



2021-2024 CCEA Outlook:

*The American Rescue Plan and Connecticut's Economic Future
Stimulus or Under the Mattress?*

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May 6, 2021



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Executive Summary

The American Rescue Plan (ARP) is intended to provide stimulus to the American economy; it is designed to supplement, to complement current spending. Only when states, municipalities, school districts and other beneficiaries use the Federal money in that way will it provide that stimulus, to drive creation of additional jobs and thus household income. That in turn will enlarge aggregate demand for goods and services, which is the fundamental driver of the real economy.

If instead, recipients push those Federal dollars under the mattress, it will do nothing for the economy. It will not lead to creation of new jobs, additional household income, and that vital growth in aggregate demand. Businesses, seeing less growth in demand, will curtail investments, which in turn reduce job creation and lower growth rates. How we choose to use that money—spend it on expanded public services, for investments in cyber security or improved infrastructure, to support critical initiatives to improve quality of life and access to education and job training, or “saving” it for a (really) rainy day—determines whether it accelerates recovery or slows it down. And slowing it down now means recovery will not only be slower, but it translates for Connecticut into significant losses in job creation, household income, and tax revenues. This forecast looks to project the differences between those two trajectories.

The outcomes are straight-forward: using the ARP monies as stimulus increases employment by 2024 by more than 30,000 jobs; real state GSP is higher by \$2.6 billion in 2024 and \$9.2 billion by 2060; nominal personal income grows more than \$2.6 billion, out to 2060 by more than \$13 billion. State and local revenues in aggregate gain nearly \$1.5B 2021-2024.

It really is a simple story: putting Federal dollars under the mattress doesn't help Connecticut recover; spending them as intended in the ARP delivers significant net new jobs, increased state gross product, higher personal income, and enhanced tax revenues. And that accelerated recovery extends out for years, even decades. Complementary spending delivers billions more than preserving the rainy-day fund, no matter how you measure it.

2021-2024 CCEA Outlook: The American Rescue Plan and Connecticut's Economic Future: Stimulus or Under the Mattress?

Introduction

Using CCEA's version of REMI Pi+ V2.4.1, this Connecticut *Outlook* covers employment and income impacts to the end of 2024 by which time all funding from the American Rescue Plan (ARP) must be spent. The report looks beyond that point to see sustained impacts of the choices made. The study states those longer-term impacts in terms of Net Present Value (NPV) using a 5% discount rate extending to 2060. The study considers two scenarios: one that assesses the case where those ARP dollars are used to replace planned spending, preserving the rainy-day fund, resulting in no net stimulus—putting the dollars under the mattress; the second looks at using the ARP dollars to complement that spending and thus complement it.

The Outlook covers three challenges to making a forecast:

- 1) Adjustments to REMI's base case to account for reduced survival rates resulting from Covid-19. Over the 12 months of highest death rates, Covid-19 added 25% to Connecticut annual death rates, changing what is meant by "Normal" out to at least 2040. That alteration generates CCEA's new base case.
- 2) Further impacts from Covid-19 policies and reactions to them are included in public policy impact cases. Because much of the unemployment that occurred stemmed from the combined fear of infection and policies to curtail Covid-19 spread, both scenarios adjust employment relative to the REMI base case by accounting for actual differences from the CCEA base case in Connecticut employment in 2020 and 2021. 2020 adjustments use actual shortfalls relative to REMI's base case. 2021 estimates are based on levels during the first three-month growing at constant monthly rates to December 2021 as Covid-19 vaccinations reduce infections and deaths.
- 3) CCEA's first scenario assesses the consequences of preserving the rainy-day fund (RDF) and thus providing no net stimulus. CCEA's second scenario projects impacts when \$3 billion in the ARP funding is spent 2021-2024 to accelerate Connecticut's recovery, with net state and local government surpluses accruing to the RDF. State spending of the ARP to accelerate recovery is in line with the spirit of the ARP which tries to preclude states cutting back their planned recovery activities by substituting federal funding for their own expenditures.

Using REMI PI+ v2.4.1, this *Outlook* examines the dynamic impacts for two scenarios against a CCEA modified REMI Outlook. Noted above, the initial REMI *Outlook* has been modified to account for demographic adjustments by gender and age cohort from Covid-19 deaths.

As *Alice in Wonderland* teaches us, it is a good idea to know from whence one is coming before moving forward. Covid-19 in 2020 and society's reactions to it in 2020-2021 determine from

whence the United States and Connecticut are embarking to the forecast end in 2024. The first section examines the Biden path to herd immunity from Covid-19 by end of June. In pre-Covid-19 2019, the nation experienced 2,854,838 deaths¹. In 2020 there were 346,146 Covid-19 deaths adding 12% to 2019s mortality toll. There are lasting demographic and economic impacts. The short-term lowering of the death count by increased immunization is being partially offset by a strengthening of the wave of infections triggered by over-zealous celebrations during Spring Break and Easter, premature relaxing public health provisions during March and April, and Covid-19 mutations into a more virulent virus.

In 2020, 346,146 Americans died from Covid-19. By April 19, 2021 4:30 pm the death toll reached 573,000 at the outset of the third wave. Monthly average deaths of under 29,000 in 2020 and exceeded 60,000 a month during 2021 Q1. Yet the Spring Breakers rolled on! To the Biden governments' credit, the United States got shots into at least 200,000 American arms, with 41% of adults vaccinated to increasingly dampen the further waves.

The remaining extensions into 2021Q2 reveal the genesis from whence this outlook comes. Only partially contained by the increasing share of the population having had Covid-19 inoculations and with graduating ceremonies and recreational events spreading events still to come, CCEA assumes that the US Covid-19 death toll will reach 640,000 into Summer 2021.

Danger still lurks. Most American children under 12 are likely to remain uninoculated into the Fall. During 2021 and into 2024, the rest of the world will still be catching-up to America's level of vaccination, leaving alternative grounds for still more Covid-19 mutations. Some of the 3.2 to 3.5 million US patients continue to experience long-term health problems ("long-haulers") and may be permanently less productive and/or succumb prematurely. Two-way interspecies transfers of Covid-19 with mink, wolverines, otters etc. provide untreated, open, wildlife feeding grounds for additional mutations. Scientists do not have data on the longevity of Covid-19 inoculations or effectiveness of Covid-19 vaccinations. Given all these pitfalls, CCEA makes the optimistic assumption that herd immunity will be effective and American death rates from the end of 2021 to 2024 so that post 2021 the rest of the outlook period will experience only legacy impacts.

For the above reasons, CCEA has generated a new base case from REMI's initial projection by increasing the relevant death rates for each ten-year cohort of the population by sex underpinning the model with no short-term adjustments to immigration to offset covid-19 deaths. Because survival rates enter the model for each decade of life, these adjustments are sensitive to the higher death rates among older cohorts during the first year and a quarter of the pandemic thereby avoiding exaggerating death within age groups of heavy labor force participation. After 2021 CCEA retained REMI's previous annual survival rates by gender and

¹ [United States - COVID-19 Overview - Johns Hopkins \(jhu.edu\)](https://www.jhu.edu/news/stories/2021/03/18/covid-19-overview) (March 18, 2021, 4:30 pm) Death then were 538,799.

age in the model. The new point of departure comes to grips with Covid-19 legacy as other forecasts, unadjusted for changes in survival rates, have failed to do, recognizing the death toll fundamentally constrains “normality” going forward.

The remaining sections develop forecasts based on demographic change wrought by deaths from Covid-19. It does not include the lowering of the birth rate in the last few years because its future path is unknown and may be reversed. The second section deals with key aspects of public policy arising from Covid-19 above and beyond the demographics.

CCEA New Base Case Covid-19 Deaths Impacts

Covid-19 has and continues to alter Connecticut survival rates by age cohorts, albeit more among seniors than members of the labor force and earlier among males than females, as noted in Table 1. CCEA has lowered survival rates 2020-2021 in lockstep with Covid-19 deaths. With the initial concentration of vaccines among seniors, 2021 death rates are falling but are more concentrated among patients of labor force age.

Table 1: Percentage Changes in Survival Rates by Decade and Gender (%)

Age Cohorts	Males	Females	All
25-34 years	-0.005	0.000	-0.002
35-44 years	-0.010	-0.005	-0.007
45-54 years	-0.034	-0.012	-0.022
55-64 years	-0.121	-0.059	-0.089
65-74 years	-0.386	-0.210	-0.291
75-84 years	-1.015	-0.687	-0.823
85 years and over	-3.380	-2.763	-2.962

Although these percentages appear to be low, their impacts are noticeable. Solely attributable to Covid-19 deaths, Connecticut’s economy will perform below Pre-Covid-19 expectations, Table 2 shows the difference between REMI’s base case prior to adjusting for lower survival rates and post Covid-19 yields CCEA’s base case. These impacts stem solely from the changes in survival rates and do not include impacts from closures and stay-at-home orders to avoid Covid-19. The employment impacts go beyond those from labor force deaths alone to include the direct and indirect effects of Covid-19 deaths on derived demand.

Beyond the data in the table, job impacts decline, at reduced rates, over time until 2060, so economy only slowly recovers. Going out to 2024, the period under study, Covid-19 deaths are responsible for gross personal income taxes declining \$574 million of which 23.5% would be foregone by the State while the rest effects Federal government revenues. As noted in the table, given the economic contraction, population emigrates further compounding impacts on Connecticut demand and undermining growth.

**Table 2: Reduced Connecticut Economic Performance from Covid-19 Deaths
2020-2025**

	Units	2020	2021	2022	2023	2024
Total Employment	Thousands (Jobs)	-2.555	-4.993	-4.701	-4.079	-3.334
Private Non-Farm Employment	Thousands (Jobs)	-2.232	-4.409	-4.186	-3.623	-2.937
Residence Adjusted Employment	Thousands	-2.459	-4.749	-4.43	-3.861	-3.173
Population	Thousands	-5.72	-10.998	-10.219	-9.415	-8.561
Labor Force	Thousands	-1.416	-2.817	-2.672	-2.501	-2.258
Gross Domestic Product	Billions of Fixed (2012) \$	-0.223	-0.448	-0.422	-0.37	-0.305
Output	Billions of Fixed (2012) \$	-0.381	-0.766	-0.722	-0.631	-0.517
Value-Added	Billions of Fixed (2012) \$	-0.223	-0.448	-0.422	-0.37	-0.305
Personal Income	Billions of Current \$	-0.551	-1.044	-1.005	-0.945	-0.871
Disposable Personal Income	Billions of Current \$	-0.484	-0.931	-0.898	-0.844	-0.778
Real Disposable Personal Income	Billions of Fixed (2012)\$	-0.434	-0.8	-0.728	-0.666	-0.599
Real Disposable Personal Income per Capita	Thousands of Fixed (2012) \$	-0.022	-0.031	-0.022	-0.017	-0.011
PCE-Price Index	2012=100 (Nation)	-0.002	-0.015	-0.027	-0.028	-0.026
Personal Income Taxes	Billions of Current Dollar	-0.067	-0.113	-0.107	-0.101	-0.093

In terms of the ravages of Covid-19, these impacts only cover deaths, not time lost from illness, nor permanent damage to patients' health, especially, long-haulers² and is therefore a conservative measure adverse health effects from Covid-19.

American Rescue Plan

The Federal Government's intent is that the American Rescue Plan (ARP) stimulate the rescue of the American economy. ARP provides resources to:

- 1) State of Connecticut \$4.77 billion with \$1.09 billion earmarked for local governments
- 2) Connecticut cities and towns, with populations in excess of 50,000 another \$1.56 billion
- 3) Independent agencies \$1.67 billion, and
- 4) Connecticut residents \$3.93 billion.

In its second scenario where funds complement current planned spending, CCEA posits that funds flowing to local communities will be spent as intended by ARP. Similarly independent agencies will spend their funds over time as will residents with their \$3.93 billion. The cheques to residents are already flowing. Residential payments are modeled as an increase in household expenditures.³

That federal intent and urgency are clear in that municipalities in excess of 50,000 persons will receive cheques directly for half their allotments within 60 days from the State certifying to the

² At this time, we do not know enough about long-term health impacts to comment. In select cases vaccines given to long-term patients appear to be curing some, so the situation may be less serious than initially thought.

³ Connecticut Office of Fiscal Analysis (OFA), The American Rescue Plan of 2021 (ARP) Initial State Allocation Estimates. April 12, 2021 p. 1.

Department of the Treasury that funds are needed and will be used in accordance as directed by ARP. ARP provisions allow, but do not require, the Secretary of the Treasury to withhold 50% of the payments for up to a year from the date of certification. ARP funding earmarked for local governments of smaller locales will flow through the state to be delivered within a further 30 days without the state having any discretionary authority to change the amount of, or to attach additional requirements to, payments allocated to local governments.⁴ Because only 35.7%⁵ of Connecticut residents reside in metropolitan areas over 50,000, most ARP funds for local government will flow through the state. The initial payments to the state and local governments are modelled as the first half (a quarter of the total) being spent and half in 2021, and the second half in 2022. The second payment is modelled as being spent 20% every six-months from July 1 2022 to the end of 2024. CCEA deems payments to residents to be spent in 2021.

Federal flow-through provisions cannot be air-tight. State governments retain control over their own expenditures, and in Connecticut particularly where there is room for funds to leak into the Rainy-Day Fund (RDF). There is a temptation for the state to retain ARP funds to sustain the RDF. At the outset of Covid-19, Connecticut expected to exhaust Its Rainy-Day Fund (RDF) by June 30 2021.⁶ When the Governor took office, projections were that state finances, unless adjusted, would run \$1.7 billion in deficit fiscal year 2019-2020 and \$2 billion in 2020-21.⁷ Midst the Republican's rescue package the RDF remained, near, at or above its upper sustainable level of \$3 billion enabled by the state utilizing Trump assistance funds to avoid drawing down the RDF. Doing so blunted this Federal stimulus intended to jump-start the economy.

Repeating the process would swell RDF coffers but undercut what the Federal government intends: a joint stimulus. In doing so the State government risks delaying Connecticut economic recovery, shrinking its own future fiscal capacity, and, in short, contributing further to Connecticut's ongoing weak growth, emigration, and economic retardation. In addition to flow-through funds for small jurisdictions, ARP dollars available to Connecticut local governments amount to \$2.65 billion (\$1.66 billion to general government and \$995 billion for schools.) CCEA has modelled the two components out to 2024, first as local government expenditures on construction including health-related buildings and services⁸ and second as construction to modify school to enhance safety features.

Currently, state government faces a dilemma. With Covid-19 cutbacks hammering traditional tax revenues (even as tax revenue from capital gains and dividends swell in the short run) and

⁴ Ibid.

⁵ 2021 World Population Review *PrivacyPolicyTermsContactAbout*

⁶ Keith Phaneuf, Connecticut's Rainy-Day Fund Could Grow to \$2.7 B This Fall According to New Revenues Report, Daily Mirror April 30, 2019.

⁷ Ibid

⁸ OFA p. 2.

swelling welfare expenditures, can it continue to justify retaining high balances in the RDF? Despite provisions in the ARP to not divert funds from stimulating local demand, using federal funds as a substitute for its own resources to jump-start single-handedly the economy while preserving the RDF is tantamount to repeating the process, minimizing stimulation, and undercutting the ARP.

Because it is more realistic than REMI's initial base case, CCEA deploys its own Covid-19 death adjusted case as its base case, "CCEA base case" for its alternative base cases. The first, saving the RDF, implicitly retains funds to maintain RDF balance at roughly \$3 billion by curtailing State spending sufficiently to offset all budgeted deficits 2021-2024. The second follows ARP guidelines while avoiding that constraint to annually maintain the RDF. Differences in the results of these cases indicate the cost to the economy of maintaining maximum levels in the RDF, of effectively diverting funds from stimulus to maintaining the RDF.

Both cases share several adjustments over-and-above those in CCEA's base case with the timing noted above:

- A) Industry, state and local government employment is adjusted for both 2020 and 2021 to reflect the known impacts of Covid-19 on jobs;
- B) Unlike most state-level simulations, because ARP was spread among all states, Connecticut shares of ARP outlays in the state are financed by increased personal income taxes covering 5% 20-year mortgages beginning at the expected time of Federal transfers;
- C) ARP payments to individuals are treated as an increase in transfer payments to individuals;
- D) ARP ear-marked for construction, including half the funds accruing to state and local governments, were allocated to that industry; and
- E) The remaining half to ARP funds designated for state and local governments were spent by them.

Jobs

If ARP funds are used as designated in ARP to stimulate recovery and growth, annual impacts on Connecticut Annual jobs are captured in Chart 1. The main adjustments in 2020 and 2021 jobs are based on rates from the Bureau of Labor Statistics. They are largely attributable to the ravages of Covid-19. Both 2020 and 2021 negative impacts are much lower than the CCEA base case due to Covid-19 impacts other than death and constraining policies responses to it, such as closures and zoom/home schooling. The annual improvement in 2021 is less than most have forecast, due to the slower than expected return to school and related child caregivers until herd immunity is achieved among school age children, influenced by the now greater than initially expected virulence of Covid-19 among youth. Thereafter, ARP assisted employment recovery outpace the preserving RDF case. Without preserving the RDF, there is sufficient job generation to overcome shortfalls in 2021. Over the four years 2021-2024, average annual

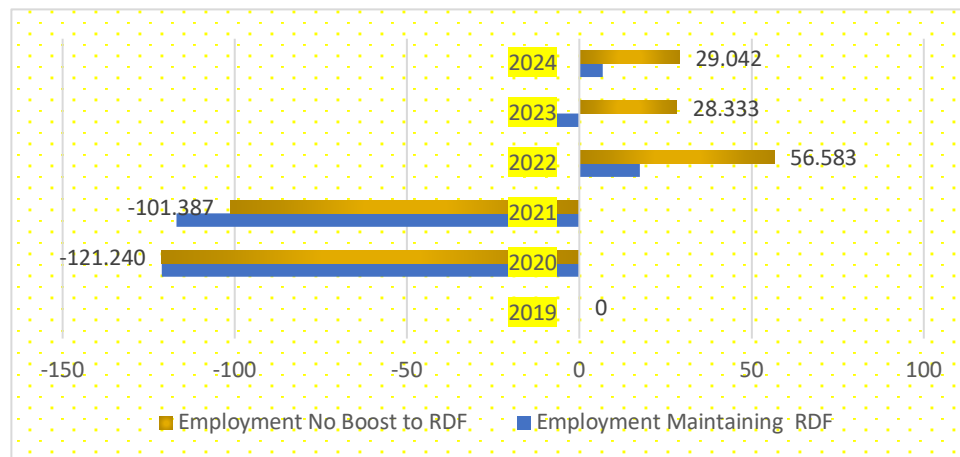
employment is stronger by 30,189 in the complementary spending scenario than when preserving the RDF.

At 2,394,000 full-time and part-time jobs in 2024 (this is not comparable with CtDoL employment data), employment is 1.1% above the 2,368,000 jobs in REMI's PreCovid-19 base case. Deployed as the Federal Government intends, APR has the potential to contribute to Connecticut growth beyond pre-Covid-19 expectations.

By effectively diverting funds to preserving the RDF, 2024 job levels reach 2,372,000, remaining trenchantly close to the REMI's initial base case.

Chart 1: ARP Connecticut Employment Impacts with and without Preserving RDF

(1,000s Jobs)



Relative Income Impacts

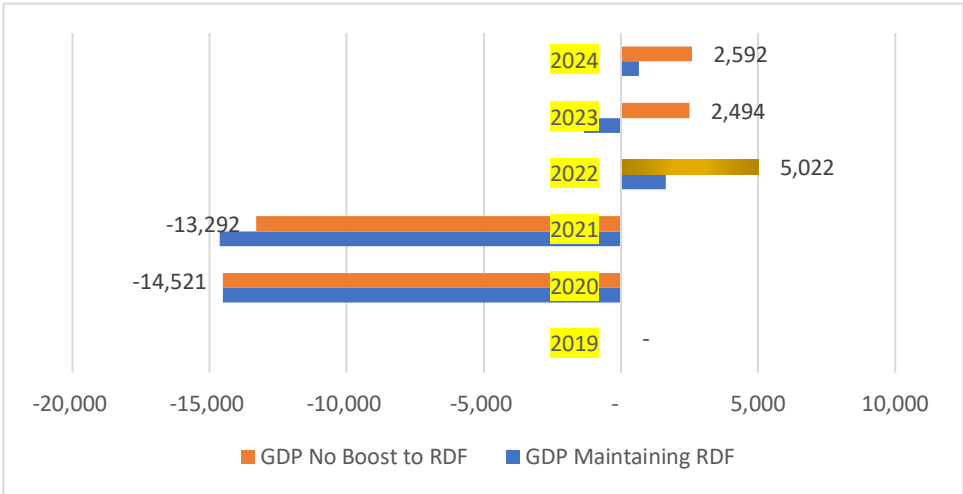
CCEA deploys three income metrics. Real GDP is the constant dollar value underpinning economic growth before taking depreciation into account so that it is changes measure of economic decline or growth excluding inflation and most environmental impacts. PI measures the income accruing to persons, usually in current dollars, therefore including inflation. Subtracting personal income taxes from PI yields DPI also in current dollars so that DPI measures changes in funds at any point in time which the residents have to deploy as they wish. In comparing annual data among alternative paths for the economy, DPI measures benefits of a development path over another in terms of consumer choice, in short, economic freedom!

Real GDP

For ease of comparison all income impacts are in millions of current dollars, except for Gross Domestic Product (GDP) reported in both constant real (2012 dollars) and current dollars or constant dollars. Chart 2 shows that beyond adverse impacts of death. policy constraints designed to reduce Covid-19 health impacts adversely impacted the Connecticut economy by over \$14.5 billion in real GDP in 2020 and with policies designed to maintain \$3 billion in the RDF would result in a further adverse impact of \$14.6 billion in 2021, well above the \$448 million decline attributable to incremental 2021 Covid-19 deaths. 2021 adverse impacts on real

GDP would be \$1.2 billion less by diverting stimulus funds to retaining maximum funds in the RDF.

Chart 2: Covid-19 and ARP Connecticut Real GDP Impacts with and without Preserving RDF (Millions Constant \$)



Over the next three years, particularly in 2022, ARP assists recovery in both cases, albeit significantly less with the shared focus of maintaining the RDF at high levels. During the four years 2021-2024, average annual real dollar GDP in the complementary spending case is stronger by \$2,634 million.

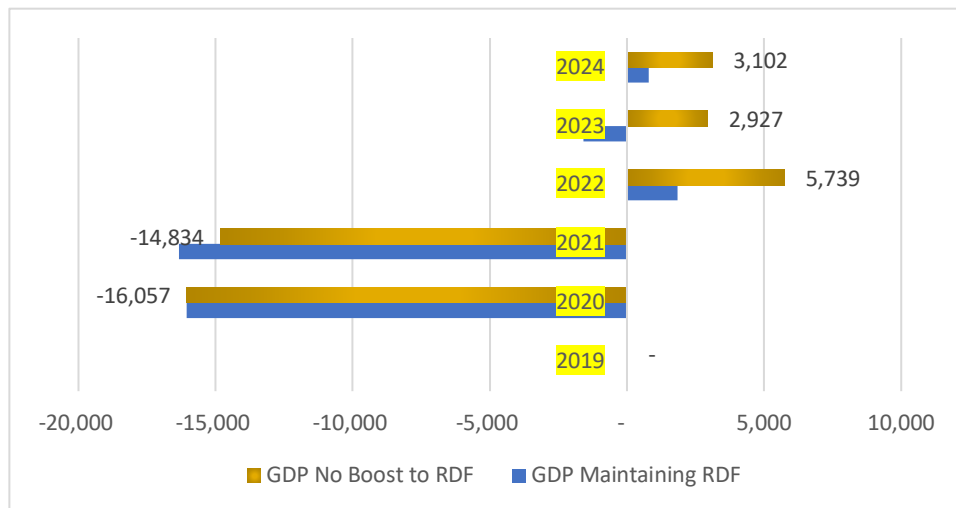
By 2024, Connecticut real GDP reaches \$267.9 billion preservation of the RDF and \$269.8 billion with the ARP used as intended to complement the State and local governments in jump starting the economy from Covid 19. Stimulating growth, enhances real GDP by 0.9% above Pre-Covid-19 expectations in the REMI base case, relative to 0.1% when funds are deployed to preserve the RDF.

In the long-term, to 2060, the NPV of the higher real GDP from complementary spending, discounted at 5%, is worth \$9,204 million.

Current GDP

Current dollar GDP results parallel real dollar results with inflation playing a larger role over time as noted in Chart 3.

Chart 3: Covid-19 and ARP Connecticut Current GDP Impacts with and without Boosting RDF (Millions Current \$)

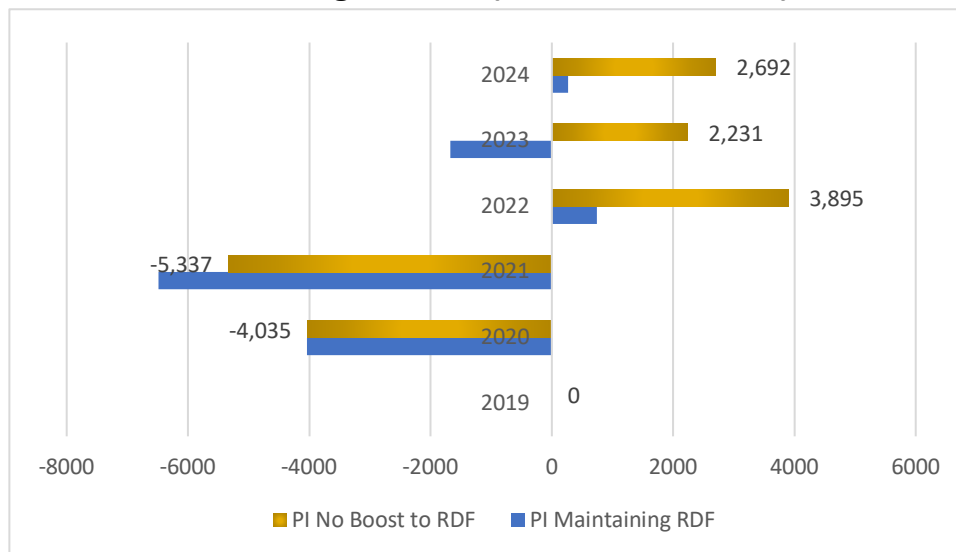


In current dollars the difference in GDP between the two cases in 2021 is \$1.5 billion. Both cases, particularly complementary spending, indicate enough growth in the last three years for those to be growing faster than prior to Covid-19. 2021-2024, average annual current dollar GDP in the complementary spending case is stronger by \$3,057 million. The long-term, NPV of the higher current dollar GDP by not boosting the RDF is \$10,706 million.

Personal Income

Tracked in Chart 4, personal income has been similarly adversely impacted over the last two years.

Chart 4: Covid-19 and ARP Connecticut Current PI Impacts with and without Preserving the RDF (Millions Current \$)



ARP assisted income through cheques to households and extended unemployment and therefore cushioned its decline from Covid-19. Using ARP as intended, to stimulate growth lessens adverse effects in 2021 by \$1.51 billion and by \$2.88 billion in 2022 and \$4.52 billion in 2023. 2021-2024, average annual current dollar PI in the complementary spending case is stronger by \$2,659 million.

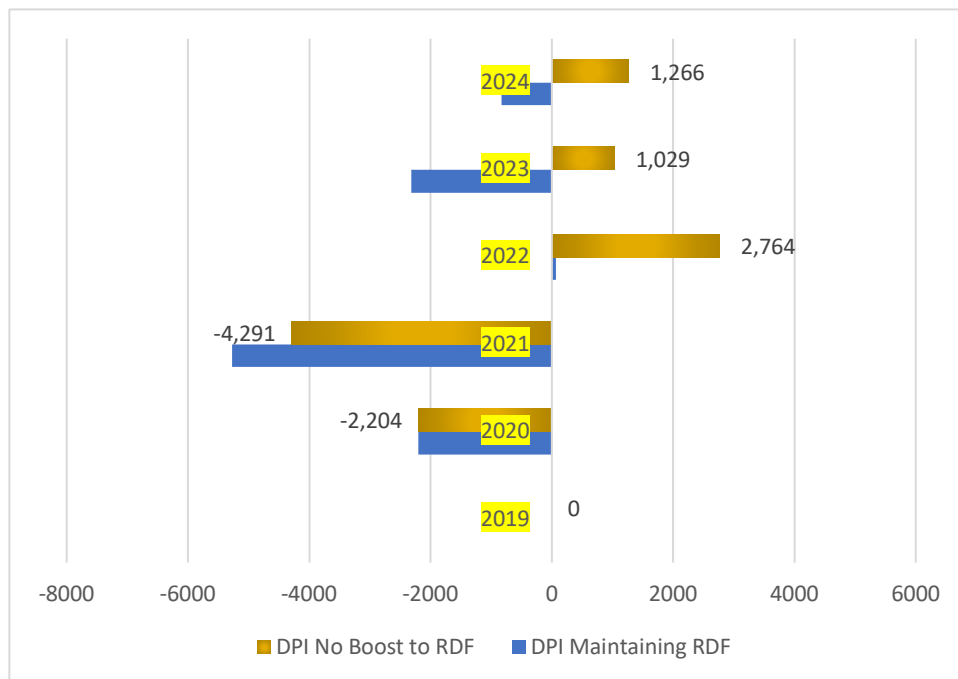
In 2024, Connecticut current dollar PI reaches \$319.7 billion with the boost to RDF and \$322.5 billion when the ARP is used as intended to stimulate the economy from Covid 19. In 2024, ARP enhances PI by 0.6% above Pre-Covid-19 expectations in the REMI base case compared to -0.2% when funds boost the RDF.

In the longer-term to 2060, the no boost case produces PI with an NPV of \$12,136 million over and above CCEA’s case when the RDF is boosted.

DPI

Subtracting personal income taxes from PI yields Disposable Personal Income (DPI), the measure of choice left to households from their incomes. The impacts of Covid-19 and related policies on PI range from cuts of \$6,940 million in 2021 if Connecticut tops-up the RDF and \$5,337 million if it does not. As above PI growth is healthier if funds are not diverted to the RDF to top it up. 2021-2024, average annual current dollar PI in the no boost case is stronger by \$2,279 million.

Chart 5: Covid-19 and ARP Connecticut Current DPI Impacts with and without Preserving the RDF (Millions Current \$)

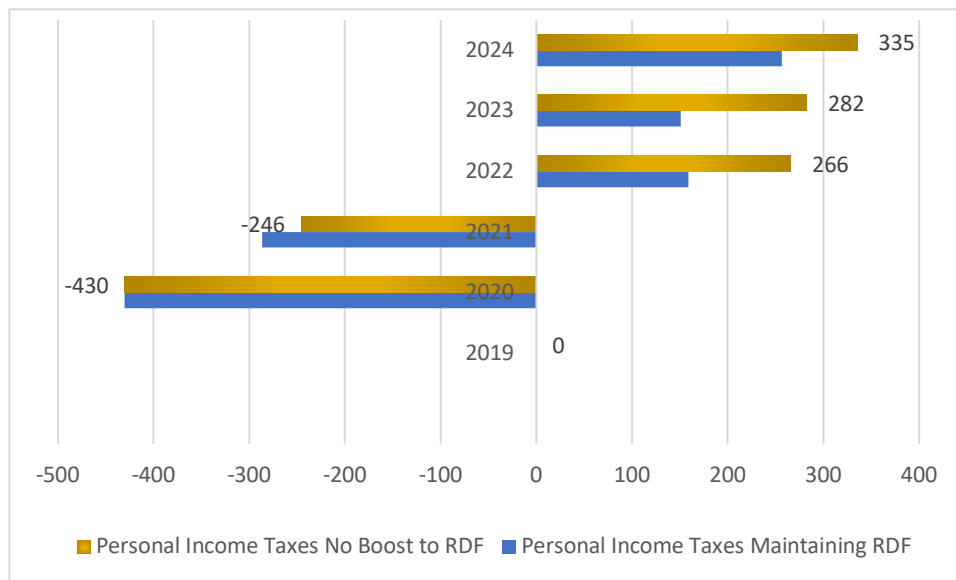


In 2024, Connecticut current dollar DPI reaches \$278.1 billion with the boost to RDF and \$280.2 billion with the ARP deployed as intended to stimulate the economy from Covid 19. In 2024, ARP enhances DPI by 0.2% above Pre-Covid-19 expectations in the REMI base case compared to -0.6% when preserving the RDF.

To 2060, the no boost case produces DPI with an NPV of \$10,532 million over and above the RDF is boosted.

Contrasting Charts 4 and 5 indicates personal income taxes accruing to Federal and State governments. Of personal income taxes collected 23.5% accrue to the state. In the amounts indicated in Chart 6. The Covid induced recession has seriously impacted Connecticut State revenues from personal income taxes with cuts of \$430 million in 2020 and another \$286 to 246 million in 2021. With ARP stimulus personal income taxes rise by \$843 over the next two years unless ARP funds are effectively diverted to the RDF. In that case the increase is limited to \$556 million during the next three years. Personal income tax collections vary by \$596 million over 2021-2024, during ARP. In the longer-term state and local government treasuries benefit from State and local treasuries benefit from the no boost to RDF generating an additional NPV of \$377 million for heir treasuries over and above funds generated in the preserve RDF case.

Chart 6: Covid-19 and ARP Connecticut Current Personal Income Tax Impacts with and without Preserving the RDF (Millions Current \$)



Fiscal Impacts

Estimating the fiscal revenue differences as the sum of incremental personal income taxes, a flat sales tax of 3.9% on personal consumption, residential taxes at state average mill rate of 35 cents/\$1,000 added to the Grand List of residences and growing that other third consistently with other fiscal sources, CCEA estimates the sum of annual changes to state and local

government revenues. These are contrasted with addition state and local government expenditures and investment estimated within REMI.

Balances with and without ARP funding accruing to government are presented in Table 1A for

Table 1A: Fiscal Impacts without Preserving the RDF (Millions of current \$)

	2020	2021	2022	2023	2024	Total
All State and Local Taxes with complementary spending	- 38.0	- 433.0	509.6	400.0	482.0	320.6
State and Local Gov't. Expenditures with complementary spending	- 475.6	843.8	1,895.4	1,142.8	1,203.2	4,609.6
Fiscal Impact Prior to ARP Payment to State and Local	- 162.4	- 1,276.8	1,385.8	742.8	721.2	4,289.0
Covered by ARP	-	1,446.3	2,024.8	1,157.0	1,157.0	5,785.0
Difference from (-) preserving RDF	- 62.4	169.5	638.9	414.2	435.8	1,496.0

This case earns sufficient funds (\$1.4 billion) over 2021-2024 to contribute surpluses into the RDF or for governments to spend over and above specified in the CCEA base case.

For the state and local governments to divert funds to the RDF would require that the upper limit of \$3 billion to be exceeded over a prolonged period. Doing so comes at the expense of the rest of the state's economy as noted above.

Table 1b: Fiscal Impacts while preserving the RDF (Millions of current \$)

	2020	2021	2022	2023	2024	Total
All State and Local Taxes Maintaining RDF	- 638	- 524	270	112	317	-463
State and Local Gov't. Expenditures Maintaining RDF	- 476	213	304	- 723	220	-461
Fiscal Impact Prior to ARP Payment to State and Local	- 162	- 738	- 33	835	96	-2
Covered by ARP	-	1,446	2,025	1,157	1,157	5,785
Difference accruing to RDF	- 162	709	1,991	1,992	1,253	5,783

Conclusions

Diverting ARP funds to offset deficits and preserve the RDF generates surpluses but comes at a cost to growth with an annual average of 30,189 fewer jobs, reduced average annual current dollar GDP of \$3,059 billion, and lower average annual DPI of \$2,279 billion. In doing so limits employment opportunities and incomes while perpetuating the population exodus from Connecticut. Used to complement planned spending and to stimulate growth, all indicators that by 2024 Connecticut economic performance can exceed Pre-Covid-19 expectations but

substituting the ARP funds to preserve the RDF will erode that growth in employment and by all income metrics and lower Pre-Covid-19 on all measures of PI.

Complementary spending delivers billions more than preserving the rainy-day fund, no matter how you measure it.