

On Guard (rails) : An Overview of Connecticut's Fiscal Controls

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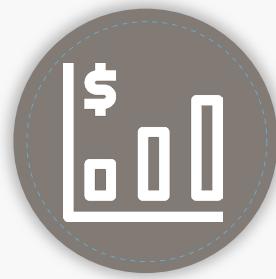
Fiscal Guardrails



Spending Cap



Budget Reserve Fund



Revenue Cap



Bond Caps



Volatility Cap



Bond Lock

Spending Cap

3.96%

allowable growth
rate for FY 25

Spending growth cannot exceed
the greater of:

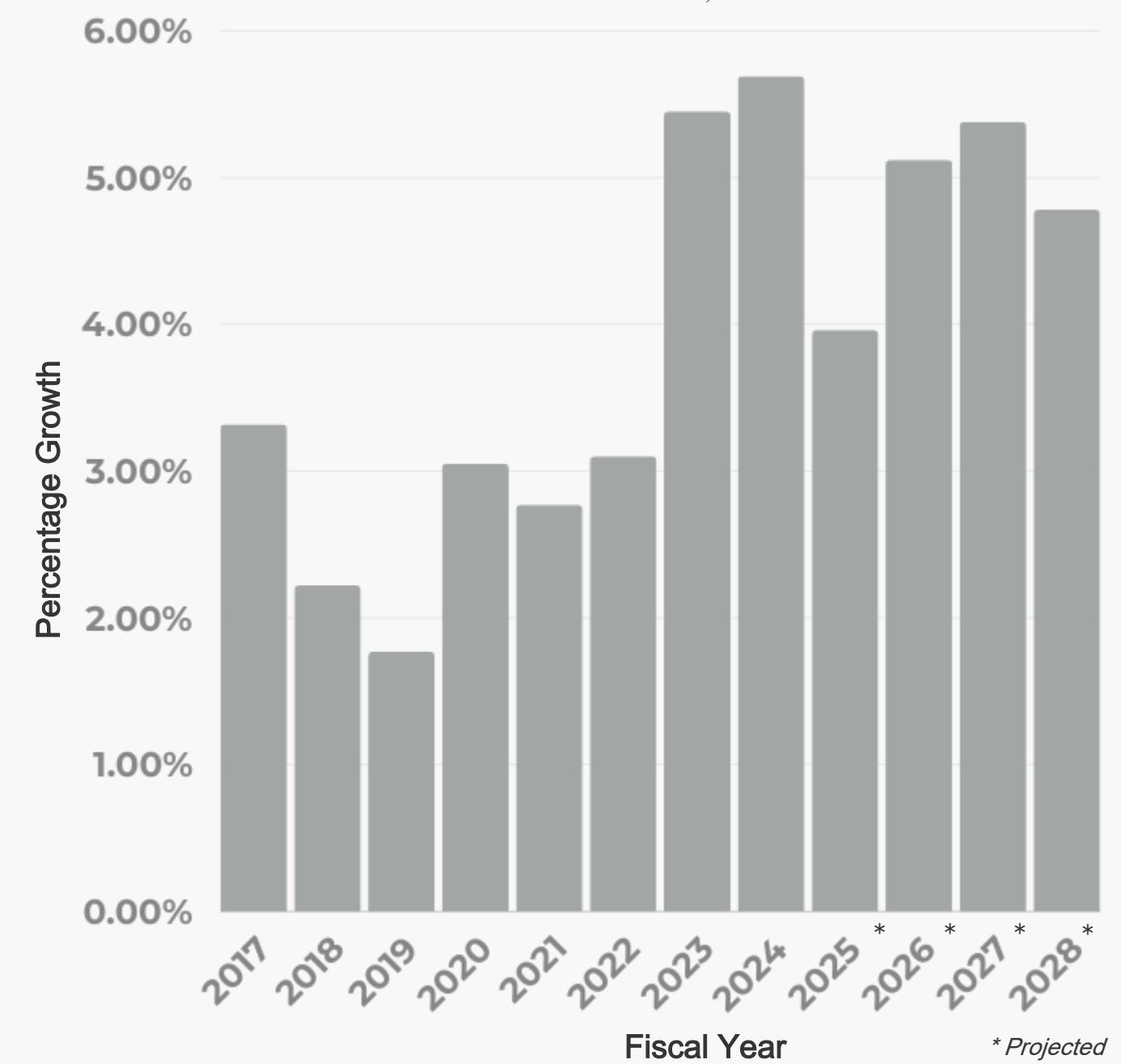
% increase in
personal income

or

% increase in
inflation

Spending Cap Growth Rate

As of November 12, 2024



Spending Cap

Quick facts:

- Certain expenditures are excluded from the cap, including debt payments and transfers to and from the Budget Reserve Fund
- Calculation must be adjusted if any spending is shifted from on-budget to off-budget, or vice versa (i.e., base adjustment)
- Budget can exceed the cap if the governor declares a fiscal emergency and a 3/5 majority of each chamber approves the extra spending

Revenue Cap

98.75%

cap on amount of estimated revenues that the legislature can appropriate

\$288.8 M

amount in General Fund unavailable for appropriation due to revenue cap

Budget can exceed the cap if the:

- governor declares a fiscal emergency and a 3/5 majority of each chamber approves the extra spending **and**
- appropriation is for the fiscal year in progress only

Legislature may also exceed the cap by majority vote for an adjusted appropriation and revenue plan

Volatility Cap

Diverts volatile tax revenue from:

- personal income tax estimated and final payments
- pass-through entity tax

\$3.93 B

Volatility cap threshold for FY 25

Annually adjusted for the five-year average growth in personal income

Legislature may amend the threshold amount, by a 3/5 vote of each chamber, due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections

Budget Reserve Fund

18%

of net General Fund appropriations for the current fiscal year

Allowable Uses:

- Certified deficits for preceding fiscal year
- Revenue shortfalls projected for current or future fiscal year
- Unfunded pension liability payments

Once the 18% [**maximum balance**](#) is reached, surpluses must be used to reduce the State Employee Retirement Fund's or Teachers' Retirement Fund's unfunded liability by up to 5% and for paying off other outstanding debt

GO Bond Caps

1.6 x

General Fund tax receipts

↑
Limit on General
Fund-supported
debt legislature
may authorize

\$2.5 B for FY 25

annually adjusted for inflation

↑
State Bond
Commission
allocations

↑
Allotments by
Governor

↑
Issuances
by state
treasurer

Bond Lock

Quick facts:

- Pledge tied to GO and credit revenue bonds issued during FYs 24 and 25
- Requires state to adhere to specified fiscal controls except under limited circumstances (e.g., if bondholders are protected in another way)
- Pledge applies through FY 33 unless the legislature adopts a resolution not to continue it beyond FY 28

Read More

- Office of Fiscal Analysis, [*Fiscal Accountability Report: FY 25-FY 28*](#)
- Office of Policy and Management, [*Fiscal Accountability Report: Fiscal Years 2025-2028*](#)
- OLR Report 2024-R-0019: [*OLR Backgrounder: Connecticut's Volatility Cap and Budget Reserve Fund*](#)
- OLR Report 2023-R-0299: [*State Fiscal Controls*](#)
- OLR Report 2024-R-0181: [*State Spending Cap*](#)

Questions?



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