

APPENDIX F. FY 19 General Fund Surpluses & Budget Reserve (“Rainy Day”) Fund

Use of the FY 19 Surplus

The FY 19 operating surplus is \$1,633.9 million. Pursuant to the budget act and current law, \$704.9 million of the total operating surplus is used for other purposes (enumerated in Table 1). The resulting FY 19 deposit into the Budget Reserve Fund (BRF) is \$929 million as a result.

Table 1. Calculating the FY 19 Balance of the Budget Reserve Fund
In Millions of Dollars

BRF Balance Calculations	FY 19
Calculating the FY 19 Surplus	
BRF Starting Balance	1,185.3
Volatility Adjustment Transfer	949.7
Budget Surplus	942.2
Subtotal - FY 19 Surplus	1,891.9
Uses of FY 19 Surplus	
Teachers' Retirement Fund Bonds Special Capital Reserve Fund Transfer ¹	(381.0)
Reserve for Hospital Settlement ²	(160.0)
Budgetary carry forwards into FY 20 ³	(119.6)
Other carry forwards into FY 20 ⁴	(44.9)
Subtotal - Uses of FY 19 Surplus	(705.5)
Other Adjustments	
Reflect prior year carry forwards	134.3
Miscellaneous year-end adjustments to balance	(0.4)
Subtotal - Other Adjustments	133.9
FY 19 BRF deposit	1,320.3
BALANCE	2,505.6

¹PA 19-117 Sec. 90.

²PA 19-117 Sec. 50.

³PA 19-117 Sections 19, 27, 38, 42, 43, 49 and 53.

⁴CGS Section 4-89.

Budget Surpluses in FY 20 and FY 21

The budget includes a surplus of \$111.1 million in FY 20 and \$166.2 million in FY 21. These surpluses are determined largely by the new Surplus Requirement a.k.a. “revenue cap”, which limits (net) General Fund appropriations to percentages of revenues adopted by the Finance, Revenue and Bonding Committee: 99.5% in FY 20 and 99.25% in FY 21. The FY 20 surplus also takes into account a reserve of \$30 million related to a potential hospital settlement.⁶

⁶Section 50 of PA 19-117 reserves resources of the General Fund in the event of and upon approval by the General Assembly of a comprehensive court settlement between the state and hospitals regarding all outstanding litigation and administrative matters related to pending claims of such hospitals against the state concerning the user fee that was sunset on June 30, 2017, and Medicaid reimbursement. The amounts reserved are \$160 million from FY 19 and \$30 million from FY 20.

“Volatility Adjustment” Transfers

When anticipated revenues are projected to exceed a statutory cap, the excess must be transferred to the BRF. This transfer is called a “volatility adjustment,” and it is required under a law that took effect in FY 18. This statutory cap, along with several other caps, was incorporated into a June 2018 bond covenant which restricts policy changes for 5 years.

Impact on the BRF

The budget surpluses, in addition to revenue volatility adjustment transfers, are projected to increase the balance of the Budget Reserve Fund relative to net General Fund appropriations from 10.9% to 15.1% by the end of the FY 20 – FY 21 biennium. By law, the State Treasurer must apply any Budget Reserve Fund balance greater than 15.0% of net General Fund appropriations in the same fiscal year to reduce long-term pension liabilities and debt.

Table 2. FY 20 and FY 21 General Fund Surpluses and Uses
In Millions of Dollars

General Fund	FY 20	FY 21
Revenue	19,460.2	20,148.2
Subtotal - Surplus Requirement	97.3	151.1
Revenue available to offset appropriations	19,362.9	19,997.1
Net appropriations	19,319.1	19,982.0
Budget Surplus	43.8	15.1
Reserved for the Hospital Settlement	(30.0)	-
Subtotal - Unreserved Budget Surplus	13.8	15.1
TOTAL	111.1	166.2

Table 3. Budget Reserve Fund Projections (FY 20 and FY 21)¹
In Millions of Dollars

BRF Projections	FY 19	FY 20	FY 21
Budget surplus		111.1	166.2
Volatility Adjustment transfer		318.3	301.5
Projected deposit		429.4	467.7
END-of-FY BALANCE	2,505.6	2,935.0	3,402.7
% of NET GF APPROPRIATIONS	12.9%	15.2%	17.0%

¹GF = General Fund