BUDGET RESERVE FUND (BRF)

Quick Facts (Updated 11/18/19)

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 billion** would be needed to fully address two fiscal years of a typical revenue loss during a recession.

BALANCE

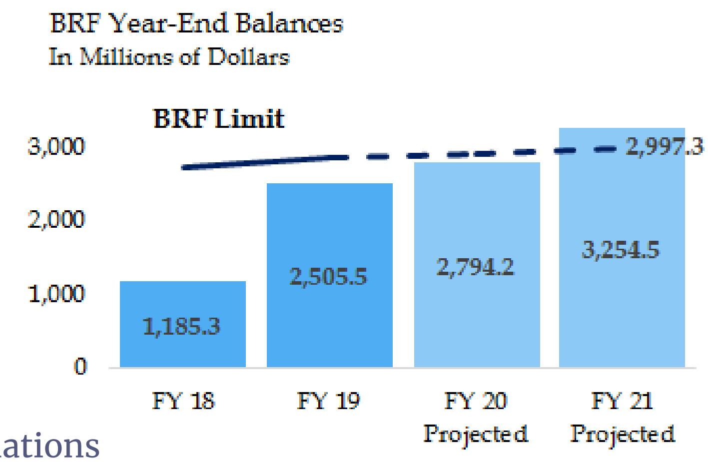
$2,505.5 Million (FY 19)

- Largest **ever**
- 12.9% 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



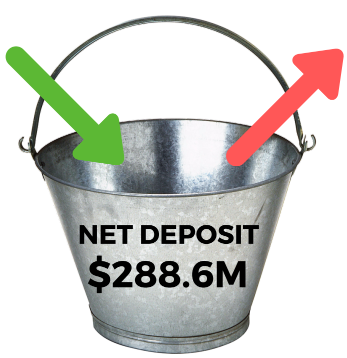
HOW DOES THE BRF RECEIVE MONEY?

FY 20 ANTICIPATED DEPOSIT

$318.3M

REVENUE VOLATILITY ADJUSTMENT

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



-$29.7M

BUDGET DEFICIT

A deficit at the close of the fiscal year would reduce the FY 20 deposit into the Budget Reserve Fund. OFA currently projects a General Fund operating deficit of $29.7 million.

The bond lock prohibits changes to the revenue cap or BRF statutes (including the volatility adjustment) through FY 23.

Bucket icon available at Pngimg.com

Office of Fiscal Analysis

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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):

MAY USE

AMOUNT ABOVE **5%** OF GF APPROPRIATIONS

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 $1,828.2 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

MUST USE

AMOUNT ABOVE **15%** OF GF APPROPRIATIONS

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 $257.1 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.