	\$ -	\$ -	\$ 5,446	\$ -	\$ 5,446
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ 5,446	\$ -	\$ 5,446
Net Position							
Restricted for:							
Pension Benefits	\$ 54,389,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,389,862
Other Postemployment Benefits	3,451,114	-	-	-	-	-	3,451,114
Pool Participants	-	4,042,007	-	400,297	-	-	4,442,304
Individuals, Organizations, and Other Governments	-	-	8,317	-	611,561	790,137	1,410,015
Total Net Position	\$ 57,840,976	\$ 4,042,007	\$ 8,317	\$ 400,297	\$ 611,561	\$ 790,137	\$ 63,693,295

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2024

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private- Purpose Trust Fund Escheat Securities	Private- Purpose Trust Fund Baby Bonds	Fiduciary Component Unit Paid Family Medical Leave Authority	Custodial Funds	Total
Additions							
Contributions:							
Plan Members	\$ 894,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 894,409
State	5,411,689	-	-	-	-	-	5,411,689
Municipalities	146,551	-	-	-	-	-	146,551
Participant Contributions	-	-	-	-	465,244	-	465,244
Total Contributions	6,452,649	-	-	-	465,244	-	6,917,893
Investment Income	6,251,062	228,440	-	2,358	29,262	809	6,511,931
Less: Investment Expense	(433,118)	(384)	-	-	-	-	(433,502)
Net Investment Income	5,817,944	228,056	-	2,358	29,262	809	6,078,429
Insurance Securities	-	-	-	-	-	309,561	309,561
Escheat Securities Received	-	-	43,983	-	-	-	43,983
Pool's Share Transactions	-	947,276	-	-	-	-	947,276
Transfer In	12,909	-	-	398,298	-	-	411,207
Other	33,802	-	15,391	-	-	220,518	269,711
Total Additions	12,317,304	1,175,332	59,374	400,656	494,506	530,888	14,978,060
Deductions							
Administrative Expense	54,448	-	-	359	428,777	1,558	485,142
Benefit Payments and Refunds	5,984,915	-	-	-	-	-	5,984,915
Escheat Securities Returned or Sold	-	-	59,347	-	-	-	59,347
Distributions to Pool Participants	-	228,055	-	-	-	-	228,055
Depreciation & Amortization	-	-	-	-	951	-	951
Transfer Out	-	-	-	-	-	12,909	12,909
Other	138,565	-	-	-	464	318,096	457,125
Total Deductions	6,177,928	228,055	59,347	359	430,192	332,563	7,228,444
Change in Net Position Held In Trust For:							
Pension and Other Employee Benefits	6,139,376	-	-	-	-	-	6,139,376
Individuals, Organizations, and Other Governments	-	947,277	27	400,297	64,314	198,325	1,610,240
Net Position - Beginning	51,701,600	3,094,730	8,290	-	547,247	591,812	55,943,679
Net Position - Ending	\$ 57,840,976	\$ 4,042,007	\$ 8,317	\$ 400,297	\$ 611,561	\$ 790,137	\$ 63,693,295

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2024

(Expressed in Thousands)

	Connecticut Housing Finance Authority (12/31/2023)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 20,938	\$ 150,953	\$ 250,887	\$ 422,778
Investments	-	3,851	-	723,204	727,055
Receivables:					
Accounts, Net of Allowances	-	34,551	6,960	37,889	79,400
Loans, Net of Allowances	-	-	-	2,660	2,660
Interest Receivable	-	868	-	3,149	4,017
Due From Primary Government	-	-	6,881	18	6,899
Due From Other Governments	-	116	43,630	241	43,987
Due From Other Funds	-	-	-	57	57
Restricted Assets	1,416,345	-	14,931	517,021	1,948,297
Leases Receivable	-	-	5,360	5,032	10,392
Inventories	-	-	-	-	-
Other Current Assets	-	1,357	1,988	24,690	28,035
Total Current Assets	1,416,345	61,681	230,703	1,564,848	3,273,577
Noncurrent Assets:					
Investments	-	112,301	-	156,148	268,449
Accounts, Net of Allowances	-	-	-	86,710	86,710
Loans, Net of Allowances	-	-	-	294,037	294,037
Leases Receivable	-	-	115,338	47,811	163,149
Restricted Assets	4,860,662	-	120,560	256,749	5,237,971
Capital Assets, Net of Accumulated Depreciation	4,161	23,302	616,938	688,279	1,332,680
Other Noncurrent Assets	-	5,065	-	17,014	22,079
Total Noncurrent Assets	4,864,823	140,668	852,836	1,546,748	7,405,075
Total Assets	\$ 6,281,168	\$ 202,349	\$ 1,083,539	\$ 3,111,596	\$ 10,678,652
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ -	\$ -	\$ -	\$ -
Unamortized Losses on Bond Refundings	53,873	-	29	-	53,902
Related to Pensions & Other Postemployment Benefits	24,990	23,352	26,889	36,031	111,262
Other	-	-	-	1,867	1,867
Total Deferred Outflows of Resources	\$ 78,863	\$ 23,352	\$ 26,918	\$ 37,898	\$ 167,031

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF NET POSITION COMPONENT UNITS (Continued)

June 30, 2024

(Expressed in Thousands)

	Connecticut Housing Finance Authority (12/31/2023)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 152,222	\$ 10,250	\$ 66,532	\$ 114,103	\$ 343,107
Current Portion of Long-Term Obligations	492,104	4,447	10,710	20,652	527,913
Due To Primary Government	-	-	-	76,265	76,265
Due To Other Governments	-	-	-	-	-
Due To Other Funds	-	-	-	57	57
Unearned Revenue	-	-	-	15,551	15,551
Lease Liabilities	-	-	-	713	713
Subscription Liabilities	-	-	-	647	647
Amount Held for Institutions	-	-	-	368,202	368,202
Other Liabilities	-	33,507	3,590	95	37,192
Total Current Liabilities	<u>644,326</u>	<u>48,204</u>	<u>80,832</u>	<u>596,285</u>	<u>1,369,647</u>
Noncurrent Liabilities:					
Pension & OPEB Liability	94,083	81,454	102,823	96,980	375,340
Lease Liabilities	-	13,544	-	8,560	22,104
Subscription Liabilities	-	-	-	323	323
Noncurrent Portion of Long-Term Obligations	<u>4,628,620</u>	<u>112,301</u>	<u>206,417</u>	<u>353,542</u>	<u>5,300,880</u>
Total Noncurrent Liabilities	<u>4,722,703</u>	<u>207,299</u>	<u>309,240</u>	<u>459,405</u>	<u>5,698,647</u>
Total Liabilities	<u>\$ 5,367,029</u>	<u>\$ 255,503</u>	<u>\$ 390,072</u>	<u>\$ 1,055,690</u>	<u>\$ 7,068,294</u>
Other Deferred Inflows					
Related to Pensions & Other Postemployment Benefits	\$ 49,006	\$ 34,251	\$ 49,597	\$ 36,416	\$ 169,270
Deferred Inflows Leases	-	-	114,236	48,347	162,583
Other Deferred Inflows	<u>171,249</u>	<u>-</u>	<u>-</u>	<u>530</u>	<u>171,779</u>
Total Deferred Inflows of Resources	<u>\$ 220,255</u>	<u>\$ 34,251</u>	<u>\$ 163,833</u>	<u>\$ 85,293</u>	<u>\$ 503,632</u>
Net Position					
Net Investment in Capital Assets	\$ 4,161	\$ 9,758	\$ 376,033	\$ 521,263	\$ 911,215
Restricted:					
Debt Service	-	-	14,931	-	14,931
Bond Indentures	768,586	-	11,485	-	780,071
Expendable Endowments	-	-	-	15,671	15,671
Nonexpendable Endowments	-	-	-	807,182	807,182
Capital Projects	-	-	95,036	-	95,036
Other Purposes	-	-	-	247,047	247,047
Unrestricted (Deficit)	-	(73,811)	59,067	417,348	402,604
Total Net Position (Deficit)	<u>\$ 772,747</u>	<u>\$ (64,053)</u>	<u>\$ 556,552</u>	<u>\$ 2,008,511</u>	<u>\$ 3,273,757</u>

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

State of Connecticut

STATEMENT OF ACTIVITIES COMPONENT UNITS

For the Fiscal Year Ended June 30, 2024

(Expressed in Thousands)

					Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Program Revenues			Connecticut				Totals
		Charges for	Operating	Capital	Finance	Connecticut	Connecticut	Other	
		Services	Grants and	Grants and	Authority	Lottery	Airport	Component	
			Contributions	Contributions	(12/31/2023)	Corporation	Authority	Units	
Connecticut Housing Finance Authority (12/31/2023)	\$ 235,440	\$ 128,963	\$ -	\$ -	\$ (106,477)	\$ -	\$ -	\$ -	\$ (106,477)
Connecticut Lottery Corporation	1,680,757	1,680,937	-	-	-	180	-	-	180
Connecticut Airport Authority	138,612	151,731	-	42,466	-	-	55,585	-	55,585
Other Component Units	275,568	264,939	28,574	43,875	-	-	-	61,820	61,820
Total Component Units	<u>\$ 2,330,377</u>	<u>\$ 2,226,570</u>	<u>\$ 28,574</u>	<u>\$ 86,341</u>	<u>(106,477)</u>	<u>180</u>	<u>55,585</u>	<u>61,820</u>	<u>11,108</u>
General Revenues:									
Investment Income (Loss)					168,908	6,394	11,103	107,228	293,633
Transfer In					-	-	-	400	400
Total General Revenues					<u>168,908</u>	<u>6,394</u>	<u>11,103</u>	<u>107,628</u>	<u>294,033</u>
Change in Net Position					62,431	6,574	66,688	169,448	305,141
Net Position (Deficit)-Beginning					<u>710,316</u>	<u>(70,627)</u>	<u>489,864</u>	<u>1,839,063</u>	<u>2,968,616</u>
Net Position (Deficit)-Ending					<u>\$ 772,747</u>	<u>\$ (64,053)</u>	<u>\$ 556,552</u>	<u>\$ 2,008,511</u>	<u>\$ 3,273,757</u>

The Accompanying Notes to the Financial Statements are an Integral Part of these Statements.

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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 in the United States of America (U.S. GAAP) and 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). 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 Connecticut Housing Finance Authority, Materials Innovation and Recycling Authority Dissolution 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 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, 2023.

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).

Materials Innovation and Recycling Authority (MIRA) Dissolution Authority

MIRA Dissolution Authority was established to replace the Materials Innovation & Recycling Authority (MIRA) and effectively assumed all MIRA's underlying statutory duties, authorities and capabilities, and will continue MIRA's ongoing waste transfer operations until acceptable alternatives become available. It 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. It has also been charged with additional activities related to MIRA's dissolution. Specifically, the MIRA Dissolution Authority is to identify the immediate environmental needs and knowledge necessary for future redevelopment at the site of the now closed waste to energy facility in Hartford, which is to include engaging representatives of Hartford and other stakeholders with respect to the future of the site.

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.

The State also reports the following fiduciary component unit:

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 duty 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 GASB 84 *Fiduciary Activities*, PFMLA has been classified as a Fiduciary Component Unit and presented in the fiduciary fund financial statements.

c. Related Organizations

The Community Economic Development Fund, Connecticut Health Insurance Exchange, and Connecticut Foundation Solutions Indemnity Company, Inc. 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.

d. 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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of capital assets or related debt are included in this component of net position.
2. Restricted – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component 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. Even though Internal Service funds are part of the proprietary reporting, for government-wide reporting they are included within the governmental activities because these services are rendered primarily for the benefit of activities within the governmental funds.

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 that are not required to be accounted for in other funds and that 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 and 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, CT State Community College, and Charter Oak State College, which consists of four universities: Central, Eastern, Southern, and Western; one community college comprised of twelve campuses; and one on-line college.

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 the Government Accounting Standards Board.

In June 2023, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium that changed the way fringe is paid for institutions of higher education. Effective July 1, 2023, the State directly funds Connecticut State employee benefit retirement costs, which are therefore no longer charged to the University of Connecticut, the Health Center, or the Board of Regents. As a result, there is a corresponding reduction in appropriations to those institutions since the state is directly covering retirement-related costs for all eligible Connecticut State Employees.

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 and baby bond funds held in trust for individuals by the State Treasurer.

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.

e. 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 leases are reported as other financing sources.

f. 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 (STIF) 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 in the State's governmental funds and for some proprietary funds inventory is valued at lower of cost or market. 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

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, railways, and similar items), which 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 value at the date of donation, or in the case of gifts at acquisition value.

Works of art and historical treasures are not capitalized if meeting all three of the following criteria: (1) held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) protected, kept unencumbered, cared for, and preserved; and (3) subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include historical documents, rare books and manuscripts, guns, and paintings. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized at historical or acquisition cost and included in the government-wide financial statements.

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. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend the useful life of an asset are not capitalized.

The State routinely engages in lease agreements to meet operational needs. The State's lease contracts generally relate to buildings and associated facilities, such as parking, and various machinery and equipment. In addition, the State has entered into various subscription-based information technology arrangements to support its services. Intangible right-to-use (RTU) assets associated with these leases/subscriptions are defined by the State as leased assets whose future lease/subscription payments through the lease/subscription term are \$300,000 or greater. Component

units of the State have established their own thresholds for defining lease and subscription assets whose future lease/subscription payments through the lease/subscription term.

For short-term leases/subscriptions with a maximum possible term of 12 months or less at commencement, the State recognizes period revenue or expenditures based on the provisions of the contract. For all other subscriptions and contracts where the State is the lessee, the State recognizes the lease/subscription liability and an RTU asset based on the present value of future payments over the contracted term of the lease/subscription. RTU assets are amortized over the shorter of the lease/subscription term or the useful life of the underlying asset using the effective interest rate, and the liability is reduced by the principal portion of the lease/subscription payments made.

On a more limited bases, the State serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

The State uses an estimated incremental borrowing rate as the discount rate for leases/subscriptions unless the rate charged is known. The incremental borrowing rate is based on the interest rate the State would pay to borrow during the lease/subscription term. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease/subscription, the present value is remeasured, and corresponding adjustments are made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indexes, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but are recognized as revenue or expenditures in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

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
Software	2-6 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.

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, workers' compensation claims, lease liability, subscription liability, and federal loans. 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. The State uses the first-in, first-out flows assumption when determining its liability in relation to compensated absences.

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 60 days.

g. 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.

h. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods and will not be recognized as an outflow of resources (expenditure) until then. These amounts are reported in the Statement of Net Position and fund financial statements in a separate section, after total assets.

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future period and will not be recognized as an inflow of resources (revenue) until then. These amounts are reported in the Statement of Net Position and fund financial statements in a separate section, after total liabilities.

i. Interfund Activities

The effect of interfund activities has been eliminated from the government-wide statements, the exceptions to this general rule are interfund activities between the general fund and fiduciary funds. In the fund financial statements, interfund activities are reported as follows:

Interfund receivables and 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.

j. 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.

k. Supplemental Nutrition Assistance Program (SNAP)

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

l. 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.

m. Recently Adopted and Upcoming Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The following GASB accounting pronouncements were adopted during the fiscal year 2024: Paragraphs 4 and 10 of GASB Statement No. 99, *Omnibus 2022*; and GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The adoption of these pronouncements did not have a material impact on the financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023. The State is currently evaluating the impact this standard will have on its financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints by requiring the government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for fiscal years beginning after June 15, 2024. The State is currently evaluating the impact this standard will have on its financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement also addresses certain application issues. This statement is effective for fiscal years beginning after June 15, 2025. The State is currently evaluating the impact this standard will have on its financial statements.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure required by GASB Statement No. 34. It also requires additional disclosures for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. The State is currently evaluating the impact this standard will have on its financial statements.

n. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2024, none of which constitutes a violation of statutory provisions (amounts in thousands):

<u>Special Revenue</u>		
Regional Market	\$	(340)
<u>Capital Projects</u>		
Transportation	\$	(718)

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 carried forward from prior years and 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 counterpart 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, 2024, 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	\$ 747,582	\$ 747,582	\$ -
Federal Agency Securities	2,357,989	2,357,989	-
Bank Commercial Paper	2,321,515	2,321,515	-
Repurchase Agreements	5,325,000	5,325,000	-
Money Market Funds	66,828	66,828	-
Total Investments	<u>\$ 10,818,914</u>	<u>\$ 10,818,914</u>	<u>\$ -</u>

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, 2024, the weighted average maturity of STIF was 33 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 20.0 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 reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2024, the amount of STIF's investments in variable-rate securities was \$4.1 billion.

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, 2024, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Credit Quality Ratings	Amortized Cost	Percentage of Amortized Cost
A-1+	\$ 3,621,515	33.5%
A-1	4,025,000	37.2%
A-2	-	0.0%
AAAm	66,828	0.6%
U.S. Government Agency Securities	2,357,989	21.8%
United States Treasury Securities	747,582	6.9%
Total	<u>\$ 10,818,914</u>	<u>100.0%</u>

Concentration of Credit Risk

STIF reduces its exposure to this risk by ensuring that at least 60.0 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 5.0 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAm) will not exceed 5.0 percent of fund assets and exposure to money market mutual funds in total will not exceed 15.0 percent. As of June 30, 2024, STIF's investments in any one issuer that represents more than 5.0 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Home Loan Bank	\$ 1,084,982
Federal Farm Credit Bank	\$ 1,273,000

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, 2024, \$6,636,538 of the bank balance of STIF's deposits of \$7,174,959 was exposed to custodial credit risk as follows (amounts in thousands):

Uninsured and uncollateralized	\$ 6,636,538
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	-
Total	<u>\$ 6,636,538</u>

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. The 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 (amounts below in thousands).

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	\$ 133,086	\$ 533	\$ 56,348,038
Other Investments	-	37,656	4,429,586
Total Investments-Current	<u>\$ 133,086</u>	<u>\$ 38,189</u>	<u>\$ 60,777,624</u>

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, 2024, the CIFS had the following investments (amounts in thousands):

Fair Value Measurement				
<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 1,146,628	\$ -	\$ 1,146,628	\$ -
Asset Backed Securities	409,846	-	409,846	-
Government Securities	5,131,105	-	5,131,105	-
Government Agency Securities	1,585,375	-	1,585,375	-
Mortgage Backed Securities	372,984	-	372,984	-
Corporate Debt	4,265,471	-	4,251,258	14,213
Convertible Securities	131,314	747	130,567	-
Derivatives	3,589	-	3,589	-
Common Stock	26,557,167	26,544,995	8,357	3,815
Preferred Stock	58,468	58,377	91	-
Real Estate Investment Trust	421,515	405,303	16,212	-
Mutual Fund	128,675	128,675	-	-
Total	<u>\$ 40,212,137</u>	<u>\$ 27,138,097</u>	<u>\$ 13,056,012</u>	<u>\$ 18,028</u>

<u>Investments Measured by Net Asset Value (NAV)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Business Development Corporation	161,961	203,273	Illiquid
Limited Partnerships	16,942,110	10,374,387	Illiquid
Total	<u>17,104,071</u>	<u>10,577,660</u>	
Total Investments in Securities at Fair Value	<u>\$ 57,316,208</u>		

Investments are stated at fair value for each of the CIFS 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, 2024 fair value, or net asset value ("NAV") equivalent. The CIFS' 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

The CIFS' investment managers are given full discretion to manage their portion of the 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					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Cash Equivalents	\$ 1,146,628	\$ 1,146,628	\$ -	\$ -	\$ -
Asset Backed Securities	409,846	443	125,058	95,671	188,674
Government Securities	5,131,105	91,953	3,502,233	1,079,704	457,215
Government Agency Securities	1,585,375	10,004	3,668	7,440	1,564,263
Mortgage Backed Securities	372,984	-	20,345	14,044	338,595
Corporate Debt	4,265,471	525,512	2,175,703	998,271	565,985
Convertible Debt	131,314	10,709	112,965	7,640	-
Total	<u>\$ 13,042,723</u>	<u>\$ 1,785,249</u>	<u>\$ 5,939,972</u>	<u>\$ 2,202,770</u>	<u>\$ 3,114,732</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, 2024, the 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	\$ 6,805,809	\$ 99,985	\$ 158,745	\$ 4,611,273	\$ 1,585,875	\$ 295,852	\$ 54,079	\$ -
Aaa-mf	612,929	612,929	-	-	-	-	-	-
Aa	238,291	-	54,500	91,671	-	24,397	67,723	-
A	628,935	-	48,357	36,592	-	-	543,986	-
Baa	1,171,580	-	59,347	101,456	-	8,321	1,002,456	-
Ba	880,774	-	4,211	88,677	-	-	787,886	-
B	965,148	-	965	29,312	-	-	934,871	-
Caa	363,960	-	1,100	24,464	-	584	337,812	-
Ca	22,843	-	2,957	9,573	-	439	9,874	-
C	10,920	-	-	10,244	-	-	676	-
Not Rated	1,341,534	433,736	79,664	127,323	-	43,390	526,107	131,314
Total	\$ 13,042,723	\$ 1,146,650	\$ 409,846	\$ 5,130,585	\$ 1,585,875	\$ 372,983	\$ 4,265,470	\$ 131,314

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50.0 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.

Notes to the Financial Statements

State of Connecticut

June 30, 2024

As of June 30, 2024, the CIFS' foreign deposits and investments were as follows (amounts in thousands):

Foreign Currency	Total	Cash	Cash Equivalent Collateral	Fixed Income Securities				Equities		
				Government Securities	Corporate Debt	Mortgage and Asset Backed	Convertible Bonds	Common Stock	Preferred Stock and Mutual Funds	Real Estate Investment Trust Fund
Argentine Peso	\$ 125	\$ 125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	412,534	849	-	-	-	-	-	390,497	-	21,188
Brazilian Real	198,547	1,426	-	24,373	1,742	(256)	-	147,541	23,721	-
Canadian Dollar	37,160	294	-	-	-	-	-	36,866	-	-
Chilean Peso	4,477	183	-	4,406	-	(112)	-	-	-	-
Colombian Peso	13,222	392	-	8,947	4,209	(326)	-	-	-	-
Czech Koruna	9,120	129	(2,360)	11,362	-	(11)	-	-	-	-
Danish Krone	307,589	381	-	-	-	-	-	307,208	-	-
Dominican Peso	9,140	-	-	9,140	-	-	-	-	-	-
Egyptian Pound	2,817	-	-	-	2,817	-	-	-	-	-
Euro Currency	2,516,978	5,409	(539)	12,946	944	856	19,639	2,437,621	28,748	11,354
Hong Kong Dollar	550,125	1,718	-	-	-	-	1,338	539,177	-	7,892
Hungarian Forint	27,361	187	-	9,832	-	(2)	-	17,344	-	-
Indian Rupee	9,488	-	-	-	9,483	5	-	-	-	-
Indonesian Rupiah	70,576	348	-	14,156	4,684	-	-	51,388	-	-
Japanese Yen	1,384,389	8,651	-	-	-	23	3,742	1,355,570	-	16,403
Kazakhstan Tenge	1,300	-	-	-	1,300	-	-	-	-	-
Malaysian Ringgit	27,302	210	-	20,425	-	4	-	6,663	-	-
Mexican Peso	59,266	(148)	-	24,737	5,283	(98)	-	24,770	-	4,722
New Israeli Sheqel	27,944	419	-	-	-	-	-	27,305	-	220
New Taiwan Dollar	184,143	-	-	-	-	-	-	184,143	-	-
New Zealand Dollar	10,567	458	-	-	-	-	-	9,722	-	387
Nigerian Naira	2,361	-	-	-	2,361	-	-	-	-	-
Norwegian Krone	44,663	521	-	-	-	-	-	44,142	-	-
Paraguay Guarani	561	-	-	561	-	-	-	-	-	-
Peruvian Sol	20,634	83	-	16,901	3,650	-	-	-	-	-
Philippine Peso	6,244	17	-	401	-	-	-	5,826	-	-
Polish Zloty	30,912	1	(5,712)	12,858	1,084	-	-	22,681	-	-
Pound Sterling	1,259,745	3,829	-	-	-	1,683	-	1,231,488	-	22,745
Romanian Leu	5,543	63	-	5,480	-	-	-	-	-	-
Russian Ruble	2,375	2,375	-	-	-	-	-	-	-	-
Saudi Riyal	39,674	-	-	-	-	-	-	39,674	-	-
Singapore Dollar	87,367	470	-	-	-	-	-	77,797	-	9,100
South African Rand	101,091	103	-	24,734	3,967	5	-	72,282	-	-
South Korean Won	386,310	1	-	-	-	-	-	386,309	-	-
Swedish Krona	176,213	237	-	-	-	-	-	175,976	-	-
Swiss Franc	658,566	516	-	-	-	-	-	658,050	-	-
Thailand Baht	46,958	309	-	11,354	-	(4)	-	35,299	-	-
Turkish Lira	23,015	3	-	5,129	-	-	-	17,883	-	-
Ukrainian Hryvnia	8,116	1,565	-	6,551	-	-	-	-	-	-
Uruguayan Peso	4,315	-	-	4,315	-	-	-	-	-	-
Yuan Renminbi	10,765	(121,063)	-	-	-	397	-	131,431	-	-
Yuan Renminbi (Offshore)	123,810	123,810	-	-	-	-	-	-	-	-
Zambian Kwacha	536	16	-	520	-	-	-	-	-	-
Total	\$ 8,903,944	\$ 33,887	\$ (8,611)	\$ 229,128	\$ 41,524	\$ 2,164	\$ 24,719	\$ 8,434,653	\$ 52,469	\$ 94,011

Derivatives

As of June 30, 2024, the CIFS held the following derivative investments (amounts in thousands):

	2024 Fair Value	2023 Fair Value
Adjustable Rate Securities	\$ 1,701,455	\$ 1,546,406
Asset Backed Securities	409,846	277,075
Mortgage Backed Securities	343,769	284,450
Forward Mortgage Backed Securities (TBA's)	346,482	666,577
Interest Only	29,215	18,798
Total	\$ 2,830,767	\$ 2,793,306

The Core Fixed Income Fund held futures with a notional cost of \$205,667,609. The Developed Market International Stock Fund held futures with a notional cost of \$42,129,738. Also, the Non-Core Fixed Income Fund held futures with a notional cost of \$37,834,805.

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, 2024, the fair value of contracts to buy and contracts to sell was \$373.6 million and \$371.8 million, 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, 2024, the CIFS had deposits with a bank balance of \$68.6 million, all of 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 (UConn) 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, 2024, UConn had the following recurring fair value measurements. (amounts in thousands):

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 494	\$ 494	\$ -	\$ -
Fixed Income Securities	2,096	2,096	-	-
Equity Securities	17,849	17,849	-	-
Total	<u>\$ 20,439</u>	<u>\$ 20,439</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments Measured by Net Asset Value (NAV)</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Capital Partnerships	\$ 234	\$ 110	N/A	N/A
Private Real Estate Partnerships	8	35	N/A	N/A
Natural Resource Partnerships	108	5	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	399	-	N/A	N/A
Other	709	-	N/A	N/A
Total	<u>1,459</u>	<u>\$ 150</u>		
Total Investments in Securities at Fair Value	<u>\$ 21,898</u>			

As of June 30, 2024, the State had other investments and maturities as follows (amounts in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Government and Agency Securities	748,999	132,910	243,565	372,524
Guaranteed Investment Contracts	15,837	-	15,837	-
Money Market Funds	65,843	65,843	-	-
Total Debt Investments	830,679	<u>\$ 198,753</u>	<u>\$ 259,402</u>	<u>\$ 372,524</u>
Endowment Pool	21,189			
Other Investments	13,817			
Total Investments	<u>\$ 865,685</u>			

Credit Risk

As of June 30, 2024, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Investment Type	Other Investments					
	Fair Value	Quality Ratings				
		AAA	AA	A	BBB	Unrated
U.S. Government and Agency Securities	\$ 681,601	\$ -	\$ 681,601	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	15,837	-	-	14,362	-	1,475
Money Market Funds	65,843	65,843	-	-	-	-
Total	\$ 763,281	\$ 65,843	\$ 681,601	\$ 14,362	\$ -	\$ 1,475

Connecticut State Universities had \$67.4 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

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 10.0 percent, 25.0 percent, 100.0 percent, or 120.0 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, 2024, \$420.9 billion of the bank balance of the Primary Government of \$465.4 billion was exposed to custodial credit risk as follows (amounts in thousands):

Uninsured and uncollateralized	\$ 71,485
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	349,431
Total	\$ 420,916

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2023 and June 30, 2024, 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	\$ 619	\$ 181	\$ -	\$ -	\$ 438
GNMA & FNMA Program Assets	2,412,708	-	1,523	26,750	2,384,435
Money Market	7,535	7,535	-	-	-
Municipal Bonds	30,479	350	1,951	2,568	25,610
STIF	1,062,537	1,062,537	-	-	-
MBS's	66	-	66	-	-
Structured Securities	511	-	511	-	-
U.S. Government Agency Securities	706	-	-	-	706
VRDN's	100,759	100,759	-	-	-
Total Debt Investments	3,615,920	\$ 1,171,362	\$ 4,051	\$ 29,318	\$ 2,411,189
Annuity Contracts	116,153				
Total Investments	\$ 3,732,073				

The CHFA and the CLC own 96.9 percent and 3.1 percent of the above investments, respectively. The Government National Mortgage Association (GNMA) Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by GNMA. 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 avoid 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 (FNMA), 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, 2023 as follows (amounts in thousands):

Investment Type	Component Units					
	Fair Value	Quality Ratings				Unrated
		AAA	AA	Aaa	C	
Collateralized Mortgage Obligations	\$ 619	\$ -	\$ -	\$ 438	\$ -	\$ 181
GNMA & FNMA Program Assets	2,412,708	-	-	2,412,708	-	-
Money Market	7,535	-	-	6,309	-	1,226
Municipal Bonds	30,479	-	4,492	-	-	25,987
STIF	1,062,537	1,062,537	-	-	-	-
MBS's	66	-	-	66	-	-
Structured Securities	511	-	-	-	511	-
U.S. Government Agency Securities	706	-	-	706	-	-
VRDN's	100,759	-	-	100,759	-	-
Total	\$ 3,615,920	\$ 1,062,537	\$ 4,492	\$ 2,520,986	\$ 511	\$ 27,394

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, 2023, the Authority had no investments in any one issuer that represents 5.0 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 102.0 percent of the fair value of the domestic loaned securities or 105.0 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 \$5.82 billion and \$5.71 billion, 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 2.8 days and an average weighted maturity of 56.4 days.

Note 4

Receivables-Current

As of June 30, 2024, current receivables consisted of the following (amounts in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Taxes	\$ 4,468,819	\$ -	\$ -
Accounts	1,716,348	614,819	92,583
Loans, Current Portion	-	219,160	2,660
Other Governments	679,756	29,465	43,987
Interest	8,445	4,816	3,001
Other	6	371	1,015
Total Receivables	6,873,374	868,631	143,246
Allowance for Uncollectibles	(859,936)	(108,862)	(13,182)
Receivables, Net	\$ 6,013,438	\$ 759,769	\$ 130,064

Note 5

Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2024 (amounts in thousands):

	Governmental Activities		Total
	General Fund	Transportation Fund	
Sales and Use	\$ 1,723,814	\$ -	\$ 1,723,814
Income Taxes	1,456,131	-	1,456,131
Corporations	241,186	-	241,186
Gasoline and Special Fuel	-	288,448	288,448
Various Other	681,106	-	681,106
Total Taxes Receivable	4,102,237	288,448	4,390,685
Allowance for Uncollectibles	(321,908)	(21)	(321,929)
Taxes Receivable, Net	\$ 3,780,329	\$ 288,427	\$ 4,068,756

Note 6

Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2024, consisted of the following (amounts in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Accounts	\$ -	\$ -	\$ 86,710
Loans	1,029,384	1,019,573	304,599
Leases	-	3,359	163,149
Total Receivables	1,029,384	1,022,932	554,458
Allowance for Uncollectibles	(89,402)	(600)	(10,562)
Receivables, Net	\$ 939,982	\$ 1,022,332	\$ 543,896

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 2.0 percent to 4.0 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 2.0 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 \$820.4 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 2.3 percent to 5.0 percent. At year end, the noncurrent portion of loans receivable was \$128.4 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2024, 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	\$ 1,368,157	\$ -	\$ -	\$ -	\$ 1,368,157
Environmental	-	-	-	-	-
Total Governmental Activities	\$ 1,368,157	\$ -	\$ -	\$ -	\$ 1,368,157
Business-Type Activities:					
UConn/Health Center	\$ 239,336	\$ -	\$ -	\$ -	\$ 239,336
Clean Water	111,664	51,871	-	-	163,535
Other Proprietary	44,461	420	-	-	44,881
Total Business-Type Activities	\$ 395,461	\$ 52,291	\$ -	\$ -	\$ 447,752
Component Units:					
CHFA	\$ 731	\$ 3,615,920	\$ 2,508,158	\$ 152,198	\$ 6,277,007
CAA	117,024	14,931	-	3,536	135,491
Other Component Units	125,347	459,501	183,314	5,608	773,770
Total Component Units	\$ 243,102	\$ 4,090,352	\$ 2,691,472	\$ 161,342	\$ 7,186,268

Note 8 Current Liabilities

As of June 30, 2024, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	\$ 210,687	\$ 183,574	\$ -	\$ -	\$ 394,261
Transportation	22,027	11,623	-	-	33,650
Restricted Accounts	244,060	13,076	-	-	257,136
Grants and Loans	13,745	84	-	3,410	17,239
Other Governmental	113,193	6,249	-	-	119,442
Internal Service	168	461	-	-	629
Reconciling amount from fund financial statements to government-wide financial statements	-	-	323,167	930,270	1,253,437
Total-Governmental Activities	\$ 603,880	\$ 215,067	\$ 323,167	\$ 933,680	\$ 2,075,794
Business-Type Activities:					
UConn/Health Center	\$ 95,485	\$ 103,181	\$ -	\$ 57,149	\$ 255,815
Board of Regents	25,241	78,624	1,351	-	105,216
Other Proprietary	4,006	(1)	9,139	740	13,884
Total-Business-Type Activities	\$ 124,732	\$ 181,804	\$ 10,490	\$ 57,889	\$ 374,915
Component Units:					
CHFA	\$ 7,617	\$ -	\$ 19,605	\$ 125,000	\$ 152,222
Connecticut Lottery Corporation	9,284	-	966	-	10,250
Connecticut Airport Authority	37,757	6,182	3,612	18,981	66,532
Other Component Units	9,860	1,470	931	101,842	114,103
Total-Component Units	\$ 64,518	\$ 7,652	\$ 25,114	\$ 245,823	\$ 343,107

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	\$ 1,986,800	\$ 32,999	\$ 81	\$ 2,019,718
Construction in Progress	6,845,894	1,448,644	752,590	7,541,948
Art & Historical Collections	224,790	4	26	224,768
Total Capital Assets not being Depreciated	9,057,484	1,481,647	752,697	9,786,434
Capital Assets being Depreciated/ Amortized:				
Buildings	4,851,388	52,277	11,569	4,892,096
Improvements other than Buildings	413,372	3,033	42,197	374,208
Equipment	2,441,981	191,934	91,340	2,542,575
Intangible Assets	369,686	8,307	11,219	366,774
Right-to-use Assets - Leases	98,613	9,261	9,798	98,076
Right-to-use Assets - Subscriptions	40,390	12,295	-	52,685
Infrastructure	19,339,937	610,613	-	19,950,550
Total Capital Assets Being Depreciated/ Amortized	27,555,367	887,720	166,123	28,276,964
Less Accumulated Depreciation/ Amortization for:				
Buildings	3,349,972	70,803	11,569	3,409,206
Improvements other than Buildings	233,099	15,700	42,197	206,602
Equipment	1,660,359	123,279	91,340	1,692,298
Intangible Assets	344,002	4,964	11,219	337,747
Right-to-use Assets - Leases	34,574	15,418	9,798	40,194
Right-to-use Assets - Subscriptions	9,565	13,951	-	23,516
Infrastructure	13,320,643	485,358	-	13,806,001
Total Accumulated Depreciation/ Amortization	18,952,214	729,473	166,123	19,515,564
Total Capital Assets being Depreciated/ Amortized, Net	8,603,153	158,247	-	8,761,400
Governmental Activities Capital Assets, Net	<u>\$ 17,660,637</u>	<u>\$ 1,639,894</u>	<u>\$ 752,697</u>	<u>\$ 18,547,834</u>
Depreciation and amortization expenses were charged to functions as follows:				
Governmental activities:				
Legislative	\$ 6,913			
General Government	56,916			
Regulation & Protection	21,768			
Conservation & Development	3,623			
Health & Hospitals	6,779			
Transportation	587,248			
Human Services	6,188			
Education, Libraries & Museums	2,033			
Corrections	22,798			
Judicial	15,207			
Total	<u>\$ 729,473</u>			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 78,535	\$ -	\$ 322	\$ 78,213
Construction in Progress	256,681	246,134	86,867	415,948
Art & Historical Collections	68,222	2,841	45	71,018
Total Capital Assets not being Depreciated	403,438	248,975	87,234	565,179
Capital Assets being Depreciated/ Amortized:				
Buildings	7,561,989	101,094	4,182	7,658,901
Improvements other than Buildings	743,455	14,215	156	757,514
Equipment	901,308	74,441	47,080	928,669
Intangible Assets	130,233	3,562	10,317	123,478
Right-to-use Assets - Leases	233,076	35,245	8,499	259,822
Right-to-use Assets - Subscriptions	102,472	22,413	8,739	116,146
Total Capital Assets being Depreciated	9,672,533	250,970	78,973	9,844,530
Less: Accumulated Depreciation/ Amortization For:				
Buildings	3,401,962	218,749	8,584	3,612,127
Improvements other than Buildings	318,289	20,385	410	338,264
Equipment	712,214	47,162	45,093	714,283
Intangible Assets	86,471	10,829	10,317	86,983
Right-to-use Assets - Leases	42,145	19,419	8,003	53,561
Right-to-use Assets - Subscriptions	36,020	33,663	8,443	61,240
Total Accumulated Depreciation/ Amortization	4,597,101	350,207	80,850	4,866,458
Total Capital Assets being Depreciated/ Amortized, Net	5,075,432	(99,237)	(1,877)	4,978,072
Business-Type Activities, Capital Assets, Net	<u>\$ 5,478,870</u>	<u>\$ 149,738</u>	<u>\$ 85,357</u>	<u>\$ 5,543,251</u>

Component Units and Fiduciary Component Unit

Capital assets of the component units and the fiduciary c the following as of June 30, 2024 (amounts in thousands):

Land	\$ 489,803
Buildings	1,259,997
Improvements other than Buildings	312,782
Machinery and Equipment	421,389
Intangible Assets	9,800
Right-to-use Assets - Leases	27,398
Right-to-use Assets - Subscriptions	1,941
Construction in Progress	109,277
Total Capital Assets	2,632,387
Accumulated Depreciation	1,299,707
Capital Assets, Net	<u>\$ 1,332,680</u>

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 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:

	SERS	TRS	JRS
Inactive Members or their Beneficiaries receiving benefits	57,327	39,843	318
Inactive Members Entitled to but not yet Receiving Benefits	3,417	10,708	5
Active Members	47,269	53,436	203

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.

	Primary Government		Component Units	
	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	\$ 391,472	\$ -	\$ 3,063	\$ -
Difference Between Expected and Actual Experience	2,151,902	-	16,837	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	5,800	-	6,516	60,687
Change in Assumptions	-	20,924	-	164
Employer Contributions Subsequent to Measurement Date	2,588,184	-	22,934	-
Total	<u>\$ 5,137,358</u>	<u>\$ 20,924</u>	<u>\$ 49,350</u>	<u>\$ 60,851</u>
Teachers' Retirement System				
Differences Between Expected and Actual Experience	\$ 602,063	\$ 134,059		
Change in Assumptions	1,236,893	-		
Net Difference Between Projected and Actual Earnings on Plan Investments	692,258	-		
Employer Contributions Subsequent to Measurement Date	1,973,681	-		
Total	<u>\$ 4,504,895</u>	<u>\$ 134,059</u>		
Judicial Retirement System				
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 10,382	\$ -		
Differences Between Expected and Actual Experience	31,702	526		
Change in Assumptions	-	57		
Employer Contributions Subsequent to Measurement Date	35,252	-		
Total	<u>\$ 77,336</u>	<u>\$ 583</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):

State Employees' Retirement System		Primary Government	Component Units
Year			
1		\$ 870,397	\$ (10,100)
2		603,863	(11,594)
3		967,511	(7,250)
4		102,607	(4,868)
5		32,243	(623)
		<u>\$ 2,576,621</u>	<u>\$ (34,435)</u>
Teachers' Retirement System		Primary Government	
Year			
1		\$ 984,797	
2		478,037	
3		821,800	
4		55,142	
5		53,995	
6		3,384	
		<u>\$ 2,397,155</u>	
Judges' Retirement System		Primary Government	
Year			
1		\$ 16,242	
2		13,998	
3		12,123	
4		(862)	
5		-	
		<u>\$ 41,501</u>	

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Financial Statements

State of Connecticut

June 30, 2024

Asset Class	SERS		TRS		JRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.4%	20.0%	5.4%	20.0%	5.4%
Developed Market Intl. Stock Fund	11.0%	6.4%	11.0%	6.4%	11.0%	6.4%
Emerging Markets Intl. Stock Fund	9.0%	8.6%	9.0%	8.6%	9.0%	8.6%
Core Fixed Income Fund	13.0%	0.8%	13.0%	0.8%	13.0%	0.8%
Emerging Market Debt Fund	5.0%	3.8%	5.0%	3.8%	5.0%	3.8%
High Yield Bonds	3.0%	3.4%	3.0%	3.4%	3.0%	3.4%
Real Estate Fund	19.0%	5.2%	19.0%	5.2%	19.0%	5.2%
Private Equity	10.0%	9.4%	10.0%	9.4%	10.0%	9.4%
Private Credit	5.0%	6.5%	5.0%	6.5%	5.0%	6.5%
Alternative Investments	3.0%	3.1%	3.0%	3.1%	3.0%	3.1%
Liquidity Fund	2.0%	-0.4%	2.0%	-0.4%	2.0%	-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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 11.5 percent, 11.5 percent, and 11.4 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, 2023 were as follows (amounts in thousands):

	SERS	TRS	JRS
Total Pension Liability	\$ 41,981,067	\$ 40,877,027	\$ 557,543
Fiduciary Net Position	21,236,541	23,869,732	299,023
Net Pension Liability	<u>\$ 20,744,526</u>	<u>\$ 17,007,295</u>	<u>\$ 258,520</u>
Ratio of Fiduciary Net Position to Total Pension Liability	50.59%	58.39%	53.63%

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 thousands):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	\$ 25,548,163	\$ 20,583,472	\$ 16,444,860
TRS Net Pension Liability	\$ 22,219,023	\$ 17,007,295	\$ 12,680,931
JRS Net Pension Liability	\$ 315,693	\$ 258,520	\$ 209,566
Component Units	\$ 199,890	\$ 161,054	\$ 128,672

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, 2024 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	\$ 2,588,184	\$ 1,973,681	\$ 35,252	\$ 4,597,117
Component Units	22,934	-	-	22,934
Total Employer Contributions	<u>\$ 2,611,118</u>	<u>\$ 1,973,681</u>	<u>\$ 35,252</u>	<u>\$ 4,620,051</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, 2023, 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
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	\$ 20,583,472	\$ 161,054
Teachers' Retirement System	17,007,295	-
Judicial Retirement System	258,520	-
Total Net Pension Liability	<u>\$ 37,849,287</u>	<u>\$ 161,054</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, 2023 as follows:

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2023	99.2%	0.8%

For the measurement June 30, 2023, 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
Pension Expense		
State Employees' Retirement System	\$ 2,712,698	\$ 5,500
Teachers' Retirement System	1,628,350	-
Judicial Retirement System	38,359	-
	<u>\$ 4,379,407</u>	<u>\$ 5,500</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	Primary Government		Component Units	
	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	\$ 391,472	\$ -	\$ 3,063	\$ -
Difference Between Expected and Actual Experience	2,151,902	-	16,837	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	5,800	-	6,516	60,687
Change in Assumptions	-	20,924	-	164
Employer Contributions Subsequent to Measurement Date	2,588,184	-	22,934	-
Total	<u>\$ 5,137,358</u>	<u>\$ 20,924</u>	<u>\$ 49,350</u>	<u>\$ 60,851</u>
Teachers' Retirement System				
Differences Between Expected and Actual Experience	\$ 602,063	\$ 134,059		
Change in Assumptions	1,236,893	-		
Net Difference Between Projected and Actual Earnings on Plan Investments	692,258	-		
Employer Contributions Subsequent to Measurement Date	1,973,681	-		
Total	<u>\$ 4,504,895</u>	<u>\$ 134,059</u>		
Judicial Retirement System				
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 10,382	\$ -		
Differences Between Expected and Actual Experience	31,702	526		
Change in Assumptions	-	57		
Employer Contributions Subsequent to Measurement Date	35,252	-		
Total	<u>\$ 77,336</u>	<u>\$ 583</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):

State Employees' Retirement System		Primary Government	Component Units
Year			
1		\$ 870,397	\$ (10,100)
2		603,863	(11,594)
3		967,511	(7,250)
4		102,607	(4,868)
5		32,243	(623)
		<u>\$ 2,576,621</u>	<u>\$ (34,435)</u>
Teachers' Retirement System		Primary Government	
Year			
1		\$ 984,797	
2		478,037	
3		821,800	
4		55,142	
5		53,995	
6		3,384	
		<u>\$ 2,397,155</u>	
Judges' Retirement System		Primary Government	
Year			
1		\$ 16,242	
2		13,998	
3		12,123	
4		(862)	
5		-	
		<u>\$ 41,501</u>	

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Valuation Date	6/30/2023	6/30/2023	6/30/2023
Inflation	2.5%	2.5%	2.5%
Salary Increases	3% to 11.5%	3% to 6.5%	4.0%
Investment Rate of Return	6.9%	6.9%	6.9%

The actuarial assumptions used in the June 30, 2023 SERS reported mortality rates based on Pub-2020 mortality tables with scale MP-2020. For non-hazardous duty service retirees-General, Above-Median, Healthy Retiree, disabled retirees – General, Disabled Retiree, beneficiaries-General, Above-Median, Employee. Hazardous duty service retirees – Public Safety, Above-Median, Healthy Retiree, disabled retirees – Public Safety, Disabled Retiree, beneficiaries – Public Safety, Above-Median Contingent Annuitant, active employees – Public Safety, Above-Median, Employee.

The actuarial assumptions used in the June 30, 2023 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.

The actuarial assumptions used in the June 30, 2023 JRS reported mortality rates based on Pub-2010 Above Median Mortality Tables (amount weighted) projected generationally with the MP-2020 improvement scale, and assumed rates of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.

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, 2023 (amounts in thousands):

Total Pension Liability	SERS	TRS	JRS
Service Cost	\$ 463,636	\$ 634,409	\$ 11,667
Interest	2,715,450	2,668,940	33,491
Benefit Changes	-	-	-
Difference between expected and actual experience	750,238	73,374	44,883
Changes of assumptions	-	-	-
Benefit payments	(2,593,589)	(2,359,976)	(35,751)
Refunds of Contributions	(11,632)	-	-
Net change in total pension liability	1,324,103	1,016,747	54,290
Total pension liability - beginning (a)	40,656,964	39,860,280	503,253
Total pension liability - ending (c)	\$ 41,981,067	\$ 40,877,027	\$ 557,543
Plan fiduciary net position			
Contributions - employer	\$ 3,261,874	\$ 1,578,038	\$ 32,533
Contributions - member	223,062	397,818	2,019
Net investment income	1,754,898	1,878,740	23,363
Benefit payments	(2,593,589)	(2,359,976)	(35,751)
Administrative Expense	-	-	-
Refunds of Contributions	(11,632)	-	-
Other	(1,797)	825,391	477
Net change in plan fiduciary net position	2,632,816	2,320,011	22,641
Plan net position - beginning (b)	18,603,725	21,549,721	276,382
Plan net position - ending (d)	\$ 21,236,541	\$ 23,869,732	\$ 299,023
Net pension liability - beginning (a)-(b)	\$ 22,053,239	\$ 18,310,559	\$ 226,871
Net pension liability - ending (c)-(d)	\$ 20,744,526	\$ 17,007,295	\$ 258,520

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 5.0 percent of their annual salaries. The State is required to contribute 7.0 percent of covered salary. During the year, plan members and the State contributed \$36.8 million and \$83.7 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 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	8,932	389
Terminated plan members entitled to but not receiving benefits	1,761	153
Active plan members	10,332	317
Total	21,025	859
Number of participating employers	187	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, per Public Act 19-124 contribution rate will increase by 3.0 percent over six years. 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
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.3%
Infrastructure and Natural Resources	7.0%	7.7%

The long-term expected rate of return on pension plan investments was determined using a statistical 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, 2023 were as follows (amounts in thousands):

	MERS
Total Pension Liability	\$ 4,644,500
Fiduciary Net Position	3,229,803
Net Pension Liability	<u>\$ 1,414,697</u>
Ratio of Fiduciary Net Position to Total Pension Liability	69.5%

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 thousands):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	\$ 1,983,545	\$ 1,414,697	\$ 940,486

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	\$ 142,761	\$ 11,524
Changes in actuarial assumptions	138,917	-
Net Difference Between Projected and Actual Investment Earnings on Plan Investments	109,867	-
Employer Contributions Subsequent to Measurement Date	145,612	-
	<u>\$ 537,157</u>	<u>\$ 11,524</u>

State contributions subsequent to the measurement date will be recognized by a reduction of the net pension liability reported in the following year (amounts in thousands):

Year	MERS
1	\$ 100,259
2	79,970
3	161,054
4	28,680
5	10,058

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, 2023 (amounts in thousands):

Total Pension Liability MERS	
Service Cost	\$ 105,130
Interest on the total pension liability	299,089
Benefit changes	(113,231)
Difference between expected and actual	31,966
Changes of assumptions	171,527
Benefit payments	(243,133)
Refunds of contributions	(2,231)
Net change in total pension	249,117
Total pension liability - beginning	4,395,383
Total pension liability - ending (a)	\$ 4,644,500
Plan net position	
Contributions - employer	\$ 150,142
Contributions - member	46,080
Net investment income	258,917
Benefit payments	(243,133)
Refunds of contributions	(2,231)
Other	-
Net change in plan net position	209,775
Plan net position - beginning	\$ 3,020,028
Plan net position - ending (b)	\$ 3,229,803
Net pension liability - ending (a) -(b)	\$ 1,414,697

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	3.0 to 9.5 percent, including inflation
Long-Term investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Mortality Tables set-forward one year (except Active employees) and projected generationally with Scale MP-2021.

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 3.8 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, 2024, the Fiduciary Fund financial statements were as follows (amounts in thousands):

	Statement of Fiduciary Net Position						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	\$ 7,983	\$ 6,860	\$ 110	\$ 6,934	\$ 78	\$ 548	\$ 22,513
Receivables:							
Accounts, Net of Allowances	10,008	14,932	147	24,772	-	-	49,859
From Other Governments	-	24	-	-	-	-	24
From Other Funds	513,940	419,139	-	-	-	-	933,079
Interest	1,627	1,486	28	284	11	-	3,436
Investments	23,367,563	26,050,207	332,869	3,478,757	142,632	3,080	53,375,108
Securities Lending Collateral	2,373,615	2,664,068	33,748	354,203	14,556	312	5,440,502
Noncurrent:							
Due From Employers	-	-	-	9,797	-	-	9,797
Total Assets	\$ 26,274,736	\$ 29,156,716	\$ 366,902	\$ 3,874,747	\$ 157,277	\$ 3,940	\$ 59,834,318
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 29	\$ 1,644	\$ 19	\$ -	\$ -	\$ -	\$ 1,692
Securities Lending Obligation	2,373,615	2,664,068	33,748	354,203	14,556	312	5,440,502
Due to Other Funds	-	2,262	-	-	-	-	2,262
Total Liabilities	\$ 2,373,644	\$ 2,667,974	\$ 33,767	\$ 354,203	\$ 14,556	\$ 312	\$ 5,444,456
Net Position							
Held in Trust For Employee							
Pension and Other Benefits	\$ 23,901,092	\$ 26,488,742	\$ 333,135	\$ 3,520,544	\$ 142,721	\$ 3,628	\$ 54,389,862
Total Net Position	\$ 23,901,092	\$ 26,488,742	\$ 333,135	\$ 3,520,544	\$ 142,721	\$ 3,628	\$ 54,389,862

	Statement of Changes in Fiduciary Net Position						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	\$ 257,862	\$ 368,299	\$ 2,298	\$ 46,010	\$ 259	\$ 34	\$ 674,762
State	2,611,118	1,973,681	35,252	-	-	-	4,620,051
Municipalities	-	-	-	145,612	-	-	145,612
Total Contributions	2,868,980	2,341,980	37,550	191,622	259	34	5,440,425
Investment Income (loss)	2,603,092	2,872,610	36,936	389,712	16,055	397	5,918,802
Less: Investment Expenses	(180,920)	(199,710)	(2,529)	(26,603)	(1,100)	(23)	(410,885)
Net Investment Income	2,422,172	2,672,900	34,407	363,109	14,955	374	5,507,917
Transfer In	-	-	-	-	-	-	-
Other	21,118	9,958	-	-	2,717	-	33,793
Total Additions	5,312,270	5,024,838	71,957	554,731	17,931	408	10,982,135
Deductions							
Benefit Payments and Refunds	2,647,719	2,405,827	37,690	262,338	7,321	-	5,360,895
Other	-	-	155	1,652	-	7	1,814
Total Deductions	2,647,719	2,405,827	37,845	263,990	7,321	7	5,362,709
Changes in Net Position	2,664,551	2,619,011	34,112	290,741	10,610	401	5,619,426
Net Position Held in Trust For							
Pension and Other Employee Benefits							
Beginning of Year	21,236,541	23,869,731	299,023	3,229,803	132,111	3,227	48,770,436
End of Year	\$ 23,901,092	\$ 26,488,742	\$ 333,135	\$ 3,520,544	\$ 142,721	\$ 3,628	\$ 54,389,862

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 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	85,696	29,728
Inactive Members Entitled to but		
not yet Receiving Benefits	470	11,405
Active Members	50,078	52,200

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. The 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, 2023, the measurement date.

Asset Class	SEOPEBP		RTHP	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Expected 10 year Geometric Real Rate of Return
Global Equity	37.0%	6.8%	0.0%	0.0%
Public Credit	2.0%	2.9%	0.0%	0.0%
Core Fixed Income	13.0%	0.4%	0.0%	0.0%
Liquidity Fund	1.0%	-0.4%	0.0%	0.0%
Risk Mitigation	5.0%	0.1%	0.0%	0.0%
Private Equity	15.0%	11.2%	0.0%	0.0%
Private Credit	10.0%	6.1%	0.0%	0.0%
Real Estate	10.0%	6.2%	0.0%	0.0%
Infrastructure and Natural Resources	7.0%	7.7%	0.0%	0.0%
U. S. Treasuries (Cash Equivalents)	0.0%	0.0%	100.0%	3.3%

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, 2023, the measurement date, were as follows (amounts in thousands):

	Total Primary Government	
	SEOPEBP	RTHP
Total OPEB Liability	\$ 18,266,067	\$ 1,809,083
Fiduciary Net Position	2,667,443	215,733
Net OPEB Liability	\$ 15,598,624	\$ 1,593,350
Ratio of Fiduciary Net Position to Total OPEB Liability	14.6%	11.9%

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:

	SEOPEBP	RTHP
Inflation	2.5%	2.5%
Payroll Growth Rate	3.0%	0.5%
Salary Increase	3.0% to 11.5%	3.0% to 6.5%
Discount Rate	6.9% contributory, 3.7% non-contributory	3.6%
Investment Rate of Return	6.9%	3.0%, net of OPEB plan investment expense including price inflation.
Healthcare Cost Trend Rates	(0.4%), then 5.8% decreasing 0.3% yearly until 4.5% for medical 2.34%, then 6.5% decreasing 0.3% yearly until 4.5% for drugs 2.6%, 4.5%, then 3.0% yearly for dental 4.5% for Part B 1.9%, 3.3%, then 3.0% annually for administrative expense	6.5%, decreasing to ultimate rate of 4.5% by 2031

Mortality rates for healthy State Employees' OPEB Plan were based on the Pub-2010 General, above-median, employee, retiree, disabled retiree, and contingent annuitant headcount-weighted mortality table projected generationally using Scale MP-2020.

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 PubT-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-T2010 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 6.9 and 3.6 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):

	SEOPEBP		
	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SEOPEBP:			
Primary Government Net OPEB Liability	\$ 17,880,775	\$ 15,379,328	\$ 13,331,128
Component Units Net OPEB Liability	254,964	219,296	190,090
	RTHP		
	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
RTHP Net OPEB Liability	\$ 1,931,852	\$ 1,593,350	\$ 1,326,570

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):

	SEOPEBP		
	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	\$ 13,312,336	\$ 15,379,328	\$ 17,916,270
Component Units Net OPEB Liability	189,822	219,296	255,470
	RTHP		
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
RTHP Net OPEB Liability	\$ 1,354,494	\$ 1,593,350	\$ 1,917,862

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, 2024 (amounts in thousands):

	SEOPEBP	RTHP	Total
Primary Government	\$ 838,556	\$ 21,474	\$ 860,030
Component Units	11,957	-	11,957
Total Employer Contributions	\$ 850,513	\$ 21,474	\$ 871,987

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, 2023, the primary government and component units reported net OPEB liabilities for the following plans administered by the State as follows (amounts in thousands):

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	Primary Government	Component Units
Proportionate Share of the Net OPEB Liability		
State Employees' OPEB Plan	\$ 15,379,328	\$ 219,296
Net OPEB Liability		
Retired Teachers' Health Plan	1,593,350	-
Total Net OPEB Liability	<u>\$ 16,972,678</u>	<u>\$ 219,296</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, 2023 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' OPEB Plan		
Proportion-June 30,2023	98.6%	1.4%

For the measurement date June 30, 2023, the primary government and component units recognized OPEB expense (income) for the following OPEB plan administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
OPEB Expense (Income)		
State Employees' OPEB Plan	\$ 192,261	\$ 3,769
Retired Teachers' Health Plan	(187,707)	-
	<u>\$ 4,554</u>	<u>\$ 3,769</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans from the following sources:

	Primary Government		Component Units	
	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	\$ 96,450	\$ -	\$ 1,375	\$ -
Net Difference Between Expected and Actual Experience in the Total OPEB Liability	160,660	1,051,064	2,291	14,987
Change in Assumptions	1,314,973	4,731,765	18,750	67,470
Change in Proportion	29,936	40,286	31,162	20,812
Employer Contributions Subsequent to Measurement Date	761,097	-	8,776	-
Total	<u>\$ 2,363,116</u>	<u>\$ 5,823,115</u>	<u>\$ 62,354</u>	<u>\$ 103,269</u>
Retired Teachers' Health Plan				
Difference Between Expected and Actual Experience	\$ 77,019	\$ 1,005,889		
Change in Assumptions	350,585	289,446		
Differences between projected and actual earnings on plan investments	-	61,406		
Employer Contributions Subsequent to Measurement Date	21,765	-		
Total	<u>\$ 449,369</u>	<u>\$ 1,356,741</u>		

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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):

State Employees' OPEB Plan		Primary	Component
Year		Government	Units
1		\$ (1,284,273)	\$ (22,249)
2		(1,717,981)	(23,080)
3		(1,024,754)	(7,501)
4		(188,132)	2,479
5		(5,956)	660
		<u>\$ (4,221,096)</u>	<u>\$ (49,691)</u>

Retired Teachers' Health Plan		Primary
Year		Government
1		\$ (248)
2		(203)
3		(190)
4		(216)
5		(67)
Thereafter		(5)
		<u>\$ (929)</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, 2023 (amounts in thousands):

Total OPEB Liability	SEOPEBP	RTHP
Service Cost	\$ 621,327	\$ 60,201
Interest	703,922	63,729
Difference between expected and actual experience	(1,001,199)	(166)
Changes of assumptions	830,424	(33,364)
Benefit payments	(626,743)	(52,458)
Net change in total OPEB liability	527,731	37,942
Total OPEB liability - beginning	17,738,336	1,771,141
Total OPEB liability - ending (a)	\$ 18,266,067	\$ 1,809,083

Plan fiduciary net position		
Contributions - employer	\$ 850,513	\$ 21,474
Contributions - member	147,572	57,687
Contributions - nonmember	-	14,420
Net investment income	185,773	7,569
Benefit payments	(626,743)	(52,458)
Administrative expense	-	(142)
Other	(129,809)	(373)
Net change in plan fiduciary net position	427,306	48,177
Plan fiduciary net position - beginning	\$ 2,240,137	\$ 167,556
Plan fiduciary net position - ending (b)	\$ 2,667,443	\$ 215,733
Net OPEB liability - ending (a)-(b)	\$ 15,598,624	\$ 1,593,350

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 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 seven municipalities participating in the plan with a total membership of 671 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			
	Retired Teacher Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	State Employee OPEB Plan	Total
Assets				
Current:				
Cash and Cash Equivalents	\$ 256,624	\$ 175	\$ 240,480	\$ 497,279
Receivables:				
From Other Funds	2,262	-	-	2,262
Interest	-	6	-	6
Investments	-	53,559	2,919,371	2,972,930
Securities Lending Collateral	-	5,444	294,961	300,405
Total Assets	<u>\$ 258,886</u>	<u>\$ 59,184</u>	<u>\$ 3,454,812</u>	<u>\$ 3,772,882</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 533	\$ -	\$ 20,830	\$ 21,363
Securities Lending Obligation	-	5,444	294,961	300,405
Total Liabilities	<u>\$ 533</u>	<u>\$ 5,444</u>	<u>\$ 315,791</u>	<u>\$ 321,768</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 258,353	\$ 53,740	\$ 3,139,021	\$ 3,451,114
Total Net Position	<u>\$ 258,353</u>	<u>\$ 53,740</u>	<u>\$ 3,139,021</u>	<u>\$ 3,451,114</u>

	Statement of Changes in Fiduciary Net Position			
	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	State Employees' OPEB Plan	Total
Additions				
Contributions:				
Plan Members	\$ 105,212	\$ 723	\$ 113,712	\$ 219,647
State	21,765	-	769,873	791,638
Municipalities	-	939	-	939
Total Contributions	126,977	1,662	883,585	1,012,224
Investment Income (loss)	12,939	5,894	313,427	332,260
Less: Investment Expenses	-	(406)	(21,827)	(22,233)
Net Investment Income	12,939	5,488	291,600	310,027
Transfer In	-	-	12,909	12,909
Other	-	9	-	9
Total Additions	139,916	7,159	1,188,094	1,335,169
Deductions				
Administrative Expense	54,448	-	-	54,448
Benefit Payments and Refunds	42,848	1,404	579,768	624,020
Other	-	3	136,748	136,751
Total Deductions	97,296	1,407	716,516	815,219
Changes in Net Position	42,620	5,752	471,578	519,950
Net Position Held in Trust For Pension and Other Employee Benefits				
Beginning of Year	215,733	47,988	2,667,443	2,931,164
End of Year	<u>\$ 258,353</u>	<u>\$ 53,740</u>	<u>\$ 3,139,021</u>	<u>\$ 3,451,114</u>

Note 15**Leases, Subscription-Based Information Technology Agreements, and Private-Public Partnerships*****State as Lessor***

The State leases buildings, space, land, and equipment to private individuals. The State reported leases receivable and related deferred inflows of resources, lease revenues, and interest revenues related to leases as of June 30, 2024 is as follows (amounts in thousands):

Classification	Lease Receivable	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
Business-Type Activities	\$ 6,072	\$ 6,509	\$ 2,741	\$ 215
Component Units	\$ 173,541	\$ 162,583	\$ 10,731	\$ 6,823

Future principal and interest payment requirements in relation to the State's lease receivable as of June 30, 2024 were as follows (amounts in thousands):

Fiscal Year(s)	Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest
2025	\$ 2,713	\$ 114	\$ 10,392	\$ 6,480
2026	505	64	9,668	6,198
2027	502	52	9,403	5,919
2028	456	41	9,622	5,632
2029	1,236	31	9,973	6,330
2030 to 2034	263	121	51,771	21,897
2035 to 2039	218	62	35,236	13,633
2040 to 2044	151	27	31,597	4,814
2045 to 2049	28	1	1,817	1,246
2050 to 2054	-	-	2,547	703
2055 to 2059	-	-	1,515	97
Total	<u>\$ 6,072</u>	<u>\$ 513</u>	<u>\$ 173,541</u>	<u>\$ 72,949</u>

There are no significant leases with options for the lessee to terminate the lease or abate payments if the State issues debt for which the principal and interest payments are secured by the lease payments. There are no significant leases of assets that are held as investments; no significant regulated leases; and no leasing of assets to other entities considered to be a principal and ongoing operation of the State.

State as Lessee

The State leases office space, buildings, land, and equipment. Lease assets and accumulated amortization as of June 30, 2024 are as follows (amounts in thousands):

Classification	Net Asset Balance	Accumulated Amortization	Gross Asset Balance
Governmental Activities	\$ 57,882	\$ 40,194	\$ 98,076
Business-Type Activities	\$ 206,261	\$ 53,561	\$ 259,822
Component Units	\$ 22,564	\$ 4,834	\$ 27,398

For the purposes of the present value calculation, the State uses the incremental discount rate based on the interest rate it would pay to borrow lease payments during the lease term. The discount rates applicable to the lease agreements ranged from 0.6 to 5.0 percent.

The following table presents lease principal and interest payments to maturity (amounts in thousands):

Fiscal Year(s)	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 15,399	\$ 197	\$ 13,899	\$ 7,026	\$ 713	\$ 1,199
2026	11,582	149	13,316	6,509	1,167	1,212
2027	8,682	111	11,890	6,039	1,168	1,171
2028	6,606	82	10,294	5,551	1,216	1,151
2029	5,451	58	8,580	5,158	1,315	1,128
2030 to 2034	9,628	82	34,271	21,561	17,238	13,344
2035 to 2039	1,046	8	20,438	16,271	-	-
2040 to 2044	77	-	17,704	12,629	-	-
2045 to 2049	-	-	15,422	9,874	-	-
2050 to 2054	-	-	19,317	7,451	-	-
2055 to 2059	-	-	24,482	4,345	-	-
2060 to 2064	-	-	17,873	820	-	-
Total	<u>\$ 58,471</u>	<u>\$ 687</u>	<u>\$ 207,486</u>	<u>\$ 103,234</u>	<u>\$ 22,817</u>	<u>\$ 19,205</u>

There are no significant residual payments excluded from the measurement of the lease liabilities. There are no significant outflows of resources recognized in fiscal year 2024 for residual payments, including residual value guarantees or termination penalties. There were no significant commitments under leases that existed before the commencement of the lease term; no significant losses associated with impairments; no significant sublease or sale-leaseback/lease-leaseback transactions; and no significant collateral as security.

Subscription-Based Information Technology Agreements (SBITAs)

The State entered into various SBITAs that convey control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. SBITAs entered into, or in place, during the fiscal year include various desktop and server software subscriptions; budgeting, accounting, and information system software; and document management software. SBITA right-to-use assets and accumulated amortization as of June 30, 2024, are as follows (amounts in thousands):

Classification	Net Asset Balance	Accumulated Amortization	Gross Asset
Governmental Activities	\$ 29,169	\$ 23,516	\$ 52,685
Business-Type Activities	\$ 54,908	\$ 61,240	\$ 116,148
Component Units	\$ 970	\$ 970	\$ 1,940

Future principal and interest payment requirements in relation to the State of Connecticut's SBITAs as of June 30, 2024 are as follows (amounts in thousands):

Fiscal Year(s)	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 13,914	\$ 1,212	\$ 21,735	\$ 2,233	\$ 647	\$ -
2026	14,449	487	12,079	1,395	323	-
2027	818	82	7,172	867	-	-
2028	35	74	5,028	539	-	-
2029	37	72	2,406	358	-	-
2030 to 2034	212	332	4,519	399	-	-
2035 to 2039	272	273	-	-	-	-
2040 to 2044	349	196	-	-	-	-
2045 to 2049	447	111	-	-	-	-
2050 to 2054	158	6	-	-	-	-
2055 to 2059	-	-	-	-	-	-
2060 to 2064	-	-	-	-	-	-
2065 to 2069	-	-	-	-	-	-
Total	<u>\$ 30,691</u>	<u>\$ 2,845</u>	<u>\$ 52,939</u>	<u>\$ 5,791</u>	<u>\$ 970</u>	<u>\$ -</u>

Public-Private Partnerships (PPPs)*Connecticut Department of Transportation*

The State, acting by and through the Connecticut Department of Transportation (DOT), entered into a concession agreement with Project Service LLC to operate the 23 Service Areas along roadways of Connecticut to meet the needs of the travel public. The contract commenced in 2009 and runs through December 2044. The contract requires Minimum Annual Guaranteed Payments and Participation Payments on Gross Receipts and Gallons of Fuel Sold. DOT maintains title of all real property at each service area together with all fuel service equipment. The agreement granted Project Service LLC the exclusive right to use, operate, manage and maintain the facilities for the permitted use.

Utilizing an incremental borrowing interest rate of 5.0 percent, the State reported net present value receivables and related deferred inflows of resources, lease revenue, and interest revenues related to public-private partnership receivables as of June 30, 2024 as follows (amounts in thousands):

Classification	PPP Installment Receivable	Deferred Inflow of Resources	PPP Revenue	PPP Interest Revenue
Transportation and Governmental Activities	\$ 45,693	\$ 42,109	\$ 2,005	\$ 2,282

Future principal and interest payments requirements in relation to the State's public-private partnerships receivables as of June 30, 2024 are as follows (amounts in thousands):

Fiscal Year(s)	Principal	Interest
2025	\$ 729	\$ 2,271
2026	765	2,235
2027	803	2,197
2028	843	2,157
2029	885	2,115
2030 to 2034	7,892	9,608
2035 to 2039	12,820	7,180
2040 to 2044	19,100	3,400
2045 to 2049	1,856	92
Total	<u>\$ 45,693</u>	<u>\$ 31,255</u>

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, 2024 (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities					
Bonds:					
General Obligation	\$ 17,622,398	\$ 1,634,235	\$ 2,324,952	\$ 16,931,681	\$ 1,666,372
Direct Borrowings and Direct Placements	246,845	-	15,790	231,055	15,790
Transportation	7,450,865	1,224,005	814,860	7,860,010	463,205
	25,320,108	2,858,240	3,155,602	25,022,746	2,145,367
Plus (Less) Premiums	2,533,691	223,333	259,957	2,497,067	255,520
Total Bonds	27,853,799	3,081,573	3,415,559	27,519,813	2,400,887
Other Long-Term Liabilities: ¹					
Net Pension Liability (Note 10)	40,357,050	7,507,841	10,015,604	37,849,287	-
Net OPEB Liability (Note 13)	16,901,786	2,429,877	2,358,985	16,972,678	-
Compensated Absences	561,100	17,376	826	577,650	19,359
Workers' Compensation	816,521	9,738	19,640	806,619	22,422
Lease Liabilities	64,918	9,171	15,618	58,471	15,399
Subscription Liabilities	30,825	12,294	12,428	30,691	13,914
Claims and Judgments	38,665	6,278	12,624	32,319	9,290
Landfill Post Closure Care	24,718	-	2,415	22,303	2,415
Contracts Payable & Other	705	-	-	705	-
Non-exchange Financial Guarantees	371,220	-	33,840	337,380	31,430
Total Other Liabilities	59,167,508	9,992,575	12,471,980	56,688,103	114,229
Governmental Activities Long-Term Liabilities	\$ 87,021,307	\$ 13,074,148	\$ 15,887,539	\$ 84,207,916	\$ 2,515,116
¹ In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	\$ 1,183,300	\$ 97,140	\$ 82,815	\$ 1,197,625	\$ 83,405
Plus/(Less) Premiums and Discounts	129,590	3,856	11,547	121,899	1,132
Total Revenue Bonds	1,312,890	100,996	94,362	1,319,524	84,537
Compensated Absences	196,116	53,493	49,069	200,540	60,514
Federal Loan	4,101	374	845	3,630	729
Lease Liabilities	180,921	39,612	13,047	207,486	13,899
Subscription Liabilities	59,856	19,237	26,154	52,939	21,735
Other	287,394	11,605	73,968	225,031	25,534
Total Other Liabilities	728,388	124,321	163,083	689,626	122,411
Business-Type Long-Term Liabilities	\$ 2,041,278	\$ 225,317	\$ 257,445	\$ 2,009,150	\$ 206,948
Primary Government Long-Term Liabilities	\$ 89,062,585	\$ 13,299,465	\$ 16,144,984	\$ 86,217,066	\$ 2,722,064

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$21.8 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, 2024, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2024	Amounts Due within Year
Bonds Payable (includes premiums/ discounts)	\$ 5,378,980	\$ 388,421
Escrow Deposits	298,836	135,026
Annuities Payable	116,749	4,447
Rate Swap Liability	-	-
Net Pension Liability	161,054	-
Net Post Employment Liability	219,296	-
Lease Liability	22,104	713
Subscription Liability	970	647
Other	33,376	859
Total	<u>\$ 6,231,365</u>	<u>\$ 530,113</u>

Some component units report OPEB liabilities with adjustments from what the State reports; therefore, the notes show a higher liability for OPEB of \$5.5 million 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 \$2,414.6 million in fiscal year 2024.

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.

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, 2024, were as follows (amounts in thousands):

Purpose of Bonds	Final Dates	Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2025 to 2043	0.5 to 5.6%	\$ 3,744,924	\$ 869,931
School Construction	2025 to 2043	2.0 to 5.6%	4,347,930	168,000
Municipal & Other				
Grants & Loans	2025 to 2036	0.3 to 5.6%	2,974,274	1,743,843
Housing Assistance	2025 to 2035	1.9 to 5.4%	794,057	705,663
Elimination of Water Pollution	2025 to 2038	3.0 to 5.1%	347,225	34
General Obligation Refunding	2025 to 2038	1.5 to 5.0%	2,703,155	-
Pension Obligation	2025 to 2032	5.7 to 6.3%	1,908,977	-
Miscellaneous	2025 to 2034	3.5 to 5.0%	31,571	5,000
			16,852,113	\$ 3,492,471
Accretion-Various Capital Appreciation Bonds			79,568	
Total			\$ 16,931,681	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding as June 30, 2024, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,666,372	\$ 844,717	\$ 2,511,089
2026	1,642,395	688,782	2,331,177
2027	1,597,785	613,775	2,211,560
2028	1,517,155	538,896	2,056,051
2029	1,490,285	467,130	1,957,415
2030 to 2034	5,744,435	1,357,401	7,101,836
2035 to 2039	2,417,475	418,789	2,836,264
2040 to 2044	776,211	71,367	847,578
Total	\$ 16,852,113	\$ 5,000,857	\$ 21,852,970

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, 2024 is as follows (amounts in thousands):

Type of debt	Final Maturity Dates	Original Interest Rates	Amount Outstanding
Direct Placements	2037	2.5%	\$ 231,055

Future amounts required to pay principal and interest on direct borrowings and direct placements outstanding as June 30, 2024 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2025	\$ 15,790	\$ 8,341	\$ 24,131
2026	15,790	7,782	23,572
2027	15,790	7,211	23,001
2028	42,500	6,649	49,149
2029	15,790	5,097	20,887
2030 to 2034	91,445	14,637	106,082
2035 to 2039	33,950	2,212	36,162
Total	\$ 231,055	\$ 51,929	\$ 282,984

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 0.37 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 0.06 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 1.0 percent). For example, at the end of fiscal year 2024, the calculated rate was 6.0 percent, based on the terms of the agreement. The standby bond purchase agreement expires on June 12, 2025. The agreement could be terminated at an earlier date if certain termination events described in the agreement were to occur. As of June 30, 2024, the amount of demand bonds outstanding was \$229.5 million. 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 Outstanding	Principal	Interest	Total Debt Service	Ending Bank Bonds Outstanding
First	\$ 229,475,000	\$ 80,488,333	\$ 12,676,913	\$ 93,165,246	\$ 148,986,667
Second	148,986,667	80,488,333	7,847,613	88,335,946	68,498,334
Third	68,498,334	68,498,334	3,018,313	71,516,647	-

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, 2024, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure				
Improvements	2030 to 2044	1.8 to 5.7%	\$ 6,957,855	\$ 6,100,000
STO Refunding	2026 to 2035	2.0 to 5.0%	902,155	-
			7,860,010	\$ 6,100,000
Accretion-Various Capital Appreciation Bonds			-	
		Total	\$ 7,860,010	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2024, were as follows (amounts in thousands):

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

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, 2024, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding
UConn	2025 to 2054	3.0 to 5.5%	\$ 271,540
Board of Regents	2025 to 2040	0.4 to 5.0%	257,955
Clean Water	2025 to 2039	1.0 to 5.0%	555,300
Drinking Water	2025 to 2039	1.0 to 5.0%	112,830
Total Revenue Bonds			<u>1,197,625</u>
Plus/ (Less) premiums and discounts:			
UConn			19,318
Board of Regents			9,063
Clean Water			75,414
Drinking Water			18,104
Revenue Bonds, net			<u>\$ 1,319,524</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, 2024, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2025	\$ 83,405	\$ 52,931	\$ 136,336
2026	89,500	49,028	138,528
2027	82,915	44,935	127,850
2028	76,910	41,226	118,136
2029	89,005	37,755	126,760
2030 to 2034	393,455	135,489	528,944
2035 to 2039	245,385	62,656	308,041
2040 to 2044	54,430	28,543	82,973
2045 to 2049	54,490	14,254	68,744
2050 to 2054	28,130	4,038	32,168
Total	<u>\$ 1,197,625</u>	<u>\$ 470,855</u>	<u>\$ 1,668,480</u>

c. Component Units

Component Units' revenue bonds and notes outstanding as June 30, 2024, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding
CT Housing Finance Authority	2024 to 2066	0.0 to 6.3%	\$ 4,774,736
CT Student Loan Foundation	2046	0.01 to 1.7%	55,475
CT Higher Education Supplemental Loan Authority	2035 to 2040	3.3 to 5.0%	161,285
CT Airport Authority	2024 to 2054	2.8 to 5.0%	214,375
CT Regional Development Authority	2024 to 2034	1.0 to 5.0%	54,555
CT Green Bank	2024 to 2038	0.2 to 7.0%	62,361
Total Revenue Bonds			<u>5,322,787</u>
Plus/(Less) premiums and discounts:			
CHFA			47,152
CSLF			(73)
CHESLA			5,251
CAA			2,752
CT Green Bank			(45)
CRDA			1,156
Revenue Bonds, net			<u>\$ 5,378,980</u>

Revenue bonds and notes issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds and notes 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, 2023, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$4.66 billion, \$59.0 million, and \$53.6 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 \$363.8 million per the resolution and \$5.0 million per the indenture as December 31, 2023. As of December 31, 2023, the Authority has entered into interest rate swap agreements for \$924.8 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.

Notes to the Financial Statements**State of Connecticut****June 30, 2024**

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding as June 30, 2024, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2025	\$ 211,041	\$ 183,493	\$ 394,534
2026	204,334	182,124	386,458
2027	209,205	175,384	384,589
2028	199,994	168,439	368,433
2029	206,538	161,512	368,050
2030 to 2034	1,100,662	697,584	1,798,246
2035 to 2039	984,472	514,538	1,499,010
2040 to 2044	789,082	356,589	1,145,671
2045 to 2049	909,210	196,096	1,105,306
2050 to 2054	419,799	62,323	482,122
2055 to 2059	55,860	13,701	69,561
2060 to 2064	26,025	3,726	29,751
2065 to 2069	6,565	433	6,998
	<u>\$ 5,322,787</u>	<u>\$ 2,715,942</u>	<u>\$ 8,038,729</u>

Conduit Debt

As of June 30, 2024, the Connecticut Health and Educational Facilities Authority had total outstanding principal balances of special obligation bonds of \$8.7 billion. The bonds are issued on behalf of institution to finance the construction of various health and education facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA. Therefore, these bonds are not reported with CHEFA's statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows (amounts in thousands):

Program	Principal Balance
Childcare	\$ 33,617
Connecticut State University System	257,955
Higher Education	4,659,524
Hospitals	2,132,374
Social and Other	439,149
Independent Schools	756,482
Senior Living	427,182
Total	<u>\$ 8,706,283</u>

Under terms of the agreement between CHEFA and its borrowers, any costs associated with litigation related to bond issuance are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements.

CHEFA also had a total of \$4.48 billion of principal outstanding in relation to the EZ Loan program, all of which is within the hospital sector. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA. Therefore, these loans are not reported within CHEFA's statement of net position.

As of December 31, 2023, the Connecticut Housing and Finance Authority had total outstanding principal balances of conduit debt obligations of \$81.4 million. The programs that comprise the total outstanding conduit debt are as follows (amounts in thousands):

Program	Principal Balance
Multifamily Housing Revenue Bonds	\$ 24,941
Multifamily Housing Revenue Notes	2,786
State-Supported Special Obligation Bonds	53,625
Total	<u>\$ 81,352</u>

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, 2024 were \$225.4 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, 2024, were \$8,706.3 million, of which \$258.0 million was secured by special capital reserve funds.

d. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of \$658.7 million at an average coupon interest rate of 3.3 percent to refund \$713.0 million of General Obligation and Special Tax Obligation bonds. The State reduced its fund level debt service payments by \$61.7 million over the next six years.

Upon the issuance of the refunding bonds, 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 and used to purchase U.S. Treasury Obligations and 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 began making contract assistance payments for the City of Hartford's then outstanding \$540.0 million general obligation debt. During fiscal year 2024, the State of Connecticut has paid \$33.8 million in principal and \$16.0 million in interest on the guarantee.

The liability recognized for nonexchange financial guarantees by the State at June 30, 2024 is as follows (amounts in thousands):

Beginning of Year	Increases	Decreases	End of Year
\$ 371,220	\$ -	\$ 33,840	\$ 337,380

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 \$100,000. 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 \$25.0 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 identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined estimates that incorporate UConn Health's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. 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):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-22	\$ 813,349	\$ 42,458
Incurred claims	36,508	14,097
Paid claims	(33,336)	(6,848)
Balance 6-30-23	816,521	49,707
Incurred claims	9,738	10,000
Paid claims	(19,640)	(49,509)
Balance 6-30-24	\$ 806,619	\$ 10,198

Note 19

Interfund Receivables and Payables

Interfund receivable and payable balances as June 30, 2024, were as follows (amounts in thousands):

	Balance due to fund(s)											
			Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn/ UConn Health	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	Total
	General	Transportation										
<u>Balance due from fund(s)</u>												
General	\$ -	\$ -	\$ -	\$ -	\$ 1,065	\$ 1,312	\$ 23,746	\$ 2,189	\$ 8,581	\$ 930,270	\$ 13	\$ 967,176
Debt Service	-	7,225	-	-	-	-	-	-	-	-	-	7,225
Restricted Grants and Accounts	3,587	-	-	-	-	-	-	-	-	-	6,886	10,473
Grant and Loan Programs	23	-	-	-	-	-	-	-	-	-	-	23
Other Governmental	3,177	-	-	-	7,841	5,062	61,673	-	-	-	-	77,753
UConn/ UConn Health	24,201	-	-	-	-	-	-	-	-	-	-	24,201
Board of Regents	347	-	-	-	-	-	-	-	-	-	-	347
Employment Security	-	-	-	-	310	-	-	-	-	-	-	310
Clean Water	-	-	-	-	7,895	-	-	-	-	-	-	7,895
Other Proprietary	-	-	-	-	10,480	-	-	-	-	-	-	10,480
Internal Services	35,942	-	-	-	-	-	-	-	-	-	-	35,942
Fiduciary	-	-	-	-	-	-	-	-	-	-	-	-
Component Units	70,256	-	-	-	-	-	-	-	-	-	-	70,256
Total	\$ 137,533	\$ 7,225	\$ -	\$ -	\$ 27,591	\$ 6,374	\$ 85,419	\$ 2,189	\$ 8,581	\$ 930,270	\$ 6,899	\$ 1,212,081

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, 2024, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)													Total
				Restricted Grants and Accounts	Grants and Loans	Other Governmental	UConn/ UConn Health	Board of Regents	Clean Water and Drinking Water	Employment Security	Component Units	Fiduciary Funds		
	General	Debt Service	Transportation											
Amount transferred from fund(s)														
General	\$ 764,551	\$ 44,782	\$ 28,239	\$ -	\$ -	\$ 1	\$ 596,065	\$ 434,323	\$ -	\$ -	\$ 464	\$ 412,409	\$ 2,280,834	
Debt Service	-	-	60,299	-	-	-	-	-	-	-	-	-	60,299	
Transportation	-	868,250	-	-	-	-	-	-	-	-	-	-	868,250	
Restricted Grants & Accounts	68	-	-	-	-	-	-	-	-	-	-	-	68	
Grants and Loans	-	-	-	20,341	-	47,194	-	-	-	-	-	-	67,535	
Other Governmental	680,875	-	-	78,086	-	156,365	42,000	64,071	3,035	-	-	-	1,024,432	
UConn/ UConn Health	-	-	-	-	-	-	-	-	-	-	-	-	-	
Board of Regents	-	-	-	-	-	-	-	-	-	-	-	-	-	
Clean Water and Drinking Water	-	-	-	-	-	200	-	-	-	-	-	-	200	
Employment Security	4,370	-	-	-	-	4,784	-	-	-	-	-	-	9,154	
Component Units	-	-	-	-	-	-	-	-	-	-	-	268	268	
Fiduciary Funds	-	-	-	-	-	-	-	-	-	-	-	12,909	12,909	
Total	\$ 1,449,864	\$ 913,032	\$ 88,538	\$ 98,427	\$ -	\$ 208,544	\$ 638,065	\$ 498,394	\$ 3,035	\$ -	\$ 464	\$ 425,586	\$ 4,323,949	

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*****Fund Balance – Restricted and Assigned***

As of June 30, 2024, restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	\$ 231,870	\$ -
Environmental Programs	72,361	-
Housing Programs	745,950	-
Employment Security Administration	65,514	-
Banking	55,879	-
Other	117,860	65,085
Total	<u>\$ 1,289,434</u>	<u>\$ 65,085</u>

Restricted Net Position

As of June 30, 2024, the government-wide statement of net position reported \$8,083.7 million of restricted net position, of which \$1,362.9 million was restricted by enabling legislation.

During the fiscal year ended June 30, 2024, the Capital Region Development Authority (CRDA), a component unit of the State, determined that pension and OPEB liabilities and related deferred inflows and outflows were not reported in prior years. CRDA restated its fiscal year 2023 statements to account for this, which impacted the beginning fund balance for fiscal year 2024. Additional information can be found in CRDA's stand-alone statement.

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 \$100,000, but not more than \$500,000, 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 \$500,000, but not more than \$1.0 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 \$1.0 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 50.0 percent of principal filming days within the state, or (2) expends not less than 50.0 percent of postproduction costs within the state, or (3) expends not less than \$1.0 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 90 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, 0.0 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 \$100.0 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 \$950.0 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 \$5.0 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 \$2.0 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than \$60.0 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, 0.0 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, 10.0 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, 20.0 percent. The sum of all tax credits shall not exceed \$15.0 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 \$30.0 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 25.0 percent of its total work force in new jobs. The maximum allowed credit shall be \$350.0 million in total and \$40.0 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 100.0 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 60.0 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 75.0 percent of whom are at an income level not exceeding 150.0 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 \$5.0 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.

Housing Program Contributions

A tax credit administered by the Connecticut Housing Finance Authority is available for business firms making cash contributions to housing programs developed, sponsored, or managed by a nonprofit corporation, which benefit low and moderate income persons or families. No credit may be claimed before the Connecticut Housing Finance Authority 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 amount specified by the Connecticut Housing Finance Authority in the tax credit voucher. No tax credit shall be granted to any business firm for any individual amount contributed of less than \$250. The tax credit may be carried forward or backward for the five immediately succeeding or preceding income years until the full credit has been allowed.

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 25.0 percent 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 25.0 percent of the projected certified rehabilitation expenditures or 25.0 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 30.0 percent of the projected certified rehabilitation expenditures or 30.0 percent of the actual qualified rehabilitation expenditures. The maximum tax credit allowed for any project shall not exceed \$5.0 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 25.0 percent of the total qualified rehabilitation expenditures. The tax credit increases to 30.0 percent of the total qualified rehabilitation expenditures if the project includes a component with at least 20.0 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.

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(c) 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 \$100.0 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 1.0 percent of the annual research and development expenses paid or incurred, where these expenses equal \$50.0 million or less, to 6.0 percent when expense exceed \$200.0 million.

Qualified small business may exchange unused amounts of this credit with the state for a cash payment of 65.0 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.

Manufacturing Facility Credit

Beginning January 1, 2018, no applications have been accepted for this program, no credits will be reserved under this program. Only those companies that first claimed the credit on a return for an income year beginning before 2018 may continue to claim the credit.

A tax credit administered by the Department of Economic and Community Development is available to businesses for qualified expenditures relating to operating a manufacturing facility, which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. No credit may be claimed without certification from the Department of Economic and Community Development. Corporations may claim this credit for ten years beginning with the first year following the year of certification. This tax credit can be used to offset the taxes imposed under Chapter 208 of the Connecticut General Statutes.

The tax credit is equal to the 15.0 percent of the tax imposed under Chapter 208 if there are between 300 and 599 new employees working at such facility; 20.0 percent if there are between 600 and 899 new employees working at such facility; 25.0 percent if there are between 900 and 1199 new employees working at such facility; 30.0 percent if there are between 1,200 and 1,499 new employees working at such facility; 40.0 percent if there are between 1,500 and 1,999 new employees working at such facility; or 50.0% if there are 2,000 or more new employees working at such facility. No credit shall be allowed without an eligibility certificate with respect to the manufacturing facility, service facility or eligible facility being occupied issued by the Department of Economic and Community Development.

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 6/30/2024)</i>	\$ 56,669,408
<i>Insurance Companies (as of 6/30/2024)</i>	\$ 49,580,403
<i>Public Service Tax (as of 6/30/2024)</i>	\$ 8,080,206
The Urban and Industrial Sites Reinvestment Tax Program	
<i>Corporate Income Tax (as of 6/30/2024)</i>	\$ 6,577,323
<i>Insurance Companies (as of 6/30/2024)</i>	\$ 451,486
<i>Public Service Tax (as of 6/30/2024)</i>	\$ 1,846,267
The Insurance Reinvestment Fund Program	
<i>Insurance Companies (as of 6/30/2024)</i>	\$ 29,925,550
The Connecticut Neighborhood Assistance Act Credit Program	
<i>Corporate Income Tax (as of 6/30/2024)</i>	\$ 1,694,409
<i>Insurance Companies (as of 6/30/2024)</i>	\$ 830,609
<i>Public Service Tax (as of 6/30/2024)</i>	\$ 5,073,046
Housing Program Contribution	
<i>Corporate Income Tax (as of 6/30/2024)</i>	\$ 106,759
<i>Public Service Tax (as of 6/30/2024)</i>	\$ 10,000,000
Historic Rehabilitation	
<i>Insurance Companies Tax (as of 6/30/2024)</i>	\$ 2,860,876
<i>Public Service Tax (as of 6/30/2024)</i>	\$ 13,861,055
Research and Development Expenditures	
<i>Corporate Income Tax (as of 6/30/2024)</i>	\$ 47,859,218
Manufacturing Facility Credit	
<i>Corporate Income Tax (as of 6/30/2024)</i>	\$ 512,338

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.

Additionally, the University of Connecticut reported a \$144,000 liability related to the University's 90-day storage facility for hazardous waste. The University paid this amount to close a similar facility in the past, and considers this to be a reasonable estimate to close this facility, which has an estimated useful life of 40 years beginning January 1, 2017.

The University of Connecticut also has an asset retirement obligation related to the closure of its Wastewater Treatment Facility that is not yet recognized because it cannot be reasonably estimated.

Note 24

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, 2024, the State had contractual commitments as follows (amounts in millions):

Infrastructure & Other Transportation Programs	\$	2,741
Construction Programs	\$	199
School Construction and Alteration Grant Program	\$	4,158
Clean and Drinking Water Loan Programs	\$	694
Various Programs and Services	\$	4,578

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2023, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$389.6 million.

b. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management 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, 2024, the State reported an escheat liability of \$586.1 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 \$202.3 million 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 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 exceed \$50.0 million.

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. 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 \$50.0 million or more.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned or do petition the Federal Government for federal acknowledgement. In any of the land claims matters, irrespective of whether federal acknowledgement is granted, denied or upheld, a particular group could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal acknowledgement of tribes under relaxed standards. On January 14, 2025, the BIA announced a final rule which went into effect February 14, 2025 that lifts the prior ban against re-petitioning and creates a conditional, time-limited opportunity for previously denied petitioners such as the Schaghticoke Tribal Nation ("STN"), the Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek acknowledgement under the new regulations. However, courts in litigation with other tribes have held that the prohibition on re-petitioning is invalid. In 2022, the BIA promulgated new rulemaking on this issue to address the district courts' concerns and bolster the long-standing prohibition on re-petitioning. The State is reviewing the final rule and any potential implications to pending matters, as well as any previously litigated matters involving tribes who failed to obtain federal recognition.

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

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 seeking 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. The parties reached a final settlement of approximately \$2.5 million which was approved by the court and is awaiting approval of the General Assembly.

Note 25

COVID-19 Pandemic

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut because of the COVID-19 outbreak. By agreement with the General Assembly, the declaration expired February 15, 2022.

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

On March 11, 2021, the United States Congress enacted the American Rescue Plan Act of 2021 (ARPA) 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 ARPA 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 State's expenditures of these federal funds are subject to audit by the federal government to ensure they were spent in accordance with the CARES Act and ARP Act.

Note 26

Opioid Settlements

The State of Connecticut has participated and continues to participate in opioids litigation and negotiation in matters brought by states and local political subdivisions against multiple companies to resolve legal claims related to the companies' role in the opioid crisis.

In fiscal year 2024, Connecticut received \$28.7 million of approximately \$240.0 million total as part of a nationwide settlement with the three largest pharmaceutical companies: McKesson, Cardinal Health and AmerisourceBergen. Connecticut will receive the remainder in subsequent fiscal years.

Connecticut also received \$451,654 of Connecticut's total share of \$59.0 million settlement as part of a nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc., and its parent company Johnson and Johnson. Connecticut will receive the remainder in subsequent fiscal years.

Additionally, the State received \$47.3 million of Connecticut's total share of approximately \$162.0 million settlement as part of a nationwide settlement with pharmacies (CVS, Walgreens, and Walmart) as well as Teva and Allergan.

Finally, the State received \$2.3 million as part of a nationwide settlement with Mallinkrodt Pharmaceuticals.

Pending and future opioid negotiations and litigation will likely result in additional settlements, and each agreement or judgement will likely have unique terms governing payment amounts, timing, and duration. These payments must be used to support any of a wide variety of strategies to fight the opioid crisis. Fifteen percent of each settlement payment amount allocated to Connecticut (as described above) is paid directly to cities and towns by the settlement administrator, with the remaining 85.0 percent paid to the state by the administrator. Actual amounts paid will be dependent on a number of factors, including participation by states and municipalities and companies' continuing ability to pay.

Note 27

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, 2023.

In September and December of 2024, the State made transfers in the amount of \$608.2 million and \$325 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 (TRF). This transfer was the result of the Budget Reserve Fund exceeding the statutory cap of 18.0 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 18.0 percent threshold as an additional contribution to SERF or to TRF. The State Treasurer determined this year to transfer \$514.0 million to SERF and \$419.2 million to TRF.

In August 2024, the State issued \$214.2 million of General Obligation Series E refunding bonds. The bonds were issued for the purpose of refunding the principal amount of all or a portion of outstanding General Obligation Bonds. The bonds mature between 2025 and 2034, and bear an interest rate of 5.0 percent.

In October 2024, the State issued \$936.7 million of General Obligation Bonds; \$560.0 million Series F, \$240.0 million Series G (Social Bonds), and \$136.7 million Series H refunding bonds. The Series F bonds were issues for various projects in the State, the Series G bonds were issued for various education-related projects and purposes, and the Series H refunding bonds were issued for the purpose of refunding the principal amount of all or a portion of outstanding General Obligation Bonds. The bonds mature between 2025 and 2044, and bear interest rates between 3.0 and 5.0 percent.

In December 2024, the State issued \$1.4 billion of Special Tax Obligation Bonds; \$231.2 million Series A-1, \$768.8 million Series A-2, and \$375.3 million Series B. The bonds were issued for various transportation infrastructure projects. The bonds mature between 2025 and 2045, and bear an interest rate of 5.0 percent.

In January 2025, during the close-out and winding down of the American Rescue Plan Act (ARPA) program, the State identified \$273.9 million in interested earnings that had been directed to its Interest Credit Program Accounts. In accordance with the Federal program regulations, the

State determined in 2025 to transfer such balance to the General Fund.

On February 10, 2024, the Connecticut Health and Educational Facilities Authority remarketed \$150.0 million Yale University Issues Series 2010A-4 Revenue Bonds; consisting of \$75.0 million Series 2010A-4-1, and \$75.0 million Series 2010A-4-2. The bonds were issued for various capital projects. The bonds mature in 2049 and bear a daily interest rate.

On February 10, 2024, the Connecticut Health and Educational Facilities Authority remarketed \$219.7 million Yale University Issue Series U Revenue Bonds. The bonds were issued for various capital projects. The bonds mature in 2023 and bear an interest rate of 5.0 percent.

On January 31, 2025, the Connecticut Health and Educational Facilities Authority issued \$7.5 million Fairview Issue Series 2025A Revenue Bond Anticipation Notes with a closing date of February 13, 2025.

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 March 12, 2024, CHFA issued \$197.2 million Series A Housing Mortgage Finance Program Bonds (Social Bonds). The bond proceeds along with other available monies, are expected to be used within 90 days of the date of issuance to refund and/or replace certain current and future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance.

On March 14, 2024, CHFA issued \$50.0 million Series B Housing Mortgage Finance Program Bonds (Social Bonds). The bond proceeds along with other available monies, are expected to be used within 90 days of the date of issuance to refund and/or replace certain current and future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance.

On May 23, 2024, CHFA issued \$246.6 million Series C Housing Mortgage Finance Program Bonds (Social Bonds), consisting of \$96.6 million Subseries C-1 and \$150.0 million Subseries C-2 term rate bonds. The bond proceeds along with other available monies, are expected to be used within 90 days of the date of issuance to refund and/or replace certain current and future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance.

On June 18, 2024, CHFA issued \$122.9 million Series D Housing Mortgage Finance Program Bonds (Sustainability Bonds), consisting of \$57.6 million Subseries D-1 and \$65.3 Subseries D-2 term rate bonds. The bond proceeds along with other available monies, are expected to be used to provide new monies for the financing of Multifamily Mortgage Loans and pay certain costs of issuance.

On September 24, 2024, CHFA issued \$188.8 million Series E Housing Mortgage Finance Program Bonds (Sustainability Bonds). The bond proceeds along with other available monies, are expected to be used in the case of 2024 Series E-1 Social bonds, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance. In the case of 2024 Subseries E-2 and 2024 Subseries E-3 Sustainability bonds, the monies are to be used for the financing of Multifamily Mortgage Loans and to pay certain cost of issuance.

On November 14, 2024, CHFA issued \$298.6 million Series F Housing Mortgage Finance Program Bonds (Social Bonds). The bond proceeds along with other available monies, are expected to be used within 90 days of the date of issuance to refund and/or replace certain current and future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance.

On February 6, 2025, CHFA issued \$300.0 million Series A Housing Mortgage Finance Program Bonds (Social Bonds), consisting of \$100.0 million Subseries A-1 and \$200.0 million Subseries A-2 serial rate bonds. The bond proceeds along with other available monies, are expected to be used within 90 days of the date of issuance to refund and/or replace certain current and future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, to provide new monies for the financing of Home Mortgage Loans and Agency Securities and to pay certain costs of issuance.

On February 25, 2025, CHFA issued \$121.0 million Series B Housing Mortgage Finance Program Bonds (Social Bonds). The bond proceeds along with other available monies, are expected to provide new monies for the financing of Multifamily Mortgage Loans and to pay certain costs of issuance.

Between April 2024 and June 2024, CHFA made unscheduled principal payments totaling \$234.4 million to pay down outstanding Special and Optional Bond Obligations, along with unscheduled redemptions of \$53.2 million on November 15, 2024 and \$30.7 million on February 15, 2025.



*REQUIRED
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

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, 2024

(Expressed in Thousands)

	General Fund				Transportation Fund			
	Budget		Actual	Variance with Final Budget positive (negative)	Budget		Actual	Variance with Final Budget positive (negative)
	Original	Final			Original	Final		
Revenues								
Budgeted:								
Taxes, Net of Refunds	\$ 19,982,100	\$ 20,403,700	\$ 20,496,631	\$ 92,931	\$ 1,923,400	\$ 1,896,800	\$ 1,872,533	\$ (24,267)
Indian Gaming Payments	283,700	305,700	305,655	(45)	-	-	-	-
Licenses, Permits, and Fees	356,500	369,500	368,570	(930)	123,700	141,200	142,213	1,013
Other	541,900	760,400	767,755	7,355	313,400	365,100	366,018	918
Federal Grants	1,867,800	2,067,100	2,060,692	(6,408)	9,200	9,300	9,321	21
Refunds of Payments	(85,700)	(85,700)	(85,660)	40	(3,600)	(11,700)	(11,681)	19
Operating Transfers In	514,900	481,600	481,748	148	-	-	37,666	37,666
Operating Transfers Out	-	-	-	-	(13,500)	(5,500)	(5,500)	-
Transfer to BRF - Volatility Adjustment	(683,200)	(1,313,500)	(1,321,350)	(7,850)	-	-	-	-
Transfer to/from the Resources of the General Fund	(272,700)	(382,800)	(357,911)	24,889	-	-	-	-
Total Revenues	22,505,300	22,606,000	22,716,130	110,130	2,352,600	2,395,200	2,410,570	15,370
Expenditures								
Budgeted:								
Legislative	102,291	97,191	89,523	7,668	-	-	-	-
General Government	647,316	585,463	506,828	78,635	-	-	-	-
Regulation and Protection	377,727	374,657	343,788	30,869	-	-	-	-
Conservation and Development	283,368	260,542	246,577	13,965	-	-	-	-
Health and Hospitals	2,337,276	2,321,740	2,285,272	36,468	-	-	-	-
Transportation	-	-	-	-	2,237,094	2,225,591	2,048,792	176,799
Human Services	4,567,684	4,719,692	4,675,936	43,756	-	-	-	-
Education, Libraries, and Museums	6,207,034	6,176,889	6,114,126	62,763	-	-	-	-
Corrections	1,509,690	1,520,019	1,502,814	17,205	-	-	-	-
Judicial	674,955	679,651	675,221	4,430	-	-	-	-
Non Functional	6,361,216	6,478,901	6,339,354	139,547	-	-	-	-
Total Expenditures	23,068,557	23,214,745	22,779,439	435,306	2,237,094	2,225,591	2,048,792	176,799
Appropriations Lapsed	133,857	108,897	-	(108,897)	12,000	29,631	-	(29,631)
Excess (Deficiency) of Revenues								
Over Expenditures	(429,400)	(499,848)	(63,309)	(434,073)	127,506	199,240	361,778	162,538
Other Financing Sources (Uses)								
Prior Year Appropriations Carried Forward	829,100	829,100	902,749	73,649	80,900	80,900	80,942	42
Appropriations Continued	-	-	(438,495)	(438,495)	-	-	(149,932)	(149,932)
Miscellaneous Adjustment	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	829,100	829,100	464,254	(364,846)	80,900	80,900	(68,990)	(149,890)
Net Change in Fund Balance	\$ 399,700	\$ 329,252	400,945	\$ (798,919)	\$ 208,406	\$ 280,140	292,788	\$ 12,648
Budgetary Fund Balances - July 1			1,677,179				758,675	
Changes in Reserves			(837,427)				69,864	
Budgetary Fund Balances - June 30			\$ 1,240,697				\$ 1,121,327	

The information about budgetary reporting is an integral part of this schedule.

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 3.0 percent of the fund or 5.0 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5.0 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 5.0 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.

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.

State of Connecticut

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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, 2024 (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	\$ 400,997	\$ 292,789
Volatility Deposit Budget Reserve Fund	1,320,000	-
Increase (Decrease) Statutory Surplus Reserve	205,000	-
Prior Year Transfer to SERS & TRS	(1,878,100)	-
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	2,630,313	48,207
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(2,100,227)	(49,480)
Salaries and Fringe Benefits Payable	70,461	(698)
Increase (Decrease) in Continuing Appropriations	(252,554)	68,989
Fund Redassification-Bus Operations	-	(541)
Net change in fund balances (GAAP basis)	<u>\$ 395,890</u>	<u>\$ 359,266</u>

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 Budget Reserve Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted.

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 2024, the cap was just over \$4.1 billion for estimated and final income tax payments and revenue from the Pass-through Entity tax. At year-end, a volatility transfer of \$1.3 billion was made to the Budget Reserve Fund.

Prior to the close of fiscal year 2024, the balance of the Budget Reserve Fund was just over \$3.3 billion. Adding the \$1.3 billion volatility transfer brought the Budget Reserve Fund total to \$4.6 billion (or 20.2 percent) of net General Fund appropriations for fiscal year 2025. As a result, the Budget Reserve Fund was roughly \$0.5 billion above the statutory 18.0 percent cap. According to CGS Section 4-30a (c)(1)(A), no further transfers will be made to the Budget Reserve Fund. Instead, the State Treasurer transfers any remaining General Fund surplus, as he determines to be in the State’s best interest, as follows:

1. First to reduce the State Employees’ Retirement Fund’s (SERF) unfunded liability by up to 5.0 percent;
2. Next to reduce the Teachers’ Retirement Fund’s (TRF) unfunded liability by up to 5.0 percent; and
3. Third to make additional payments towards the SERF.

In September the State Treasurer elected to transfer \$335.0 million to TRF, with the remaining balance of \$273.2 million going to SERF. The General Fund surplus of \$401.0 million was transferred in December, with \$76.0 million going to the Budget Reserve Fund to bring the balance to 18.0 percent of net General Fund appropriations for fiscal year 2024, \$179.0 million going to SERF, and \$146.0 going to TRF.



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 Related Ratios
- Schedule of Employer Contributions
- Schedule of Investment Returns

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION PENSION PLANS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years

(Expressed in Thousands)

SERS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 463,636	\$ 434,436	\$ 396,602	\$ 388,671	\$ 391,941	\$ 429,321	\$ 480,350	\$ 322,114	\$ 310,472	\$ 310,472
Interest	2,715,450	2,563,570	2,474,161	2,416,577	2,290,633	2,212,890	2,255,533	2,105,947	2,052,651	2,052,651
Benefit Changes	-	-	-	-	-	-	(1,444,220)	-	-	-
Difference between expected and actual experience	750,238	1,697,023	778,249	208,138	1,224,344	482,904	-	772,762	-	-
Changes of assumptions	-	-	(48,241)	-	-	-	-	4,959,705	-	-
Benefit payments	(2,593,589)	(2,369,853)	(2,217,508)	(2,120,811)	(2,026,793)	(1,955,985)	(1,847,715)	(1,729,181)	(1,650,465)	(1,650,465)
Refunds of contributions	(11,632)	(12,656)	(9,955)	(9,377)	(6,350)	(7,659)	(7,972)	(7,098)	(7,124)	(7,124)
Net change in total pension liability	1,324,103	2,312,520	1,373,308	883,198	1,873,775	1,161,471	(564,024)	6,424,249	705,534	705,534
Total pension liability - beginning	40,656,964	38,344,444	36,971,136	36,087,938	34,214,163	33,052,692	33,616,716	27,192,467	26,486,933	26,486,933
Total pension liability - ending (a)	\$ 41,981,067	\$ 40,656,964	\$ 38,344,444	\$ 36,971,136	\$ 36,087,938	\$ 34,214,163	\$ 33,052,692	\$ 33,616,716	\$ 27,192,467	\$ 27,192,467
Plan net position										
Contributions - employer	\$ 3,261,874	\$ 2,849,181	\$ 2,563,189	\$ 1,616,312	\$ 1,578,323	\$ 1,443,053	\$ 1,542,298	\$ 1,501,805	\$ 1,371,651	\$ 1,371,651
Contributions - member	223,062	202,270	194,775	192,716	489,099	193,942	132,557	135,029	187,339	187,339
Net investment income	1,754,898	(1,513,318)	3,301,219	295,737	710,861	875,944	1,509,862	(100)	294,412	294,412
Benefit payments	(2,593,589)	(2,369,853)	(2,217,508)	(2,120,811)	(2,026,793)	(1,955,985)	(1,847,715)	(1,729,181)	(1,650,465)	(1,650,465)
Administrative expense	-	-	(568)	(782)	(693)	(391)	(674)	(651)	-	-
Refunds of contributions	(11,632)	(12,656)	(9,955)	(9,377)	(6,350)	(7,659)	(7,972)	(7,098)	(7,124)	(7,124)
Other	(1,797)	2,367,461	-	-	3,704	(3,139)	(371)	85,608	-	-
Net change in plan net position	2,632,816	1,523,085	3,831,152	(26,205)	748,151	545,765	1,327,985	(14,588)	195,813	195,813
Plan net position - beginning	18,603,725	17,080,640	13,249,488	13,275,693	12,527,542	11,981,777	10,653,792	10,668,380	10,472,567	10,472,567
Plan net position - ending (b)	\$ 21,236,541	\$ 18,603,725	\$ 17,080,640	\$ 13,249,488	\$ 13,275,693	\$ 12,527,542	\$ 11,981,777	\$ 10,653,792	\$ 10,668,380	\$ 10,668,380
Ratio of plan net position to total pension liability	50.59%	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.23%
Net pension liability - ending (a) -(b)	\$ 20,744,526	\$ 22,053,239	\$ 21,263,804	\$ 23,721,648	\$ 22,812,245	\$ 21,686,621	\$ 21,070,915	\$ 22,962,924	\$ 16,524,087	\$ 16,524,087
Covered payroll	\$ 4,168,950	\$ 3,787,016	\$ 3,847,146	\$ 3,672,443	\$ 3,686,365	\$ 3,428,068	\$ 3,850,978	\$ 3,720,751	\$ 3,618,361	\$ 3,618,361
Net pension liability as a percentage of covered payroll	497.60%	582.34%	552.72%	645.94%	618.83%	632.62%	547.16%	617.16%	456.67%	456.67%

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION

PENSION PLANS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

TRS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 634,409	\$ 617,468	\$ 599,484	\$ 616,370	\$ 463,997	\$ 465,207	\$ 450,563	\$ 419,616	\$ 404,449	\$ 404,449
Interest	2,668,940	2,548,157	2,486,930	2,379,886	2,406,206	2,371,168	2,308,693	2,228,958	2,162,174	2,162,174
Benefit Changes	-	89,017	-	-	(224,281)	28,036	-	-	-	-
Difference between expected and actual experience	73,374	789,366	-	(306,400)	-	(396,067)	-	(375,805)	-	-
Changes of assumptions	-	-	-	1,022,137	3,875,996	-	-	2,213,190	-	-
Benefit payments	(2,359,976)	(2,227,079)	(2,171,063)	(2,150,168)	(2,066,641)	(1,994,092)	(1,962,533)	(1,738,131)	(1,773,408)	(1,773,408)
Refunds of contributions	-	-	-	-	-	-	-	-	(50,329)	(50,329)
Net change in total pension liability	1,016,747	1,816,929	915,351	1,561,825	4,455,277	474,252	796,723	2,747,828	742,886	742,886
Total pension liability - beginning	39,860,280	38,043,351	37,128,000	35,566,175	31,110,898	30,636,646	29,839,923	27,092,095	26,349,209	26,349,209
Total pension liability - ending (a)	\$ 40,877,027	\$ 39,860,280	\$ 38,043,351	\$ 37,128,000	\$ 35,566,175	\$ 31,110,898	\$ 30,636,646	\$ 29,839,923	\$ 27,092,095	\$ 27,092,095
Plan net position										
Contributions - employer	\$ 1,578,038	\$ 1,443,656	\$ 1,249,835	\$ 1,209,573	\$ 1,292,672	\$ 1,272,277	\$ 1,012,162	\$ 975,578	\$ 984,110	\$ 984,110
Contributions - member	397,818	392,913	323,306	318,217	309,333	312,150	288,251	293,493	228,100	228,100
Net investment income	1,878,740	(2,024,736)	4,528,666	410,311	1,012,089	1,224,931	2,199,895	(18,473)	452,942	452,942
Benefit payments	(2,359,976)	(2,227,079)	(2,171,063)	(2,150,168)	(2,066,641)	(1,994,092)	(1,962,533)	(1,738,131)	(1,773,408)	(1,773,408)
Refunds of contributions	-	-	-	-	-	-	-	-	(50,329)	(50,329)
Other	825,391	847,879	904,434	522	(837)	(2,753)	1,679	(37,648)	57,749	57,749
Net change in plan net position	2,320,011	(1,567,367)	4,835,178	(211,545)	546,616	812,513	1,539,454	(525,181)	(100,836)	(100,836)
Plan net position - beginning	21,549,721	23,117,088	18,281,910	18,493,455	17,946,839	17,134,326	15,594,872	16,120,053	16,220,889	16,220,889
Plan net position - ending (b)	\$ 23,869,732	\$ 21,549,721	\$ 23,117,088	\$ 18,281,910	\$ 18,493,455	\$ 17,946,839	\$ 17,134,326	\$ 15,594,872	\$ 16,120,053	\$ 16,120,053
Ratio of plan net position to total pension liability	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	59.50%
Net pension liability - ending (a) -(b)	\$ 17,007,295	\$ 18,310,559	\$ 14,926,263	\$ 18,846,090	\$ 17,072,720	\$ 13,164,059	\$ 13,502,320	\$ 14,245,051	\$ 10,972,042	\$ 10,972,042
Covered payroll	\$ 4,996,954	\$ 4,571,425	\$ 4,500,666	\$ 4,352,967	\$ 4,389,654	\$ 4,321,593	\$ 4,279,755	\$ 4,125,066	\$ 4,078,367	\$ 4,078,367
Net pension liability as a percentage of covered payroll	340.35%	400.54%	331.65%	432.95%	388.93%	304.61%	315.49%	345.33%	269.03%	269.03%

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION

PENSION PLANS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

IRS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 11,667	\$ 10,487	\$ 9,289	\$ 9,813	\$ 10,834	\$ 11,352	\$ 10,159	\$ 8,508	\$ 8,142	\$ 8,142
Interest	33,491	32,720	32,743	31,815	29,559	29,954	29,062	28,251	27,240	27,240
Difference between expected and actual experience	44,883	2,354	(9,271)	2,474	22,095	(18,528)	-	(9,380)	-	-
Changes of assumptions	-	-	(1,020)	-	-	-	-	64,604	-	-
Benefit payments	(35,751)	(32,927)	(31,116)	(30,200)	(29,386)	(27,616)	(24,899)	(22,994)	(22,541)	(22,541)
Refunds of contributions	-	(91)	(6)	-	-	-	-	-	-	-
Net change in total pension liability	54,290	12,543	619	13,902	33,102	(4,838)	14,322	68,989	12,841	12,841
Total pension liability - beginning	503,253	490,710	490,091	476,189	443,087	447,925	433,603	364,614	351,773	351,773
Total pension liability - ending (a)	\$ 557,543	\$ 503,253	\$ 490,710	\$ 490,091	\$ 476,189	\$ 443,087	\$ 447,925	\$ 433,603	\$ 364,614	\$ 364,614
Plan net position										
Contributions - employer	\$ 32,533	\$ 33,170	\$ 31,893	\$ 27,011	\$ 27,427	\$ 25,458	\$ 19,164	\$ 18,259	\$ 17,731	\$ 17,731
Contributions - member	2,019	1,642	1,570	1,575	1,694	1,663	1,689	1,831	1,791	1,791
Net investment income	23,363	(27,407)	59,881	5,461	13,383	13,178	24,452	1,440	4,781	4,781
Benefit payments	(35,751)	(32,927)	(31,116)	(30,200)	(29,386)	(27,616)	(24,899)	(22,994)	(22,541)	(22,541)
Refunds of contributions	-	(91)	(6)	-	-	-	-	-	-	-
Other	477	-	-	-	-	-	(39)	1,680	-	-
Net change in plan net position	22,641	(25,613)	62,222	3,847	13,118	12,683	20,367	216	1,762	1,762
Plan net position - beginning	276,382	301,995	239,773	235,926	222,808	210,125	189,758	189,542	187,780	187,780
Plan net position - ending (b)	\$ 299,023	\$ 276,382	\$ 301,995	\$ 239,773	\$ 235,926	\$ 222,808	\$ 210,125	\$ 189,758	\$ 189,542	\$ 189,542
Ratio of plan net position to total pension liability	53.63%	54.92%	61.54%	48.92%	49.54%	50.29%	46.91%	43.76%	51.98%	51.98%
Net pension liability - ending (a) -(b)	\$ 258,520	\$ 226,871	\$ 188,715	\$ 250,318	\$ 240,263	\$ 220,279	\$ 237,800	\$ 243,845	\$ 175,072	\$ 175,072
Covered payroll	\$ 39,102	\$ 35,872	\$ 31,438	\$ 31,495	\$ 34,643	\$ 34,970	\$ 36,467	\$ 34,897	\$ 34,972	\$ 34,972
Net pension liability as a percentage of covered payroll	661.14%	632.45%	600.28%	794.79%	693.54%	629.91%	652.10%	698.76%	500.61%	500.61%

State of Connecticut

REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

(Expressed in Thousands)

SERS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	\$ 2,143,325	\$ 1,993,151	\$ 1,806,708	\$ 1,616,302	\$ 1,574,537	\$ 1,443,110	\$ 1,569,142	\$ 1,514,467	\$ 1,379,189	\$ 1,268,935
Actual employer contributions	3,261,874	2,849,181	1,786,903	1,616,312	1,578,323	1,443,053	1,542,298	1,501,805	1,371,651	1,268,890
Annual contributions deficiency/(excess)	\$ (1,118,549)	\$ (856,030)	\$ 19,805	\$ (10)	\$ (3,786)	\$ 57	\$ 26,844	\$ 12,662	\$ 7,538	\$ 45
Covered Payroll	\$ 4,168,950	\$ 3,787,016	\$ 3,847,146	\$ 3,672,443	\$ 3,686,365	\$ 3,428,068	\$ 3,850,978	\$ 3,720,751	\$ 3,618,361	\$ 3,487,577
Actual contributions as a percentage of covered payroll	78.24%	75.24%	46.45%	44.01%	42.82%	42.10%	40.05%	40.36%	37.91%	36.38%
TRS										
Actuarially determined employer contribution	\$ 1,578,038	\$ 1,443,656	\$ 1,249,835	\$ 1,208,819	\$ 1,292,314	\$ 1,272,277	\$ 1,012,162	\$ 975,578	\$ 984,110	\$ 948,540
Actual employer contributions	1,578,038	1,443,656	1,249,835	1,208,819	1,292,314	1,272,277	1,012,162	975,578	984,110	948,540
Annual contributions deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,996,954	\$ 4,571,425	\$ 4,500,666	\$ 4,352,967	\$ 4,389,654	\$ 4,321,593	\$ 4,279,755	\$ 4,125,066	\$ 4,078,367	\$ 3,930,957
Actual contributions as a percentage of covered payroll	31.58%	31.58%	27.77%	27.77%	29.44%	29.44%	23.65%	23.65%	24.13%	24.13%
JRS										
Actuarially determined employer contribution	\$ 32,533	\$ 33,170	\$ 31,893	\$ 27,011	\$ 27,427	\$ 25,458	\$ 19,164	\$ 18,259	\$ 17,731	\$ 16,298
Actual employer contributions	32,533	33,170	31,893	27,011	27,427	25,458	19,164	18,259	17,731	16,298
Annual contributions deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 39,102	\$ 35,872	\$ 31,438	\$ 31,495	\$ 34,643	\$ 34,970	\$ 36,467	\$ 34,897	\$ 34,972	\$ 33,386
Actual contributions as a percentage of covered payroll	83.20%	92.47%	101.45%	85.76%	79.17%	72.80%	52.55%	52.32%	50.70%	48.82%

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2023.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, dosed
Remaining Amortization Period	SERS 24.8 years
	TRS 27.8 years
	JRS 10 years
Asset Valuation Method	SERS & JRS 5 year smoothed market
	TRS 4 year smoothed market value
Investment Rate of Return	6.9%
Salary Increases	3.0% to 11.5% percent, including inflation
Cost-of-Living Adjustments	2.0% to 7.5%
Inflation	2.5%
Social Security Wage Base	SERS 3.5%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS**

Last Ten Fiscal Years

Annual money-weighted rates of return

net of investment expense	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
State Employees' Retirement Fund	11.52%	9.02%	-7.63%	24.36%	1.86%	5.88%	7.30%	14.32%	0.23%	2.83%
Teachers' Retirement Fund	11.50%	8.35%	-7.63%	24.28%	1.85%	5.85%	7.04%	14.37%	0.17%	2.82%
State Judges' Retirement Fund	11.43%	8.07%	-7.73%	24.37%	2.10%	6.12%	6.24%	13.04%	1.11%	2.57%



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 (OPEB):

- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions
- Schedule of Investment Returns

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Last Seven Fiscal Year*

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Service Cost	\$ 621,327	\$ 906,279	\$ 1,214,728	\$ 969,674	\$ 848,198	\$ 901,698	\$ 960,992
Interest	703,922	515,502	618,231	806,906	737,298	680,154	511,133
Differences between expected and actual experience	(1,001,199)	(309,786)	389,271	(179,538)	(645,590)	-	-
Changes of assumptions	830,424	(4,462,669)	(4,936,120)	2,225,764	3,417,609	(724,140)	(510,781)
Benefit payments	(626,743)	(637,979)	(637,221)	(623,104)	(593,403)	(648,347)	(639,467)
Net change in total OPEB liability	527,731	(3,988,653)	(3,351,111)	3,199,702	3,764,112	209,365	321,877
Total OPEB liability - beginning	17,738,336	21,726,989	25,078,101	21,878,399	18,114,287	17,904,922	17,583,045
Total OPEB liability - ending (a)	\$ 18,266,067	\$ 17,738,336	\$ 21,726,989	\$ 25,078,101	\$ 21,878,399	\$ 18,114,287	\$ 17,904,922
Plan fiduciary net position							
Contributions - employer	\$ 850,513	\$ 847,928	\$ 868,070	\$ 867,222	\$ 752,941	\$ 801,893	\$ 667,401
Contributions - member	147,572	145,474	147,038	159,377	116,539	116,814	120,783
Net investment income	185,773	(196,531)	389,771	33,373	68,847	37,001	53,194
Benefit payments	(626,743)	(637,979)	(637,221)	(623,104)	(593,403)	(648,347)	(639,467)
Other	(129,809)	(118,300)	(105,307)	(95,682)	1,194	186	(187)
Net change in plan fiduciary net position	427,306	40,592	662,351	341,186	346,118	307,547	201,724
Plan fiduciary net position - beginning	2,240,137	2,199,545	1,537,194	1,196,008	849,889	542,342	340,618
Plan fiduciary net position - ending (b)	\$ 2,667,443	\$ 2,240,137	\$ 2,199,545	\$ 1,537,194	\$ 1,196,007	\$ 849,889	\$ 542,342
Plan fiduciary net position as a percentage of the total OPEB liability	14.60%	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%
Net OPEB liability - ending (a) -(b)	\$ 15,598,624	\$ 15,498,199	\$ 19,527,444	\$ 23,540,907	\$ 20,682,392	\$ 17,264,398	\$ 17,362,580
Covered payroll	\$ 4,865,966	\$ 3,758,688	\$ 3,649,211	\$ 3,745,802	\$ 3,619,133	\$ 3,875,035	\$ 3,743,995
Net OPEB liability as a percentage of covered payroll	320.57%	412.33%	535.11%	628.46%	571.47%	445.53%	463.74%

* Governmental Accounting Standards Board Statement No. 74, 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 SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Continued)**

Last Seven Fiscal Year*

(Expressed in Thousands)

RTHP

Total OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Service Cost	\$ 60,201	\$ 72,027	\$ 121,535	\$ 93,324	\$ 87,313	\$ 132,392	\$ 148,220
Interest	63,729	38,342	64,951	97,264	105,702	133,597	111,129
Benefit Changes	-	299,536	-	-	(339,076)	(1,044,628)	-
Difference between expected and actual experience	(166)	(60,031)	(1,218,425)	(586,004)	66,502	217,853	-
Changes of assumptions	(33,364)	(236,042)	12,750	626,595	182,438	(196,049)	(370,549)
Benefit payments	(52,458)	(74,795)	(131,543)	(67,383)	(55,154)	(110,622)	(84,071)
Net change in total OPEB liability	37,942	39,037	(1,150,732)	163,796	47,725	(867,457)	(195,271)
Total OPEB liability - beginning	1,771,141	1,732,104	2,882,836	2,719,040	2,671,315	3,538,772	3,734,043
Total OPEB liability - ending (a)	\$ 1,809,083	\$ 1,771,141	\$ 1,732,104	\$ 2,882,836	\$ 2,719,040	\$ 2,671,315	\$ 3,538,772
Plan fiduciary net position							
Contributions - employer	\$ 21,474	\$ 20,419	\$ 29,411	\$ 29,173	\$ 35,320	\$ 35,299	\$ 19,922
Contributions - member	57,687	50,630	54,058	53,221	51,944	51,484	50,436
Contributions - nonmember	14,420	-	-	-	-	-	-
Net investment income	7,569	49,587	82,256	849	1,090	411	369
Benefit payments	(52,458)	(74,795)	(131,543)	(67,383)	(55,154)	(110,622)	(84,071)
Administrative expense	(142)	(283)	(117)	(372)	(383)	(264)	(150)
Other	(373)	16,083	(91)	-	(16,100)	-	42
Net change in plan fiduciary net position	48,177	61,641	33,974	15,488	16,717	(23,692)	(13,452)
Plan fiduciary net position - beginning	167,556	105,915	71,941	56,453	39,736	63,428	76,880
Plan fiduciary net position - ending (b)	\$ 215,733	\$ 167,556	\$ 105,915	\$ 71,941	\$ 56,453	\$ 39,736	\$ 63,428
Plan fiduciary net position as a percentage of the total OPEB liability	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%
Net OPEB liability - ending (a) -(b)	\$ 1,593,350	\$ 1,603,585	\$ 1,626,189	\$ 2,810,895	\$ 2,662,587	\$ 2,631,579	\$ 3,475,344
Covered payroll	\$ 4,695,730	\$ 4,695,730	\$ 4,438,394	\$ 4,438,394	\$ 4,389,554	\$ 4,075,939	\$ 4,279,755
Net OPEB liability as a percentage of covered payroll	33.93%	34.15%	36.64%	63.33%	60.66%	64.56%	81.20%

* Governmental Accounting Standards Board Statement No. 74, 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)

SEOPEBP	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined										
Employer Contribution	\$ 1,097,692	\$ 1,055,474	\$ 1,338,541	\$ 1,287,059	\$ 1,203,406	\$ 1,157,121	\$ 1,043,143	\$ 1,443,716	\$ 1,513,336	\$ 1,525,371
Actual Employer Contributions	850,513	847,928	868,070	867,222	752,941	801,893	667,401	608,593	546,284	514,696
Annual Contributions Deficiency/(Excess)	\$ 247,179	\$ 207,546	\$ 470,471	\$ 419,837	\$ 450,465	\$ 355,228	\$ 375,742	\$ 835,123	\$ 967,052	\$ 1,010,675
Covered Payroll	\$ 4,865,966	\$ 3,649,211	\$ 3,745,802	\$ 3,619,133	\$ 3,619,133	\$ 3,875,035	\$ 3,743,995	\$ 3,895,100	\$ 3,539,800	\$ 3,539,728
Actual Contributions as a Percentage of Covered Payroll	17.48%	23.24%	23.17%	23.96%	20.80%	20.69%	17.83%	15.62%	15.43%	14.54%
RTHP										
Actuarially determined										
employer contribution	\$ 74,443	\$ 123,908	\$ 120,299	\$ 173,273	\$ 167,819	\$ 172,223	\$ 166,802	\$ 130,331	\$ 125,620	\$ 187,227
Actual employer contributions	21,474	20,419	29,411	29,173	35,320	35,299	19,922	19,960	25,145	25,955
Annual contributions deficiency/(excess)	\$ 52,969	\$ 103,489	\$ 90,888	\$ 144,100	\$ 132,499	\$ 136,924	\$ 146,880	\$ 110,371	\$ 100,475	\$ 161,272
Covered Payroll	\$ 4,695,730	\$ 4,695,730	\$ 4,438,394	\$ 4,438,394	\$ 4,389,654	\$ 4,075,939	\$ 4,279,755	\$ 3,949,900	\$ 3,831,600	\$ 3,831,600
Actual contributions as a percentage of covered payroll	0.46%	0.43%	0.66%	0.66%	0.80%	0.87%	0.47%	0.51%	0.66%	0.68%

Note:

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2023.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	SEOPEBP- Entry Age Normal
Amortization Method	RTHP-Entry Age
	SEOPEBP- Level percent of payroll
	RTHP-Level Percent of Payroll over an open period
Remaining Amortization Period	SEOPEBP- 16 years
	RTHP-30 years
Asset Valuation Method	Market Value
Investment Rate of Return	SEOPEBP-6.9%
	RTHP-3.0%
Salary Increases	SEOPEBP-3.0% to 11.5%
	RTHP-3.0% to 6.5%
Inflation	RTHP-2.5%
Claims Trend Assumption	4.5% to 6.3%

State of Connecticut

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

Annual money-weighted rates of return net of investment expense	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPEB Fund	11.55%	7.70%	-7.44%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%

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APPENDIX II-D

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SEAN SCANLON
STATE COMPTROLLER



TARA DOWNES
DEPUTY COMPTROLLER



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

February 18, 2025

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

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2020 – 2024. 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, 2020 – 2024.

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 2024, statutory provisions provided appropriations of projected expenditure accrual within budgeted funds.

Sincerely,

Digitally signed by:



33478557.00543C...

Sean Scanlon
Comptroller

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

INDEPENDENT AUDITORS' REPORT

Governor Ned Lamont
Members of the General Assembly

Adverse and Unmodified Opinions

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2020, 2021, 2022, 2023 and 2024, 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, 2020, 2021, 2022, 2023 and 2024.

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, 2020, 2021, 2022, 2023 and 2024, and the results of its operations –statutory basis for the years then ended, in accordance with the basis of accounting described in Note (a) to Appendix II-D-6.

Basis for Adverse and Unmodified Opinions

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

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

As discussed in Note (a) to Appendix II-D-6, the State of Connecticut prepared its financial statements for the fiscal years ended June 30, 2020, 2021, 2022, 2023 and 2024, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114s 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, 2020, 2021, 2022, 2023 and 2024 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 3-114s of the Connecticut General Statutes, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



John C. Geragosian
State Auditor



Craig A. Miner
State Auditor

February 20, 2025
State Capitol
Hartford, Connecticut

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GENERAL FUND^(a)

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Assets					
Cash and Short-Term Investments	\$ --	\$ 342,496	\$ 1,717,891	\$ 577,190	\$ 37,241
Accrued Taxes Receivable	3,163,868	1,733,156	1,641,988	1,574,133	1,866,265
Accrued Accounts Receivable	19,780	17,572	20,434	--	25,221
Loans Receivable	<u>3,419</u>	<u>3,412</u>	<u>3,412</u>	<u>3,413</u>	<u>3,413</u>
Total Assets	<u>\$ 3,187,066</u>	<u>\$ 2,096,636</u>	<u>\$ 3,383,725</u>	<u>\$ 2,154,736</u>	<u>\$ 1,932,140</u>
Liabilities, Reserves, Fund Balances and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	\$ 2,030,662	\$ --	\$ --	\$ --	\$ --
Accounts Payable Nonfunctional Change to Accruals	636,018	665,656	873,763	500,240	691,444
Due to Other Funds	<u>1,951</u>	<u>462</u>	<u>9,995</u>	<u>258</u>	<u>--</u>
Total Liabilities	<u>\$ 2,668,631</u>	<u>\$ 666,118</u>	<u>\$ 883,758</u>	<u>\$ 500,498</u>	<u>\$ 691,444</u>
Reserves and Fund Balances					
Petty Cash Funds	\$ 1,000	\$ 995	\$ 991	\$ 1,001	\$ 990
Statutory Surplus Reserves	183,110	475,864	1,261,301	555,275	400,997
Statutory Surplus Reserves for FY 2022 - 2023	--	--	208,200	--	205,000
Reserve to Pay Off GAAP Bonds	--	--	--	211,700	--
Appropriations Continued to Following Year	139,105	758,445	834,261	691,048	438,495
Reserve for Receivables	3,419	3,412	3,412	3,412	3,412
Fund Balance Related to Statutory GAAP Budgeting ^(b)	<u>191,802</u>	<u>191,802</u>	<u>191,802</u>	<u>191,802</u>	<u>191,802</u>
Total Reserves and Fund Balance	<u>\$ 518,435</u>	<u>\$ 1,430,518</u>	<u>\$ 2,499,967</u>	<u>\$ 1,654,238</u>	<u>\$ 1,240,696</u>
Unappropriated Surplus (Deficit)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities, Reserves and Surplus	<u>\$ 3,187,066</u>	<u>\$ 2,096,636</u>	<u>\$ 3,383,725</u>	<u>\$ 2,154,736</u>	<u>\$ 1,932,140</u>

- (a) For Fiscal Years 2020-2024, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of CGS Sections 3-115, 3-115b and 3-114b through 3-114r.
- (b) Amount is deemed a statutory surplus reserve. The negative unassigned fund balance in the General Fund as defined by Public Act No. 17-51 was \$603,828,154 as of June 30, 2023. Pursuant to such act, commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM shall annually publish an amortization schedule to fully reduce the negative unassigned balance by June 30, 2028.

GENERAL FUND

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Unappropriated Surplus (Deficit), July 1	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Revenues (per Appendix II-D-6)	19,193,540	20,531,419	21,990,857	22,822,894	22,716,130
Total Expenditures (per Appendix II-D-7)	19,188,634 ^(a)	19,436,205 ^(b)	20,655,131 ^(c)	22,198,901 ^(d)	22,779,387 ^(d)
Operating Balance	\$ 4,906	\$ 1,095,214	\$ 1,335,726	\$ 623,993	\$ (63,257)
Reserved for Prior Year Appropriations					
Less Appropriations Carried Forward	25,444	(619,340)	(75,816)	(68,488)	464,254
Other Adjustments	8,359	(10)	1,391	(230)	-0-
Reserved from Prior Year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal	\$ 38,709	\$ 475,864	\$ 1,261,301	\$ 555,275	\$ 400,997
Transferred or Reserved for:		--			
Budget Reserve Fund	--	--	--	--	(76,021)
SERS/TRS Fund	<u>(38,709)^(f)</u>	<u>(475,864)^(f)</u>	<u>(1,261,301)^(f)</u>	<u>(555,275)^(g)</u>	<u>(324,976)^(h)</u>
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 \$25.444 million.
- (b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(619.340) million.
- (c) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$(75.816) million.
Also includes \$3.6 million not reflected in Appendix II-D-9.
- (d) Total Expenditures includes prior year appropriations less appropriations carried forward to Fiscal Years 2024 and 2025 in the amount of \$(68.488) million.
- (e) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of \$460.134 million.
- (f) In accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 15%, the Treasurer determined it was in the best interest of the State to transfer the surplus to the State Employees' Retirement Fund.
- (g) It is determined by State statute to be in the best interest of the State to transfer the surplus to the Teachers' Retirement System.
- (h) In accordance with State statute, because the Budget Reserve Fund reached the statutory limit of 18%, the Treasurer determined it was in the best interest of the State to transfer the remaining \$324.9 million of the surplus as follows: \$179.0 million as an additional contribution to the State Employees' Retirement Fund and \$145.9 million as an additional contribution to the Teachers' Retirement System.

GENERAL FUND

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Taxes:					
Personal Income	\$ 9,397,779 ^(a)	\$ 10,340,437 ^(b)	\$ 12,131,800 ^(c)	\$ 11,223,390 ^(d)	\$ 11,803,047 ^(e)
Sales and Use	4,317,730	4,792,675	4,818,083	4,944,772	5,003,036
Corporations	934,499	1,153,079	1,401,153	1,516,588	1,555,553
Insurance Companies	228,350	229,761	240,969	295,687	300,167
Inheritance and Estate	159,538	303,339	220,223	218,352	129,551
Alcoholic Beverages	73,080	79,111	78,916	80,242	78,860
Cigarettes	346,300	351,077	326,709	290,789	251,816
Admissions, Dues, Cabaret	39,939	36,022	41,011	40,677	38,870
Public Service Corporations	254,076	243,671	295,681	278,205	343,767
Real Estate Conveyance	176,578	385,028	384,454	287,187	284,563
Miscellaneous / Health Provider	1,023,041	1,052,109	1,051,776	851,995	908,490
Pass-Through Entity Tax	1,241,949	1,549,716	2,307,594	2,048,068	1,964,652
Refunds of Taxes	(1,491,413)	(1,857,512)	(1,811,202)	(1,990,104)	(2,156,713)
R&D Credit Exchange	(8,628)	(7,093)	(5,756)	(6,061)	(9,028)
Other Revenue:					
Licenses, Permits, Fees	307,524	329,568	368,612	331,212	368,570
Sales of Commodities and Services	26,136	22,872	22,816	17,880	18,651
Transfer – Special Revenue	340,090	410,301	395,023	395,602	382,557
Investment Income	48,690	2,945	20,607	206,218	293,314
Transfers — To Other Funds(f)	(129,620)	--	--	--	--
Fines, Escheats and Rents	154,288	183,115	220,749	230,698	275,757
Miscellaneous	256,341	257,766	272,825	260,885	180,034
Refunds of Payments	(69,306)	(37,661)	(74,708)	(75,821)	(85,660)
Federal Grants	1,796,754	1,496,315	1,934,869	1,997,837	2,060,692
Indian Gaming Payments	164,141	228,883	248,686	278,974	305,655
Statutory Transfer to Budget Reserve Fund for Volatility Adjustment	(530,316)	(1,241,460)	(3,047,454)	(1,321,793)	(1,321,350)
Statutory Transfers To / From Other Funds	<u>136,000</u>	<u>227,356</u>	<u>147,421</u>	<u>421,415</u>	<u>(258,721)</u>
Total Revenues^(g)	<u>\$19,193,540</u>	<u>\$ 20,531,419</u>	<u>\$ 21,990,857</u>	<u>\$22,822,894</u>	<u>\$22,716,130</u>

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

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

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

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

(e) Personal Income includes withholding of \$8,666,448,405 and Estimates and Finals of \$3,136,598,180.

(f) Transfer to Pequot/Mohegan Fund.

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

GENERAL FUND

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Legislative	\$ 69,158	\$ 69,727	\$ 75,577	\$ 84,112	\$ 89,523
General Government					
Executive	11,537	11,698	12,145	16,064	17,884
Financial Administration	543,570	551,398	651,650	827,435	396,502
Legal	79,515	83,260	85,905	90,948	92,442
Total General Government	<u>634,622</u>	<u>646,356</u>	<u>749,700</u>	<u>934,447</u>	<u>506,828</u>
Regulation and Protection of Persons and Property					
Public Safety	195,897	204,080	212,845	219,355	232,223
Regulative	84,679	80,025	90,838	126,452	111,566
Total Regulation and Protection	<u>280,576</u>	<u>284,105</u>	<u>303,683</u>	<u>345,807</u>	<u>343,789</u>
Conservation and Development					
Agriculture	12,392	13,316	14,358	18,256	18,581
Environment	51,060	54,015	56,836	59,789	58,310
Historical Sites, Commerce and Industry	108,157	122,145	161,905	158,513	169,686
Total Conservation and Development	<u>171,609</u>	<u>189,476</u>	<u>233,099</u>	<u>236,558</u>	<u>246,577</u>
Health and Hospitals					
Public Health	67,570	68,396	76,953	92,277	81,526
Developmental Services	514,989	543,884	559,262	597,218	1,452,373
Mental Health	620,331	631,292	640,158	705,647	751,374
Total Health and Hospitals	<u>1,202,890</u>	<u>1,243,572</u>	<u>1,276,373</u>	<u>1,395,142</u>	<u>2,285,273</u>
Human Services	<u>4,356,788</u>	<u>4,257,971</u>	<u>4,444,984</u>	<u>4,969,383</u>	<u>4,675,934</u>
Education, Libraries and Museums					
Department of Education	3,238,749	3,265,830	3,349,271	3,339,499	3,439,085
CT Tech High School System	0	0	0	190,315	193,279
University of Connecticut	327,486	394,370	421,975	445,433	402,704
Higher Education and the Arts	37,237	35,593	38,252	38,048	13,724
Libraries	8,272	8,798	9,011	8,899	9,675
Teachers' Retirement	1,240,227	1,281,216	1,468,617	1,601,870	1,578,730
Community—Technical Colleges	143,847	151,803	201,442	219,501	255,335
State University	158,829	166,236	209,052	216,545	221,594
Total Education, Libraries and Museums	<u>5,154,647</u>	<u>5,303,846</u>	<u>5,697,620</u>	<u>6,060,110</u>	<u>6,114,126</u>
Corrections	<u>1,429,124</u>	<u>1,412,659</u>	<u>1,305,228</u>	<u>1,485,572</u>	<u>1,502,814</u>
Judicial	<u>574,735</u>	<u>580,979</u>	<u>606,544</u>	<u>653,109</u>	<u>675,221</u>
Non-Functional					
Debt Service	2,204,512	2,219,492	2,328,964	2,506,352	2,710,141
Miscellaneous	3,109,973	3,228,021	3,629,730	3,528,309	3,629,213
Total Non-Functional	<u>5,314,485</u>	<u>5,447,513</u>	<u>5,958,694</u>	<u>6,034,661</u>	<u>6,339,354</u>
Total Expenditures^(a)	<u>\$19,188,634</u>	<u>\$19,436,204</u>	<u>\$20,651,502</u>	<u>\$22,198,901</u>	<u>\$22,779,439</u>

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

NOTE: Totals may not add due to rounding.

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APPENDIX II-E

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APPENDIX II-E

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

	Adopted Budget Fiscal Year <u>2024^(e)</u>	Financial Results Fiscal Year <u>2024^(f)</u>	Adopted Budget Fiscal Year <u>2025^(e)</u>	Estimated Budget Fiscal Year <u>2025^(g)</u>
Revenues				
<u>Taxes</u>				
Personal Income Tax	\$ 11,023.3	\$ 11,803.0	\$ 11,233.4	\$ 12,162.6
Sales & Use	5,299.5	5,003.0	5,428.2	5,103.5
Corporation	1,514.5	1,555.6	1,526.5	1,560.7
Pass-Through Entity Tax	1,815.6	1,964.7	1,877.3	2,059.3
Public Service	291.6	343.8	296.8	311.9
Inheritance & Estate	178.1	129.6	182.2	171.9
Insurance Companies	262.8	300.2	266.8	301.7
Cigarettes	276.4	251.8	262.0	244.7
Real Estate Conveyance	287.7	284.6	292.6	277.6
Alcoholic Beverages	78.4	78.9	78.8	78.8
Admissions and Dues	31.0	38.9	31.0	39.5
Health Provider Tax	956.4	883.8	957.4	891.0
Miscellaneous	45.4	24.7	69.2	21.4
Total Taxes	\$ 22,060.7	\$ 22,662.4	\$ 22,502.2	\$ 23,224.6
Less Refunds of Taxes	(1,879.5)	(1,969.9)	(1,971.9)	(1,932.9)
Less Earned Income Tax	(191.6)	(186.8)	(196.2)	(196.2)
Less R&D Credit Exchange	(7.5)	(9.0)	(7.8)	(7.8)
Net Taxes	\$ 19,982.1	\$ 20,496.6	\$ 20,326.3	\$ 21,087.7
<u>Other Revenues</u>				
Transfers- Special Revenues	\$ 406.5	\$ 382.6	\$ 411.9	\$ 383.4
Indian Gaming Payments	283.7	305.7	286.0	308.6
Licenses, Permits, Fees	356.5	368.6	330.7	330.7
Sales of Commodities & Services	16.9	18.7	17.8	18.0
Rents, Fines & Escheats	172.9	275.8	175.2	188.8
Investment Income	198.9	293.3	201.7	593.1
Miscellaneous	153.2	180.0	158.0	194.3
Less Refunds of Payments	(85.7)	(85.7)	(67.1)	(97.2)
Total Other Revenue	\$ 1,502.9	\$ 1,738.9	\$ 1,514.2	\$ 1,919.7
<u>Other Sources</u>				
Federal Grants	\$ 1,867.8	\$ 2,060.7	\$ 1,886.5	\$ 1,924.7
Transfers from Tobacco Settlement Funds	(272.7)	99.2	(70.4)	109.4
Transfers (to)/from Other Funds ^(a)	108.4	(357.9)	106.7	40.3
Transfers to BRF – Volatility Adjustment ^(b)	(683.2)	(1,321.3)	(659.6)	(1,403.5)
Total Other Sources	\$ 1,020.3	\$ 480.6	\$ 1,263.2	\$ 670.9
Total Budgeted Revenue ^(c)	\$ 22,505.3	\$ 22,716.1	\$ 23,103.7	\$ 23,678.3
Revenue Cap Deduction	--	--	--	--
Total Available Revenue	\$ 22,505.3	\$ 22,716.1	\$ 23,103.7	\$ 23,678.3

	Adopted Budget Fiscal Year <u>2024^(e)</u>	Financial Results Fiscal Year <u>2024^(f)</u>	Adopted Budget Fiscal Year <u>2025^(e)</u>	Estimated Budget Fiscal Year <u>2025^(g)</u>
Appropriations/ Expenditures				
Legislative	\$ 102.0	\$ 92.5	\$ 108.3	\$ 103.0
General Government	522.5	440.6	581.3	473.2
Regulation & Protection	345.0	333.9	355.1	353.0
Conservation & Development	230.0	210.3	224.8	225.4
Health & Hospitals	2,310.6	2,311.8	2,342.0	2,326.2
Human Services	4,502.1	4,629.1	4,633.2	4,911.4
Education, Libraries & Museums	6,041.7	5,986.3	6,358.5	6,406.6
Corrections	1,503.5	1,502.6	1,516.7	1,544.6
Judicial	674.7	676.8	694.7	713.1
Non- Functional				
Debt Service	2,574.0	2,548.3	2,594.4	2,515.5
Miscellaneous	<u>3,433.1</u>	<u>3,583.0</u>	<u>3,579.5</u>	<u>3,552.3</u>
Subtotal	\$ 22,239.3	\$ 22,315.2	\$ 22,988.6	\$ 23,124.3
Other Reductions and Lapses	<u>(133.7)</u>	<u>(0.0)</u>	<u>(182.7)</u>	<u>(111.0)</u>
Net Appropriations/ Expenditures	\$ 22,105.6	\$ 22,315.2	\$ 22,805.9	\$ 23,235.3
 Surplus (or Deficit) from Operations	 399.7	 401.0	 297.8	 443.0
Miscellaneous Adjustments	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Balance^(d)	\$ 399.7	\$ 401.0	\$ 297.8	\$ 443.0

NOTE: Columns may not add due to rounding.

- (a) Includes transfers to the Mashantucket Pequot Fund for grants to towns.
- (b) CGS Section 4-30a requires that any amount in Estimates and Finals and Pass-Through Entity Tax revenue above a prescribed threshold be transferred to the Budget Reserve Fund.
- (c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received.
- (d) Per CGS Section 4-30a, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus or deficit in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus or deficit shall be transferred by the State Treasurer to/from the Budget Reserve Fund.
- (e) Per Public Act No. 23-204.
- (f) Per the Comptroller's audited statutory basis financial results dated December 31, 2024 and adjusted by the Office of Policy and Management to exclude expenditures of appropriations 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 2024 Operations.**
- (g) Estimates reflect the Office of Policy and Management's January 20, 2025 monthly forecast letter to the State Comptroller as of the period ending December 31, 2024. **See STATE GENERAL FUND – Fiscal Year 2025 Operations.**

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.

