

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Connecticut: Tools for Sustainable State Budgeting

Long-term budget assessment: ✓	Budget stress test: ✓
Report: "Fiscal Accountability Report: FY 23-FY 26" ³	Report: "Fiscal Accountability Report: FY 20-FY 24" ⁴
Office: Office of Fiscal Analysis	Office: Office of Fiscal Analysis

Analyses

Connecticut law requires both the General Assembly's Office of Fiscal Analysis (OFA) and the executive branch's Office of Policy and Management (OPM) to produce reports each year examining the state's long-term fiscal outlook.⁵ One strength of these "Fiscal Accountability Reports" is that they do not limit their analysis to the state's general fund and instead examine other accounts and spending categories, including ones that are sources of fiscal pressure such as the Special Transportation Fund and public employee retirement benefits.⁶

Despite providing a wealth of data and analysis, the reports suffer from a significant weakness. They are statutorily required to project spending growth only in “fixed cost drivers”—spending that is required by law, such as debt service, pension contributions, and entitlements.⁷ The OFA’s reports compare fixed cost growth to revenue growth to determine whether the state’s budget is structurally balanced.⁸ But by requiring this approach, Connecticut policymakers may have forced the analysts to provide them with an unrealistically optimistic view of the budget because potential spending growth in other areas, such as education and local government aid, is not included.

The OFA included budget stress tests in its 2018 and 2019 “Fiscal Accountability Reports,” but none since.⁹ However, the office reports that it has continued to produce internal stress analyses.¹⁰

Policy impact

The OFA and OPM publish the “Fiscal Accountability Reports” by late November each year, providing a starting point for lawmakers’ budget decisions.¹¹ Then, during mandatory legislative hearings in early December—weeks before the General Assembly convenes for its annual session—legislators pepper OFA and OPM officials with questions about the state’s fiscal outlook.¹² Over the years, the reports have helped call attention to Connecticut’s substantial challenges and its nascent fiscal turnaround that has included increased reserves, efforts to manage pension liabilities, and multiple rounds of credit upgrades.¹³

Next steps

Lawmakers could authorize the OFA and OPM to project spending growth in areas beyond fixed costs. The offices already produce more comprehensive spending projections elsewhere (the OPM in the governor’s budget and the OFA internally), so making this change may not require significant additional resources.¹⁴

The state could also begin publishing stress tests regularly. Connecticut is a national success story for increasing its rainy day fund balance, which grew 13-fold as a percentage of state spending from fiscal year 2017 to fiscal 2020.¹⁵ After the fund reached its statutory cap of 15% of appropriations, lawmakers voted in 2023 to increase the cap to 18%.¹⁶ A stress test could determine whether the cap should be raised further or the state has saved enough.

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 23-FY 26" (2022), https://www.cga.ct.gov/ofa/Documents/year/FF/2023FF-20221118_Fiscal%20Accountability%20Report%20FY%2023%20-%20FY%2026.pdf.
- 4 Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 20-FY 24" (2019), https://www.cga.ct.gov/ofa/Documents/Year/FF/2020FF-20191120_Fiscal%20Accountability%20Report%20FY%2020%20-%20FY%2024.pdf.
- 5 Connecticut Gen. Stat. § 2-36b, https://www.cga.ct.gov/current/pub/chap_016.htm#sec_2-36b.
- 6 Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 23-FY 26," 18-21, 44-50; Connecticut Office of Policy and Management, "Fiscal Accountability Report: Fiscal Years 2023-2026" (2022), 18-21, 30-38, <https://portal.ct.gov/-/media/OPM/Budget/FiscalAccountability/OPM-2022-Fiscal-Accountability-Report.pdf>.
- 7 Connecticut Gen. Stat. § 2-36b.
- 8 Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 23-FY 26," 10.
- 9 Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 20-FY 24," 23-24; Connecticut Office of Fiscal Analysis, "Fiscal Accountability Report: FY 19-FY 22" (2018), 31-32, https://www.cga.ct.gov/ofa/Documents/year/FF/2019FF-20181115_Fiscal%20Accountability%20Report%20FY%2019%20-%20FY%2022.pdf.
- 10 N. Ayers (director, Connecticut Office of Fiscal Analysis), interview with The Pew Charitable Trusts, Jan. 12, 2023.
- 11 Connecticut Gen. Stat. § 2-36b.
- 12 *Ibid.*; Ayers, interview.
- 13 G. Messner (executive budget officer, Connecticut Office of Policy and Management), interview with The Pew Charitable Trusts, Jan. 12, 2023; D. Haar, "Standard & Poor's Upgrades CT's Credit Rating in a Sign of Budget Progress," *CT Insider*, Nov. 21, 2022, <https://www.ctinsider.com/news/article/Standard-Poors-upgrades-CT-credit-rating-17602291.php>.
- 14 Connecticut Office of Policy and Management, "Three Year Budget Report" (2023), 1, https://portal.ct.gov/-/media/OPM/Budget/2024_2025_Biennial_Budget/Budget_WebPage/OutyearReport_2024-28_Final.pdf; Ayers, interview.
- 15 J. Theal and A. Fall, "Record State Budget Reserves Buffer Against Mounting Fiscal Threats," The Pew Charitable Trusts, March 16, 2023, <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/03/16/record-state-budget-reserves-buffer-against-mounting-fiscal-threats>; The Pew Charitable Trusts, "Fiscal 50: State Trends and Analysis, Reserves and Balances," updated March 16, 2023, <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind5>.
- 16 C. Keating, "Connecticut Legislature Extends Fiscal Guardrails for 5 Years in Multifaceted Bill; Commissioner Dykes Approved," *Hartford Courant*, updated Feb. 13, 2023, <https://www.courant.com/2023/02/09/connecticut-legislature-extends-fiscal-guardrails-for-5-years-in-multifaceted-bill-commissioner-dykes-approved>.

For more information, please visit: pewtrusts.org/fiscaltools

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