

OFFICE OF FISCAL ANALYSIS

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EMERGENCY CERTIFICATION

SB-83

AN ACT ESTABLISHING THE FEDERAL CUTS RESPONSE FUND.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$	FY 28 \$
Resources of the Budget Reserve Fund	Budget Reserve Fund - Transfer from	330,811,954	None	None
Policy & Mgmt., Off.	FCRF - Transfer to	330,811,954	None	None
State Comptroller - Fringe Benefits; Teachers' Retirement Bd.	Various - Preclude Savings	None	None	27,500,000

Note: FCRF=Federal Cuts Response Fund; Various=Various

Municipal Impact: None

Explanation

The bill creates the Federal Cuts Response Fund (FCRF), which is funded by \$330.8 million from the Budget Reserve Fund (BRF). The transfer to the FCRF precludes savings of approximately \$27.5 million annually to the state's actuarially determined employer contribution (ADEC) for state employees and teachers' retirement systems beginning in FY 28 and continuing for 25 years.¹

¹ Under current law, the Budget Reserve Fund (BRF) excess is subject to statutory requirements including being transferred towards paying down long-term debts such as the state employee retirement system (SERS) and teachers' retirement system (TRS). Transfers to the pension systems are amortized over 25 years and reduce the state's

Spending Cap

Per the Governor's February 4, 2026, Declaration of the Existence of Extraordinary Circumstances, any appropriations up to \$500 million in excess of the spending cap resulting from SA 25-1, November Special Session, and the bill are authorized in the current fiscal year (FY 26) but are not included in the FY 27 calculation base.

The Out Years

In the event there are remaining funds in the FCRF at the close of FY 27, and the BRF has reached its statutory cap, such funds will be deposited into the state pension systems and result in marginal reductions to the state's ADEC for SERS and TRS beginning in FY 29, amortized over 25 years.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

ADEC two years after the surplus year. Actual reductions to the ADEC are determined in the annual actuarial valuation for each system and are subject to multiple factors both investment and non-investment related.