

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 21, the volatility cap threshold is approximately \$3.39 billion. In their November 10, 2020, consensus [revenue estimates](#), the Office of Fiscal Analysis (OFA) and Office of Policy and Management (OPM) projected no volatility cap deposit to the BRF for FYs 21-24.

BY THE NUMBERS



15%

state law caps the BRF at 15% of net General Fund appropriations for the current fiscal year



\$61.6
mil

estimated FY 20 balance above the BRF's limit to be directed to the State Employee Retirement Fund



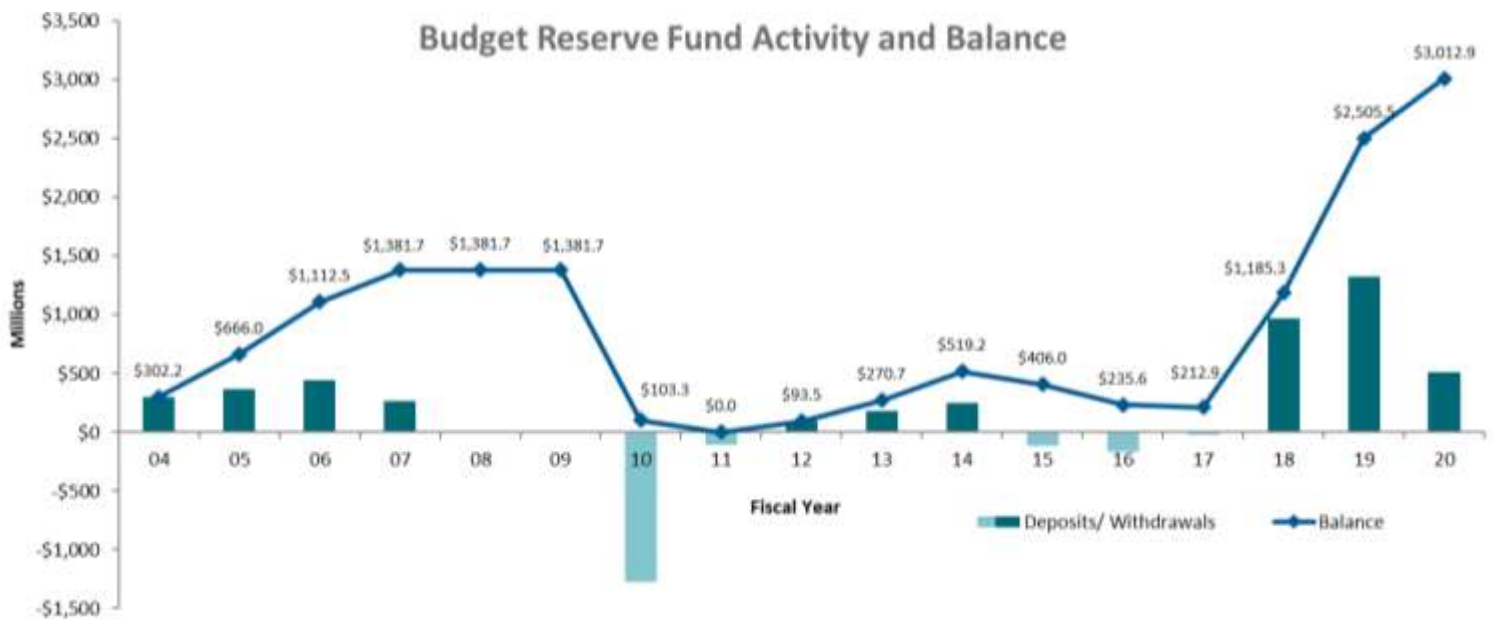
\$507
mil

amount deposited in the BRF in FY 20



\$3.01
bil

BRF's balance at the start of FY 21



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%. 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\(c\)](#)).

**Learn
More**

“Connecticut’s Volatility Cap,” OLR Report [2018-R-0296](#)

[Fiscal Accountability Report FY 21-24](#), OFA

“State Fiscal Controls,” OLR Report [2019-R-0305](#)

[Fiscal Accountability Report FY 21-24](#), OPM

