**PURPOSE**
As the State's rainy day fund, the Budget Reserve Fund provides a cushion against budgetary shortfalls, which may be due to various factors (e.g., revenue shocks or natural disasters).

OFA estimates a BRF balance of $3.2 billion would be needed to fully address two fiscal years of a typical revenue loss during a recession.

**BALANCE**
$2,278 Million (FY 19 est.)
- Largest ever
- 12% of net appropriations

Projected to reach statutory limit in FY 21
These projections do not consider a potential recession

Limit: 15% of net GF appropriations

**HOW DOES THE BRF RECEIVE MONEY?**

**FY 20 ANTICIPATED DEPOSITS**

**$97.4M**

**REQUIRED SURPLUS**
The "revenue cap" requires a percentage of anticipated revenues to be budgeted as surplus (instead of appropriated)

**$429.5M**

**$13.8M**

**BUDGET SURPLUS**
Leftover funds that are not appropriated, transferred, or carried over into the next fiscal year

**$318.3M**

**REVENUE VOLATILITY ADJUSTMENT**
Certain income tax and pass-through entity tax revenues above a specified level (annually adjusted for personal income growth)

The bond lock prohibits changes to the revenue cap or BRF statutes (including the volatility adjustment) through FY 23.
## BUDGET RESERVE FUND (BRF)
### Quick Facts

### BRF USES
The BRF covers any deficit at the end of the fiscal year. It may also be used to finance a projected decline in revenues of 1% or more in the current or next fiscal year within a biennium. In addition, the BRF (or funds that would otherwise be deposited into it) may or must be used when its balance at the end of a fiscal year reaches certain limits (see C.G.S. Sec. 4-30a):

<table>
<thead>
<tr>
<th>MAY USE</th>
<th>MUST USE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMOUNT ABOVE</strong></td>
<td><strong>AMOUNT ABOVE</strong></td>
</tr>
<tr>
<td><strong>5%</strong> OF GF APPROPRIATIONS</td>
<td><strong>15%</strong> OF GF APPROPRIATIONS</td>
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</tbody>
</table>

The Connecticut General Assembly may choose to transfer BRF funds that exceed 5% of GF appropriations of the same fiscal year.

This transfer is limited to either the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS) to reduce State unfunded liabilities as a supplement to required payments.

OFA projects $1,741.8 million will be available for transfer at the end of FY 20; a transfer of this amount would:
- Reduce the BRF funds available for use in the future (e.g., in a recession) to $966 million, if entire eligible amount is transferred
- Reduce the SERS or TRS unfunded liabilities, which were $21.2 billion and $16.8 billion, respectively, in the most recent valuations

If the BRF reaches 15% of GF appropriations of the same fiscal year, the State Treasurer must apply all funds that would otherwise be deposited into the BRF, to either SERS or TRS to reduce the unfunded liability of the selected system by up to 5%.

If funds are still available after a 5% unfunded liability reduction to SERS or TRS, additional payments may be made to either system / other outstanding debts.

OFA projects $178.2 million will be transferred to SERS or TRS at the end of FY 21, which will:
- Cap the BRF funds available for use in the future (e.g., in a recession) at $2,997 million
- Reduce the SERS or TRS unfunded liabilities, which were $21.2 billion and $16.8 billion, respectively, in the most recent valuations

### FUND DETAILS
BRF resources are held in the State's common cash pool. Most of this pool is held in the State's Short-Term Investment Fund (STIF) and the Extended Investment Portfolio.

BRF interest earned is deposited as revenue in the General Fund.