
OLR Bill Analysis

SB 83

Emergency Certification

AN ACT ESTABLISHING THE FEDERAL CUTS RESPONSE FUND.

SUMMARY

SA 25-1, November Special Session (NSS), appropriated \$500 million from the Budget Reserve Fund (BRF) to the Office of Policy and Management (OPM) for responding to and mitigating federal funding reductions for specified programs and services (generally, related to social services, healthcare, and housing) in Connecticut. Under the act, the unspent portion of this appropriation (\$330,811,954) lapsed on February 4, 2026, and returned to the BRF (see BACKGROUND).

This bill requires the state treasurer to transfer this \$330.8 million from the BRF to the Federal Cuts Response Fund, a new appropriated fund established under the bill. For FY 26, it appropriates this same amount from the Federal Cuts Response Fund to OPM to (1) respond to the policy impacts of the federal FY 25 Reconciliation Law (commonly referred to as H.R. 1 or the One Big Beautiful Bill Act (P.L. 119-21)) and (2) mitigate federal funding reductions for state programs.

The bill authorizes the OPM secretary to transfer any part of this appropriation to any agency in any appropriated fund to carry out the appropriation's intent. It allows the legislative leaders, by majority vote, to disapprove any expenditure or transfer of these appropriated funds. Any unspent funds remaining in the Federal Cuts Response Fund after FY 27 must be returned to the BRF, after which the former fund terminates.

EFFECTIVE DATE: Upon passage

AUTHORITY TO SPEND OR TRANSFER APPROPRIATED FUNDS***OPM Transfers***

Under the bill, the OPM secretary may transfer any amount of this appropriation to any agency in any appropriated fund to carry out the appropriation's intent. Any unspent amount of the appropriation to OPM does not lapse at the end of FY 26 and instead carries forward to FY 27 for the same purposes. Any unspent amounts transferred to another appropriated fund must be returned to the Federal Cuts Response Fund on June 30, 2027, and lapse on that date.

Legislative Notice and Disapproval Authority

Under the bill, before spending or transferring these appropriated funds, the OPM secretary must electronically notify the six legislative leaders of each expenditure or transfer amount and its purpose. Within 24 hours after receiving this notice, a committee consisting of the legislative leaders may, by majority vote, disapprove any of the expenditures or transfers. The committee may hold any meeting on a virtual platform that can be viewed by the public. The OPM secretary may not spend or transfer the funds (1) before the 24-hour period expires or (2) if the expenditure or transfer is disapproved. (Similar notification and disapproval provisions applied under SA 25-1, NSS.)

FEDERAL CUTS RESPONSE FUND

Under the bill, the Federal Cuts Response Fund must contain any money the law requires to be deposited in it and any year-end fund balance must be carried forward in the fund to the next fiscal year, except as described below. The treasurer must hold the fund separate from other funds and accounts.

The bill requires the treasurer to transfer the fund's unspent balance to the BRF after the fund's accounts have been closed for FY 27 and the state comptroller has determined its unspent balance. The fund terminates when this transfer is made or the comptroller determines that there are no unspent funds to transfer.

Under the bill, this transfer is subject to the existing law that caps the BRF at 18% of net General Fund appropriations for the current fiscal

year and requires any excess surplus funds to be automatically appropriated for paying down the State Employee Retirement System's (SERS) and Teachers' Retirement System's (TRS) unfunded liabilities and other outstanding state debt (see BACKGROUND).

BACKGROUND

SA 25-1, NSS

The act appropriated \$500 million from the BRF to OPM for responding to and mitigating funding reductions for the following programs and services in Connecticut resulting from any action or inaction by the federal government: the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Supplemental Nutrition Assistance Program (SNAP); the Low-Income Home Energy Assistance Program (LIHEAP); and healthcare, school meals, and childcare and housing assistance.

The same act also required the treasurer to transfer \$500 million to the BRF for FY 26, in excess of the fund's 18% cap, from funds in the BRF that were automatically appropriated for paying down debt but have not yet been spent. Additionally, it requires any (1) unspent portion of the \$500 million appropriation to lapse on February 4, 2026, and be returned to the BRF and (2) amount in the BRF on June 30, 2026, that exceeds the fund's 18% cap for FY 27 to be used for unfunded pension liabilities.

Surpluses in Excess of the BRF's Maximum

Once the BRF reaches the 18% maximum, the law requires any remaining surplus to be automatically appropriated for reducing the SERS or TRS unfunded liability by up to 5%, as the treasurer determines to be in the state's best interests. In addition, when the BRF's balance is between 15% and 18%, half of any surplus must also be automatically appropriated to SERS and TRS in this way. The other half must be transferred to the BRF, up to the 18% maximum.

Any amounts that remain after the maximum appropriation to SERS and TRS may be used to make additional payments to either retirement system, as the treasurer determines to be in the state's best interests, or

to paying off other specified forms of outstanding state debt (CGS § 4-30a(c) & (d)).

Bond Lock

The BRF law is subject to the “bond lock,” a state law that promises certain state bondholders that the state will adhere to specified fiscal controls. Specifically, the bond lock required the treasurer to include a pledge to bondholders in general obligation and credit revenue bonds issued during FYs 24 and 25 that the state will comply with the fiscal controls except under limited circumstances, during each fiscal year to which the pledge applies.

The pledge to bondholders is that the state will not enact any laws taking effect in FYs 24-28 and FYs 29-33, except as described below, that change the state’s obligation to comply with the fiscal controls during the years to which the pledge applies, unless the following conditions are met:

1. bondholders are protected in another way or
2. (a) the governor declares an emergency or the existence of extraordinary circumstances in which he invokes his statutory authority to reduce appropriated accounts (CGS § 4-85), (b) at least three-fifths of the members of each house of the General Assembly approve the change, and (c) the change is limited to the fiscal year in progress.

The pledge applies through FY 33 unless the General Assembly adopts, by June 30, 2028, a resolution not to continue it beyond FY 28. It does not apply to refunding bonds issued to pay the original bonds (CGS § 3-20(bb)).