



Connecticut State Senator

28<sup>TH</sup> DISTRICT

Tony Hwang

Bethel • Easton • Fairfield • Newtown



Chief Deputy Republican Leader



## 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**. Additionally 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 (HB 6864 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)

Budget Growth



Fiscal Year	All Funds	Cumulative All Funds Growth	Cumulative Inflation
FY 17	19.7		
FY 18	20.4		
FY 19	20.9		
FY 20	21.3		
FY 21	22.3		
FY 22	22.7		
FY 23	23.6		
FY 24	25.1		
FY 25	26.0		

### 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 past budget cycles.

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

### Fiscal Guardrails (Revenue Cap)

Revenue Cap Deduction



Fiscal Year	Revenue Cap Deduction (in millions)
FY 20	\$92.0
FY 21	\$140.2
FY 22	\$210.2
FY 23	\$272.6
FY 24	\$281.3
FY 25	\$288.8
FY 26	\$298.5

### Fiscal Guardrails (Bonding Cap)

GO Bond Allocations



Year	Cap	Allocation
CY 17	\$2,000	\$1,941
CY 18	\$2,036	\$2,030
CY 19	\$2,076	\$1,212
CY 20	\$2,125	\$1,382
CY 21	\$2,162	\$1,764
CY 22	\$2,239	\$1,709
FY 24	\$2,400	\$1,944

**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 in excess of this amount goes into the **Budget Reserve Fund**.

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

Volatility Cap



Fiscal Year	General Fund	Budget Reserve Fund
FY 2018	\$3,150	\$1,471
FY 2019	\$3,197	\$950
FY 2020	\$3,294	\$530
FY 2021	\$3,405	\$1,241
FY 2022	\$3,506	\$3,044
FY 2023	\$3,633	\$1,322
FY 2024	\$3,863	\$1,321
FY 2025 Proj.	\$3,929	\$1,404

### GENERAL FUND REVENUES FY 2026

(in millions)



Revenue Source	Amount (in millions)	Percentage
Personal Income Tax	\$12,508.8	45.3%
Pass-Through Entity Tax	\$2,135.0	7.7%
Sales and Use Tax	\$5,230.9	18.9%
Corporation Tax	\$1,760.4	6.4%
Other Taxes	\$2,372.6	8.6%
Federal Grants	\$1,848.0	6.7%
Other Revenue	\$1,757.5	6.4%

Source: CT Office of Policy and Management

### GENERAL FUND APPROPRIATIONS FY 2026

(in millions)



Appropriation Category	Amount (in millions)	Percentage
Education	\$6,630.5	27.8%
Non-Functional	\$6,272.2	26.3%
Human Services	\$4,991.8	20.9%
Health and Hospitals	\$2,392.1	10.0%
Conservation and Development	\$235.0	1.0%
Regulation and Protection	\$350.8	1.5%
General Government	\$644.0	2.7%
Legislature	\$105.6	0.4%
Judicial	\$709.7	3.0%
Corrections	\$1,560.5	6.5%

Source: CT Office of Policy and Management

Budget growth is restricted by the state spending cap.

Despite this the all 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 two year budget cycle, an **increase of 12%**.

### ROOM UNDER SPENDING CAP



Fiscal Year	Percentage of Appropriations
FISCAL YEAR 2020:	.001%
FISCAL YEAR 2021:	.024%
FISCAL YEAR 2022:	.001%
FISCAL YEAR 2023:	.039%

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.**