OLR Bill Analysis

HB 8003

Emergency Certification

AN ACT CONCERNING TEMPORARY ADJUSTMENTS TO THE BUDGET RESERVE FUND AND APPROPRIATING FUNDS TO ADDRESS REDUCTIONS IN FEDERAL FUNDING.

SUMMARY

For FY 26, this bill appropriates $500 million from the Budget Reserve Fund (BRF) to the Office of Policy and Management (OPM) for responding to and mitigating funding reductions for the following programs and services in Connecticut resulting from any action or inaction by the federal government: the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Supplemental Nutrition Assistance Program (SNAP); the Low-Income Home Energy Assistance Program (LIHEAP); and healthcare, school meals, and childcare and housing assistance. The bill authorizes the OPM secretary to transfer any amount of this appropriation to any agency in any appropriated fund to carry out the appropriation's intent. It allows the legislative leaders, by majority vote, to disapprove any expenditure or transfer of these appropriated funds.

The bill also requires the state treasurer to transfer this same amount to the BRF for FY 26, in excess of the fund's 18% cap, from funds in the BRF that were automatically appropriated for paying down debt but have not yet been spent. Additionally, it requires any (1) unspent portion of the $500 million appropriation to lapse on February 4, 2026, and be returned to the BRF and (2) amount in the BRF on June 30, 2026, that exceeds the fund's 18% cap for FY 27 to be used for unfunded pension liabilities.

EFFECTIVE DATE: Upon passage

REQUIRED LEGISLATIVE NOTICE AND DISAPPROVAL AUTHORITY

Under the bill, before spending or transferring these appropriated funds, the OPM secretary must electronically notify the six legislative leaders of each expenditure or transfer amount and purpose. Within 24 hours after receiving this notice, a committee consisting of the legislative leaders may, by majority vote, disapprove any of the expenditures or transfers. The committee may hold any meeting on a virtual platform that can be viewed by the public. The OPM secretary may not spend or transfer the funds before the 24-hour period expires.

TRANSFER TO THE BRF FOR FY 26

Current law caps the BRF at 18% of net General Fund appropriations for the current fiscal year and requires any excess surplus funds to be automatically appropriated for paying down the State Employee Retirement System's (SERS) and Teachers' Retirement System's (TRS) unfunded liabilities and other outstanding state debt, as described below (see BACKGROUND). The bill instead requires a portion of the funds that were automatically appropriated for these purposes to be transferred to the BRF for FY 26, in excess of the fund's 18% cap.

Under the bill, once the BRF's balance is at least 18% of net General Fund appropriations for FY 26, the state treasurer must transfer to the fund $500 million of the funds that were automatically appropriated for paying down debt but have not yet been spent for these purposes as of the bill's passage, and these funds are no longer automatically appropriated for these purposes. Once this transfer is made, no further transfers to the BRF may be made until the fund's balance is below the cap.

UNENCUMBERED BALANCES ON FEBRUARY 4, 2026

Under the bill, the appropriation's unencumbered balance (i.e. any portion of the appropriation that is unspent or uncommitted), including the unencumbered balance of any amount OPM transferred to an appropriated fund, lapses on February 4, 2026, and must be returned to the BRF on that date.

EXCESS SURPLUS REMAINING ON JUNE 30, 2026

On June 30, 2026, the bill requires that any amount in the BRF that exceeds 18% of net General Fund appropriations for FY 27 be deemed appropriated and transferred to make additional payments towards SERS and TRS, as the state treasurer determines to be in the state's best interests. Under the bill, this automatic appropriation and transfer is done according to the existing law giving the legislature statutory authority to transfer funds from the BRF to pay unfunded pension liabilities when the fund's balance equals 5% or more of net General Fund appropriations for the current fiscal year.

Under this law, the legislature may transfer funds above the 5% threshold amount to either SERS or TRS, as it determines to be in the state's best interests, in consultation with the treasurer. Any amounts transferred to either retirement system must be in addition to statutorily required contributions or payments.

BACKGROUND

Surpluses in Excess of the BRF's Maximum

Once the BRF reaches the 18% maximum, the law requires any remaining surplus to be automatically appropriated for reducing the SERS or TRS unfunded liability by up to 5%, as the state treasurer determines to be in the state's best interests. In addition, when the BRF's balance is between 15% and 18%, half of any surplus must also be automatically appropriated to SERS and TRS in this way. The other half must be transferred to the BRF, up to the 18% maximum.

Any amounts that remain after the maximum appropriation to SERS and TRS may be used to make additional payments to either retirement system, as the treasurer determines to be in the state's best interests, or to paying off other specified forms of outstanding state debt (CGS § 4-30a(c) & (d)).

Bond Lock

The BRF law is subject to the "bond lock," a state law that promises certain state bondholders that the state will adhere to specified fiscal controls. Specifically, the bond lock required the state treasurer to include a pledge to bondholders in general obligation and credit revenue bonds issued during FYs 24 and 25 that the state will comply with the fiscal controls except under limited circumstances, during each fiscal year to which the pledge applies.

The pledge to bondholders is that the state will not enact any laws taking effect in FYs 24-28 and FYs 29-33, except as described below, that change the state's obligation to comply with the fiscal controls during the years to which the pledge applies, unless the following conditions are met:

1. bondholders are protected in another way or
2. (a) the governor declares an emergency or the existence of extraordinary circumstances in which he invokes his statutory authority to reduce appropriated accounts (CGS § 4-85), (b) at least three-fifths of the members of each house of the General Assembly approve the change, and (c) the change is limited to the fiscal year in progress.

The pledge applies through FY 33 unless the General Assembly adopts, by June 30, 2028, a resolution not to continue it beyond FY 28. It does not apply to refunding bonds issued to pay the original bonds (CGS § 3-20(bb)).