

Budget Reserve Fund

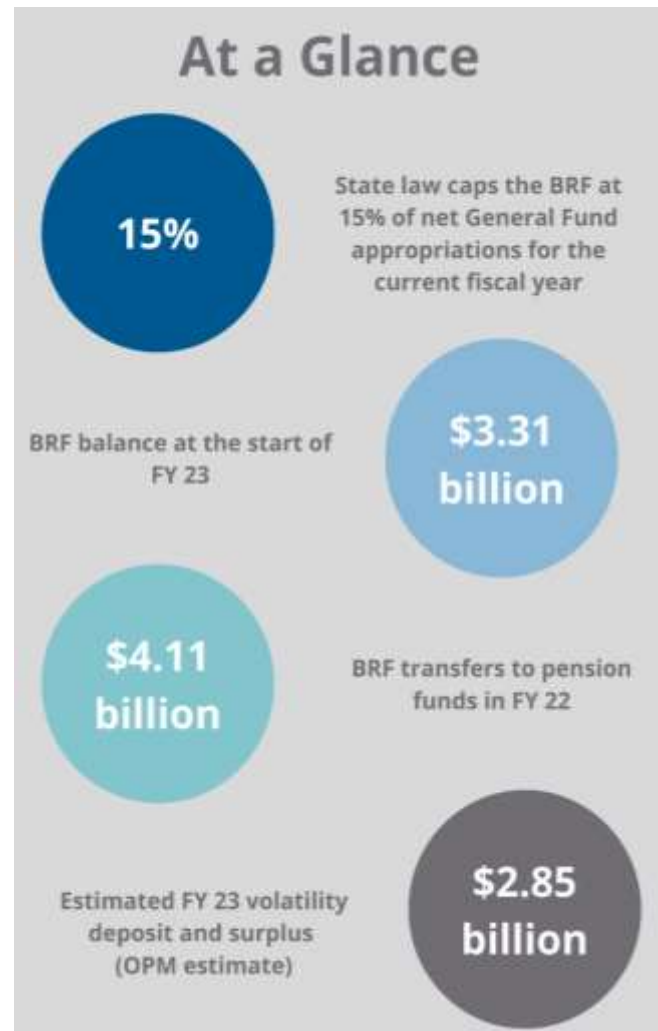
Budget Reserve Fund (BRF) Overview

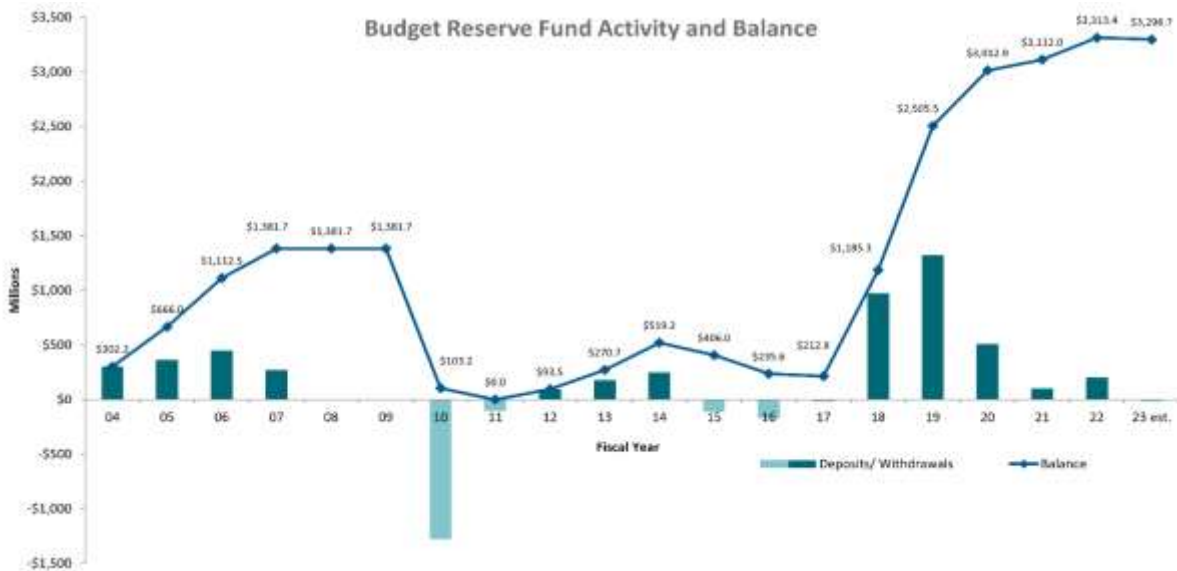
The BRF is Connecticut's "rainy day fund." State law establishes the BRF and authorizes it to hold up to 15% of net general fund appropriations for the current fiscal year. The state treasurer must transfer to the BRF any (1) unappropriated General Fund surplus at the end of each fiscal year and (2) revenue the state receives each fiscal year from specified sources in excess of the "volatility cap" ([CGS § 4-30a](#)).

Volatility Cap

The volatility cap limits the amount of tax revenue from certain sources that may be credited to the General Fund. Any revenue from these sources exceeding the cap must be deposited in the BRF. These sources are (1) personal income tax revenue from estimated and final payments (generated from taxpayers who make estimated income tax payments on a quarterly basis) and (2) pass-through entity tax revenue.

The volatility cap has a \$3.15 billion baseline that is annually adjusted for the five-year average growth in personal income ([CGS § 4-30a\(a\)\(1\)](#)). For FY 23, the volatility cap threshold is approximately \$3.63 billion. In their November 10, 2022, consensus [revenue estimates](#), the Office of Fiscal Analysis (OFA) and Office of Policy and Management (OPM) projected a \$1.85 billion volatility cap transfer to the BRF for FY 23.





Allowable Uses of the BRF

- **Certified Deficits:** By law, if the comptroller certifies a deficit for the immediately preceding fiscal year, BRF funds are deemed appropriated to fund the deficit.
- **Revenue Shortfalls:** The legislature may transfer funds from the BRF to the General Fund when a revenue shortfall is projected for a current or future fiscal year. It may do so at any time during the current biennium if any consensus revenue estimate for the biennium projects a decline in General Fund revenue of at least 1%. In addition, if an April consensus revenue estimate projects a decline in General Fund revenue in either year or both years of the subsequent biennium of at least 1%, the legislature may transfer BRF funds to the General Fund in the fiscal year for which the deficit is projected.
- **Unfunded Pension Liability Payments:** The legislature may transfer funds from the BRF to pay unfunded pension liabilities when the fund’s balance equals 5% or more of net General Fund appropriations for the current fiscal year. Funds exceeding this 5% threshold amount may be transferred to either the State Employee Retirement Fund or Teachers’ Retirement Fund, as the legislature determines to be in the state’s best interests in consultation with the state treasurer. Any amounts transferred to either retirement system must be in addition to statutorily required contributions or payments ([CGS § 4-30a\(d\)](#)).

Surpluses in Excess of the BRF’s Maximum

Once the BRF reaches the 15% statutory maximum, the treasurer must transfer any remaining General Fund surplus, as he determines to be in the state’s best interests, for reducing either the State Employee Retirement Fund’s or Teachers’ Retirement Fund’s unfunded liability by up to 5%. (The FY 23 budget adjustment act prescribes the order in which the treasurer must transfer these excess BRF funds to reduce these liabilities.) Any amounts that remain after this transfer 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 pay off other forms of outstanding state debt ([CGS § 4-30a\(c\)](#) and [PA 22-118, § 229](#)).

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[Fiscal Accountability Report FY 23-26](#), OFA

[“State Fiscal Controls,”](#) OLR Report 2022-R-0213

[Fiscal Accountability Report FY 23-26](#), OPM

