

Budget/Fiscal Guardrails

ARPA: The state received \$2.81 billion in discretionary funds that had to be obligated by the end of 2024. An additional \$1.5 billion went directly to towns (estimates: Fairfield \$25 million, Easton, \$2.2 million, Bethel \$5.8 million). An additional \$1 billion went to towns for education.

The **governor's budget fully funds ECS** (the main form of education funding) that was expected to be complete in FY 28 but will be complete in FY 26. This will result in an additional \$86.5 million going towards education in each year.

In FY 27 the governor dedicates \$40 million in additional funding to support the Excess Cost Grant which helps cover certain special education expenses. <u>Additionally</u> the governor proposes \$14 million to be used toward helping schools perform special education services within their community.

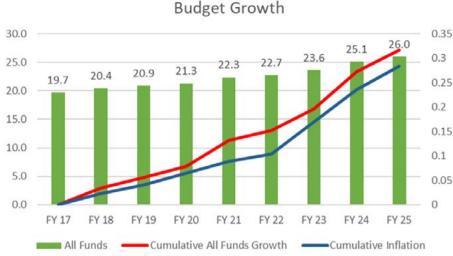
30% of all tax filers (over 530,000 households) paid no income tax

49% of CT residents make less than \$45K per year

New Spending Highlights (<u>HB 6864</u> AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE THIRTIETH, 2027, AND MAKING APPROPRIATIONS THEREFOR.)

- \$108.8 million for children's services in FY 27
- \$40 million for excess cost grant
- \$12.4 million for universal free breakfast
- \$4.5 million for RAP vouchers for Headstart
- \$21.4 million for OEC

Fiscal Guardrails (Budget Growth)

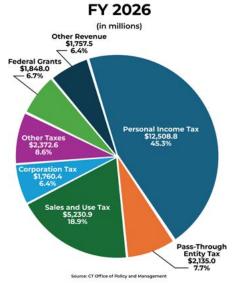


Fiscal Guardrails (Spending Cap)

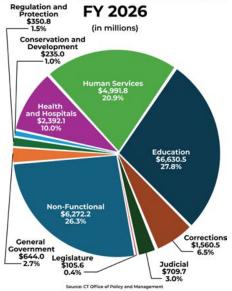
The state spending cap limits the growth in state spending from one year to the next to either the growth in personal income over the preceding five calendar years or inflation over the previous calendar year.

The legislature has spent right up to this limit over

GENERAL FUND REVENUES



GENERAL FUND APPROPRIATIONS



Budget growth is restricted by the state spending cap.

Despite this <u>the all</u> funds budget has increased by an average of 3.5% annually since 2017, reaching more than \$26 billion for FY 25.

The governor's budget proposal would increase spending by \$3.2 billion over the <u>two year</u> budget cycle, an increase of 12%.

ROOM UNDER SPENDING CAP

FISCAL YEAR 2020: .001%

FISCAL YEAR 2021: .024% of appropriations

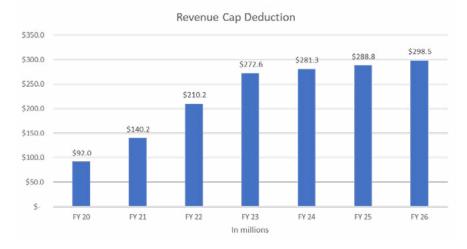
FISCAL YEAR 2022

FISCAL YEAR 2023

past budget cycles.

The Governor's proposal to create a universal pre-k endowment circumvents this cap.

Fiscal Guardrails (Revenue Cap)



OOO1% OF APPROPRIATIONS

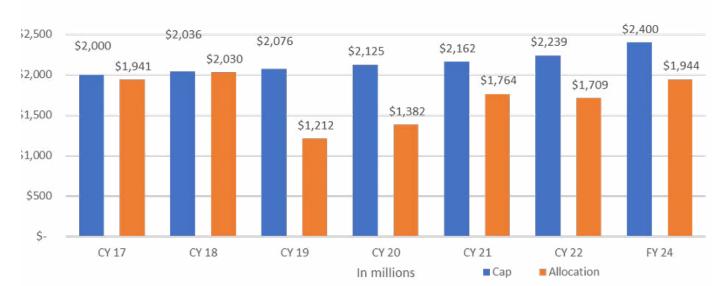
Requires budgeted surplus every year by reserving a set percentage of revenue.

Ensures that a small downturn in revenue does not necessitate immediate cuts to services or dipping into the Budget Reserve Fund.

Began at .5% of revenues in FY 20, grew at .25% until hitting 1.25% in FY 23.



GO Bond Allocations



General Obligation (GO) bonding is restricted by the debt limit, allocation cap and issuance cap as outlined below:

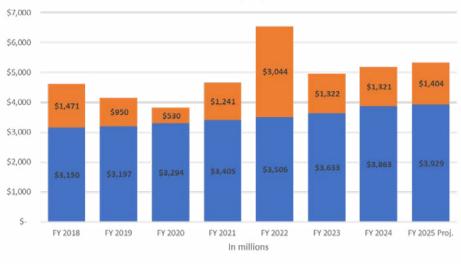
- Debt Limit: Restricts the legislature from authorizing bonds in excess of 1.6 times revenue.
- Allocation Cap: Sets an inflation adjusted limit to bonds that can be issued by the state bond commission in a calendar year (switched to fiscal year in FY 24).
- Issuance Cap: Sets an inflation adjusted limit to amount of bonds that can be issued by the state in a fiscal year.

Fiscal Guardrails (Volatility Cap)

The volatility cap requires that only a limited amount of revenue from volatile revenue streams (personal income tax estimated and final payments and the pass-through entity tax) be counted on to balance the budget.

Any revenue <u>in **excess** of</u> this amount goes into the **Budget Reserve Fund.**

The governor proposes increasing the cap threshold and taking an additional \$300 million to spend.



General Fund Budget Reserve Fund

Volatility Cap