

## Introduction

While the Connecticut General Assembly typically passes budget revisions as a part of regular legislative sessions during even-numbered years, the coronavirus pandemic brought the 2020 legislative session, and any budget revisions, to a halt. This frequently asked questions document looks at what this means for the State of Connecticut's fiscal year 2021 budget and for municipal aid, including Education Cost Sharing (ECS) grants.

### **Q: Does Connecticut have a budget in place for the fiscal year beginning July 1, 2020?**

**A:** Yes. Connecticut operates on a biennial state budget process,<sup>1</sup> which means every regular legislative session that occurs in an odd-numbered year, the General Assembly passes two budgets: one budget for the immediately following fiscal year and one for the fiscal year two years from the odd year that the legislative session is occurring.<sup>2</sup> As a result, the legislature passed a budget for the upcoming fiscal year (FY 2021) that begins on July 1, 2020 during the 2019 legislative session.

### **Q: Is the FY 2021 state budget in balance?**

**A:** While the FY 2021 budget was balanced when it was enacted back in 2019, a number of revenue and expenditure changes have occurred since that time, including a \$2.2 billion projected reduction in FY 2021 revenue as a result of the coronavirus pandemic.<sup>3</sup> As a result, the FY 2021 budget that goes into effect on July 1, 2020 has a sizable projected budget deficit.

### **Q: How will the FY 2021 budget deficit be addressed?**

**A:** The FY 2021 budget deficit may be addressed in a number of ways, including the use of rescissions, legislative modifications to the enacted budget, and/or utilizing the State's Budget Reserve Fund (aka the "Rainy Day Fund").

### **Q: What are rescissions?**

**A:** Rescissions are reductions to appropriations that are unilaterally made by the governor at any time the governor determines the State is facing a budget deficit in the course of a fiscal year.<sup>4</sup> Rescission authority allows the governor to reduce funding for programs and services by no more than five percent of the original appropriation.<sup>5</sup> Additionally, the governor is not permitted to rescind any municipal aid appropriations, including the ECS grant, or appropriations that support the legislative and judicial branches of government.<sup>6</sup> When utilizing rescissions to mitigate a budget deficit, the governor is required to produce a list of rescissions enacted and disseminate this information to the General Assembly.<sup>7</sup>

---

<sup>1</sup> Conn. Gen. Statutes ch. 16, § 2-35.

<sup>2</sup> Ibid.

<sup>3</sup> McCaw, M., & Ayers, N. (2020). *Consensus Revenue - April 30, 2020*. Hartford, CT: State of Connecticut, Office of Policy and Management. Retrieved from [https://portal.ct.gov/-/media/OPM/Bud-Other-Projects/Reports/Consensus\\_Revenue/FINAL\\_CONSENSUS\\_APR30\\_2020.pdf?la=en](https://portal.ct.gov/-/media/OPM/Bud-Other-Projects/Reports/Consensus_Revenue/FINAL_CONSENSUS_APR30_2020.pdf?la=en).

<sup>4</sup> Conn. Gen. Statutes ch. 50, § 4-85(b).

<sup>5</sup> Ibid.

<sup>6</sup> Conn. Gen. Statutes ch. 50, § 4-85(e).

<sup>7</sup> Conn. Gen. Statutes ch. 50, § 4-85(b).

**Q: Can employing rescissions eliminate the projected budget deficit for FY 2021?**

**A:** No. Due to the size of the projected budget deficit for FY 2021, other measures will need to be employed in addition to rescissions. While the governor can reduce up to five percent of certain appropriations, the governor cannot reduce appropriations that support fixed costs as those expenditures are required to support entitlement programs or state contracts. Since those expenditures are required, any rescission applied against those appropriations would not help balance the budget. Therefore, while the use of rescissions will help to reduce the budget deficit, rescissions cannot eliminate the projected budget deficit for FY 2021.

**Q: How and when can the legislature act to mitigate the FY 2021 budget deficit?**

**A:** The legislature can make modifications to enacted budgets at any time, including during the current fiscal year even if the enacted budget is balanced. However, the governor is required to submit a deficit mitigation plan to the legislature when there is a projected budget deficit that exceeds one percent of the State's General Fund appropriations. The General Assembly, however, is not required to act on the governor's deficit mitigation plan.<sup>8</sup>

**Q: What can a deficit mitigation plan contain?**

**A:** A deficit mitigation plan includes actions the governor is not statutorily permitted to take unilaterally and may include modifications to taxes and fees, proposed reductions to municipal aid, proposed reductions to the legislative and judicial branch appropriations, and reductions of more than five percent to individual appropriations. State statute does not require the General Assembly to act on all or a portion of any deficit mitigation plan submitted by a governor. Instead, statute only requires that the governor submit deficit mitigation plans to the General Assembly for its consideration.<sup>9</sup>

**Q: Is there another way for municipal aid to be reduced in any given fiscal year?**

**A:** No. The governor is not permitted to reduce municipal aid without explicit permission from the General Assembly. While the governor can propose a reduction to municipal aid, including the ECS grant, no reduction can be implemented without legislative approval.

**Q: How was former Governor Dannel Malloy able to reduce the ECS grant in FY 2018?**

**A:** Governor Malloy reduced the ECS grants in FY 2018 using his holdback authority. Holdbacks are budgeted savings the legislature has given the governor the authority to achieve.<sup>10</sup> In FY 2021, the governor is authorized to reduce appropriations totaling \$53.2 million in order to meet the targeted savings as required in the budget.<sup>11</sup>

**Q: Can the governor reduce municipal aid in order to meet the holdback savings?**

**A:** No. The current biennial budget includes language that prevents the governor from reducing aid to municipalities, including the ECS grants in FY 2021, as a measure to achieve the budgeted savings. However, this language could be changed by the General Assembly at any time to allow the governor to include municipal aid in holdbacks.<sup>12</sup>

---

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Conn. Acts 19-117 § 11.

<sup>11</sup> Conn. Acts 19-117 § 1.

<sup>12</sup> Conn. Acts 19-117 § 12.